

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

REREVISED

*This Version Includes All Amendments
Adopted in the Second House*

LLS NO. 21-0352.01 Duane Gall x4335

HOUSE BILL 21-1238

HOUSE SPONSORSHIP

Bernett, Kennedy, Amabile, Boesenecker, Cutter, Duran, Froelich, Hooton, Jackson, Jodeh, Kipp, McCormick, McLachlan, Michaelson Jenet, Mullica, Ortiz, Ricks, Sirota, Tipper, Titone, Valdez A., Weissman, Woodrow

SENATE SPONSORSHIP

Hansen, Fenberg, Jaquez Lewis, Lee, Pettersen, Priola, Story

House Committees
Energy & Environment

Senate Committees
Transportation & Energy
Appropriations

A BILL FOR AN ACT

101 **CONCERNING THE MODERNIZATION OF GAS ENERGY EFFICIENCY**
102 **PROGRAMS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill updates the methods used to determine the cost-effectiveness of demand-side management (DSM) programs of public utilities selling natural gas at retail, including requiring that the calculation of future benefits reflects the avoided costs to ratepayers resulting from reduced consumption of natural gas. The bill specifies that the calculation must be based on reliable estimates and published

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

SENATE
3rd Reading Unamended
May 27, 2021

SENATE
2nd Reading Unamended
May 26, 2021

HOUSE
3rd Reading Unamended
May 5, 2021

HOUSE
Amended 2nd Reading
May 4, 2021

scientific data and must include methane emissions. In addition, the bill adds savings targets and budget control mechanisms to the approval process for gas DSM programs, paralleling the existing process that applies to electric DSM programs.

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

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and determines that:

4 (a) Demand-side management (DSM) programs promote energy
5 efficiency, saving utility ratepayers money and reducing energy
6 consumption over a long period for a relatively small initial investment;

7 (b) Colorado law gives public utilities incentives to invest in DSM
8 programs but conditions those incentives on a requirement that the DSM
9 programs, taken as a whole, be cost-effective;

10 (c) Changes to the metrics used to determine the
11 cost-effectiveness of DSM programs will more realistically account for
12 their value, benefitting ratepayers economically while simultaneously
13 reducing the greenhouse gas emissions of Colorado's gas utilities; and

14 (d) As a result of legislation passed in 2019, the Colorado air
15 quality control commission is undertaking statewide assessments of
16 greenhouse gas emissions, including emissions of not only carbon dioxide
17 but also methane, which is often released in the process of natural gas
18 production and distribution, and other greenhouse gases in the calculation
19 of environmental costs. Leading climate scientists state that mitigation of
20 short-lived pollutants such as methane can play a significant role in
21 slowing the rate of climate change while producing many co-benefits for
22 human health and food security.

23 (2) Therefore, the general assembly declares that it is in the public

1 interest to:

2 (a) Update the methods used to determine the cost-effectiveness
3 of gas DSM programs;

4 (b) Incorporate into the cost-effectiveness determinations the most
5 recent and accurate assessments of the social costs of greenhouse gas
6 emissions, including carbon dioxide and methane emissions, while
7 recognizing that future assessments likely will provide still more
8 favorable estimates of the long-term value of current investments in gas
9 DSM programs;

10 (c) Ensure that a significant portion of gas DSM program
11 expenditures be targeted to improve energy efficiency in income-qualified
12 households;

13 (d) Direct the public utilities commission to incorporate into its
14 evaluations of DSM program the costs of greenhouse gas emissions,
15 including the social cost of carbon dioxide and methane leaked or emitted
16 into the atmosphere; and

17 (e) Direct the public utilities commission to set savings targets for
18 gas utility DSM plans based upon the maximum cost-effective and
19 achievable level of savings.

20 **SECTION 2.** In Colorado Revised Statutes, 40-1-102, **amend** (5)
21 and (6); and **add** (1.1) as follows:

22 **40-1-102. Definitions.** As used in articles 1 to 7 of this title 40,
23 unless the context otherwise requires:

24 (1.1) "BEHIND-THE-METER THERMAL RENEWABLE SOURCE" MEANS
25 A TECHNOLOGY THROUGH WHICH A UTILITY CUSTOMER ACCESSES A
26 RENEWABLE HEATING OR COOLING SOURCE TO SERVE THE CUSTOMER'S
27 ELECTRIC OR HEATING NEEDS FOR ONE OR MORE END USES, INCLUDING

1 WATER HEATING, SPACE HEATING OR COOLING, OR INDUSTRIAL PROCESSES.

2

3 (5) (a) "Cost-effective", with reference to a natural gas or electric
4 demand-side management program or related measure, means having a
5 benefit-cost ratio greater than one.

6 (b) In calculating the benefit-cost ratio, the benefits ~~shall~~ MUST
7 include, ~~but are not limited to~~ IN A BASE CASE, the following, as
8 applicable:

9 (I) The utility's avoided generation, transmission, distribution,
10 capacity, and energy costs;

11 (II) The valuation of avoided GREENHOUSE GAS emissions,
12 CALCULATED AS THE SOCIAL COST OF CARBON DIOXIDE IN ACCORDANCE
13 WITH SECTIONS 40-3.2-106 AND 40-3.2-107 AND THE SOCIAL COST OF
14 METHANE IN ACCORDANCE WITH SECTION 40-3.2-107, AS SEPARATE ITEMS
15 IN THE COST-BENEFIT CALCULATION; and

16 (III) ~~Nonenergy~~ OTHER COSTS OR benefits as determined by the
17 commission.

18 (c) In calculating the benefit-cost ratio, the costs ~~shall~~ MUST
19 include ~~but are not limited to~~, utility and participant expenditures for the
20 following, as applicable:

21 (I) Program design, administration, evaluation, advertising, and
22 promotion;

23 (II) Customer education;

24 (III) Incentives and discounts;

25 (IV) Capital costs; and

26 (V) Operation and maintenance expenses.

27 (d) IN ADDITION TO THE BASE CASE ANALYSIS OF

1 COST-EFFECTIVENESS DESCRIBED IN SUBSECTION (5)(b) OF THIS SECTION,
2 A UTILITY MAY PROVIDE A CASE THAT DOES NOT INCLUDE THE SOCIAL
3 COSTS OF METHANE AND CARBON DIOXIDE.

4 (6) "Demand-side management programs" or "DSM programs"
5 means ANY OF THE FOLLOWING PROGRAMS OR COMBINATION OF
6 PROGRAMS:

7 (a) Energy efficiency, INCLUDING WEATHERIZATION AND
8 INSULATION;

9 (b) Conservation;

10 (c) Load management;

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

13 (e) Demand response programs. ~~or any combination of these~~
14 ~~programs.~~

15 **SECTION 3.** In Colorado Revised Statutes, 40-2-123, **amend**
16 (1)(b) as follows:

17 **40-2-123. New energy technologies - consideration by**
18 **commission - incentives - definitions - legislative declaration.**

19 (1) (b) (I) The commission may give consideration to the likelihood of
20 new environmental regulation and the risk of higher future costs
21 associated with the emission of greenhouse gases such as carbon dioxide
22 AND METHANE when it considers utility proposals to acquire resources
23 ~~Where utilities eliminate or reduce carbon dioxide emissions through the~~
24 ~~use of capture and sequestration, the commission may consider the~~
25 ~~benefits of using carbon dioxide for enhanced oil recovery or other uses~~
26 OR TO IMPLEMENT DSM PROGRAMS. THE COMMISSION SHALL
27 COLLABORATE WITH THE AIR QUALITY CONTROL COMMISSION TO ENSURE

1 THAT ANY EMISSIONS REDUCTIONS ACHIEVED THROUGH GAS DSM
2 PROGRAMS ARE APPROPRIATELY ACCOUNTED FOR IN MEETING THE STATE'S
3 GREENHOUSE GAS REDUCTION GOALS.

4 (II) FOR PURPOSES OF EVALUATING A GAS DSM PROGRAM OR
5 MEASURE THAT INCORPORATES INNOVATIVE TECHNOLOGIES WITH THE
6 POTENTIAL FOR SIGNIFICANT IMPACT, SUCH AS ENERGY-SAVING
7 TECHNOLOGIES THAT GO BEYOND WHAT IS ACHIEVABLE USING ENERGY
8 EFFICIENCY MEASURES ALONE, THE COMMISSION MAY FIND THE PROGRAM
9 OR MEASURE COST-EFFECTIVE, NOTWITHSTANDING SECTION 40-1-102
10 (5)(a), EVEN IF ITS INITIAL BENEFIT-COST RATIO IS NOT GREATER THAN ONE
11 WHEN CALCULATED USING CURRENTLY AVAILABLE DATA AND
12 ASSUMPTIONS.

13 **SECTION 4.** In Colorado Revised Statutes, 40-3.2-103, **amend**
14 (1), (2) introductory portion, (2)(a), (2)(b), (2)(c)(I), (3), and (5); and **add**
15 (2.5) and (3.5) as follows:

16 **40-3.2-103. Gas distribution utility demand-side management**
17 **programs - recovery of costs.** (1) ~~On or before September 30, 2007, the~~
18 ~~commission shall commence a rule-making proceeding, as described in~~
19 ~~subsection (2) of this section~~ COMMENCING IN 2022 AND NO LESS
20 FREQUENTLY THAN EVERY FOUR YEARS THEREAFTER, EACH
21 INVESTOR-OWNED GAS DISTRIBUTION UTILITY, ALSO REFERRED TO IN THIS
22 SECTION AS A "GAS UTILITY", SHALL FILE AN APPLICATION TO OPEN A DSM
23 STRATEGIC ISSUES PROCEEDING to develop ~~expenditure and~~ ENERGY
24 SAVINGS TARGETS TO BE ACHIEVED BY THE GAS UTILITY, TAKING INTO
25 ACCOUNT ITS POTENTIAL FOR COST-EFFECTIVE DEMAND-SIDE
26 MANAGEMENT AS WELL AS COLORADO'S GREENHOUSE GAS REDUCTION
27 GOALS. THE COMMISSION SHALL, AS PART OF APPROVING A GAS UTILITY'S

1 GAS DSM STRATEGIC ISSUES APPLICATION, ALSO DEVELOP AN ESTIMATED
2 DSM BUDGET COMMENSURATE WITH natural gas savings targets, funding
3 and cost-recovery mechanisms, and a financial bonus structure for
4 ~~demand-side management~~ DSM programs implemented by an
5 ~~investor-owned gas distribution utility, also referred to in this section as~~
6 ~~a "gas utility"~~ A GAS UTILITY.

7 (2) As part of the ~~rule-making proceeding~~ DEVELOPMENT OF
8 TARGETS, MECHANISMS, AND A BONUS STRUCTURE required by subsection
9 (1) of this section, the commission shall:

10 (a) Adopt AN ESTIMATED BUDGET FOR DSM program ~~expenditure~~
11 ~~targets equal to at least one-half of one percent of a natural gas utility's~~
12 ~~revenues from its full service customers in the year prior to setting such~~
13 ~~targets~~ EXPENDITURES COMMENSURATE WITH THE ENERGY SAVINGS
14 TARGETS ESTABLISHED BY THE COMMISSION;

15 (b) Establish DSM program ENERGY savings targets that are
16 ~~commensurate with program expenditures and expressed in terms of an~~
17 ~~amount of gas saved per unit of program expenditures~~ CONSISTENT WITH
18 ACHIEVING THE GREENHOUSE GAS REDUCTION TARGETS IN SECTION
19 25-7-102 (2)(g), TAKE INTO CONSIDERATION NEW CLEAN ENERGY
20 TECHNOLOGIES AS CONTEMPLATED BY SECTION 40-2-123, AND REFLECT
21 THE MAXIMUM COST-EFFECTIVE AND ACHIEVABLE NATURAL GAS SAVINGS
22 POTENTIAL FOR THE GAS UTILITY CONSISTENT WITH THE NEEDS OF ITS
23 FULL-SERVICE CUSTOMERS;

24 (c) (I) (A) Adopt procedures for allowing gas utilities to recover
25 ~~their prudently incurred costs of DSM programs without having to file a~~
26 ~~rate case. Such costs shall include, but are not limited to, facility~~
27 ~~investments; rebates; interest rate buy-downs; incremental labor costs,~~

1 employee benefits, carrying costs, and employee-related administrative
2 costs; and other administrative costs. All such costs shall be recovered
3 through a cost adjustment mechanism that is set on an annual basis, or
4 more frequently if deemed appropriate.

5 (B) LABOR COSTS SHALL REFLECT, AND THE COMMISSION SHALL
6 REQUIRE, COMPLIANCE WITH ALL APPLICABLE LABOR STANDARDS SET
7 FORTH IN SECTION 40-3.2-105.5.

8 (2.5) FOR GAS UTILITIES WITH FEWER THAN TWO HUNDRED FIFTY
9 THOUSAND FULL-SERVICE CUSTOMERS, THE COMMISSION MAY ESTABLISH
10 ENERGY SAVINGS TARGETS, A BUDGET FOR GAS DSM PROGRAM
11 EXPENDITURES, FUNDING AND COST-RECOVERY MECHANISMS, AND A
12 FINANCIAL BONUS STRUCTURE IN THE SAME PROCEEDING IN WHICH THE
13 UTILITY'S GAS DSM PROGRAM PLAN IS SUBMITTED FOR APPROVAL.

14 (3) ~~Within twelve months~~ After the completion of the rule-making
15 ~~required by~~ DEVELOPMENT OF THE TARGETS, MECHANISMS, AND BONUS
16 STRUCTURE AS DESCRIBED IN subsection (1) of this section, each gas
17 utility shall:

18 (a) (I) ~~Develop and begin implementing a set of cost-effective GAS~~
19 ~~DSM programs for its full service customers. Such programs shall be of~~
20 ~~the gas utility's choosing, taking into account the characteristics of the gas~~
21 ~~utility and its customers. One or more programs may~~ PROGRAM PLANS
22 DESIGNED TO MEET OR EXCEED THE ENERGY SAVINGS TARGETS
23 ESTABLISHED BY THE COMMISSION.

24 (II) GAS DSM PROGRAM PLANS MAY BE COMBINED WITH ELECTRIC
25 DSM PROGRAM PLANS, BENEFICIAL ELECTRIFICATION PLANS, OR OTHER
26 PLANS THAT REDUCE ENERGY CONSUMPTION OR GREENHOUSE GAS
27 EMISSIONS. EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS (3)(a)(III)

1 AND (3)(a)(IV) OF THIS SECTION, ONE OR MORE OF THE GAS DSM
2 PROGRAMS OR MEASURES, REPRESENTING AN AGGREGATE TOTAL OF AT
3 LEAST TWENTY-FIVE PERCENT OF OVERALL RESIDENTIAL GAS DSM
4 PROGRAM EXPENDITURES, INCLUDING EXPENDITURES SERVING
5 INCOME-QUALIFIED HOUSEHOLDS, MUST BE TARGETED TO ~~low-income~~
6 RESIDENTIAL customers ~~and, if so, may be provided directly by the gas~~
7 ~~utility or indirectly through financial support of conservation programs~~
8 ~~for low-income households administered by the state~~ IN
9 INCOME-QUALIFIED HOUSEHOLDS.

10 (III) IN THE CASE OF A GAS UTILITY WITH FEWER THAN FIFTY
11 THOUSAND FULL-SERVICE CUSTOMERS, AND EXCEPT AS OTHERWISE
12 PROVIDED IN SUBSECTION (3)(a)(IV) OF THIS SECTION, ONE OR MORE OF
13 THE GAS DSM PROGRAMS OR MEASURES, REPRESENTING AN AGGREGATE
14 TOTAL OF AT LEAST FIFTEEN PERCENT OF OVERALL RESIDENTIAL GAS DSM
15 PROGRAM EXPENDITURES, INCLUDING EXPENDITURES SERVING
16 INCOME-QUALIFIED HOUSEHOLDS, MUST BE TARGETED TO RESIDENTIAL
17 CUSTOMERS IN INCOME-QUALIFIED HOUSEHOLDS.

18 (IV) ON OR AFTER JANUARY 1, 2026, THE COMMISSION MAY
19 COMMENCE PROCEEDINGS TO ADJUST THE PERCENTAGE SPECIFIED IN
20 SUBSECTION (3)(a)(II) OR (3)(a)(III) OF THIS SECTION IN LIGHT OF
21 CHANGED CIRCUMSTANCES, SO LONG AS THE RESULTING PERCENTAGES
22 REPRESENT A SIGNIFICANT PORTION OF GAS DSM PROGRAM
23 EXPENDITURES AND CONTINUE TO MAKE PROGRESS TOWARD
24 ACHIEVEMENT OF COLORADO'S ENERGY EFFICIENCY AND GREENHOUSE
25 GAS EMISSION REDUCTION GOALS.

26 (b) In implementing APPROVED DSM programs, use reasonable
27 efforts to maximize energy savings consistent with the annual energy

1 efficiency budget.

2 (3.5) (a) TO MEET THE ENERGY SAVINGS TARGETS ESTABLISHED BY
3 THE COMMISSION IN ACCORDANCE WITH THIS SECTION, GAS UTILITIES
4 SHALL CONSIDER INCLUDING INCENTIVES FOR CUSTOMERS TO UTILIZE
5 BEHIND-THE-METER THERMAL RENEWABLE SOURCES. THE COMMISSION
6 SHALL NOT PROHIBIT GAS UTILITIES FROM OFFERING PROGRAMS OR
7 INCENTIVES THAT ENCOURAGE CUSTOMERS TO REPLACE GAS-FUELED
8 APPLIANCES WITH EFFICIENT ELECTRIC APPLIANCES.

9 (b) THE COMMISSION SHALL NOT REQUIRE THE REMOVAL OF
10 GAS-FUELED APPLIANCES OR EQUIPMENT FROM AN EXISTING STRUCTURE
11 NOR BAN THE INSTALLATION OF GAS SERVICE LINES TO ANY NEW
12 STRUCTURE.

13 (5) (a) The commission shall authorize each gas utility to recover
14 moneys MONEY spent for education programs, impact and process
15 evaluations, and program planning related to natural gas DSM programs
16 offered by the gas utility without having to show that such expenditures,
17 on an independent basis, are cost-effective. The commission may limit the
18 amount spent for these activities.

19 (b) (I) UPON PETITION BY A REGULATED GAS UTILITY, THE
20 COMMISSION SHALL REMOVE DISINCENTIVES TO THE IMPLEMENTATION OF
21 EFFECTIVE GAS DSM PROGRAMS THROUGH THE ADOPTION OF A RATE
22 ADJUSTMENT MECHANISM THAT ENSURES THAT THE REVENUE PER
23 CUSTOMER APPROVED BY THE COMMISSION IN A GENERAL RATE CASE
24 PROCEEDING IS RECOVERED BY THE GAS UTILITY WITHOUT REGARD TO THE
25 QUANTITY OF NATURAL GAS ACTUALLY SOLD BY THE GAS UTILITY AFTER
26 THE DATE THE RATE TOOK EFFECT. THE COMMISSION SHALL SEPARATELY
27 CALCULATE, FOR THE RATE CLASS OR CLASSES TO WHICH A RATE

1 ADJUSTMENT MECHANISM APPLIES, THE REGULATORY DISINCENTIVES
2 REMOVED THROUGH THAT MECHANISM AND COLLECTED OR REFUNDED BY
3 THE GAS UTILITY THROUGH A TARIFF RIDER.

4 (II) REMOVING DISINCENTIVES THROUGH A RATE ADJUSTMENT
5 MECHANISM ADOPTED PURSUANT TO SUBSECTION (5)(b)(I) OF THIS
6 SECTION DOES NOT PRECLUDE A GAS UTILITY FROM RECEIVING A BONUS
7 PURSUANT TO SUBSECTION (2)(d) OF THIS SECTION.

8 (III) THE COMMISSION SHALL NOT REDUCE A GAS UTILITY'S
9 RETURN ON EQUITY BASED SOLELY ON APPROVAL OF A RATE ADJUSTMENT
10 MECHANISM ADOPTED PURSUANT TO SUBSECTION (5)(b)(I) OF THIS
11 SECTION.

12 **SECTION 5.** In Colorado Revised Statutes, add 40-3.2-105.5 as
13 follows:

14 **40-3.2-105.5. Labor standards for gas DSM projects.** (1) THIS
15 SECTION APPLIES TO ALL NECESSARY PLUMBING, MECHANICAL, AND
16 ELECTRICAL WORK PERFORMED IN CONNECTION WITH A PROJECT
17 UNDERTAKEN PURSUANT TO A GAS DSM PROGRAM UNDER THIS ARTICLE
18 3.2 AND FOR WHICH A CUSTOMER OF AN INVESTOR-OWNED UTILITY
19 APPLIES FOR A REBATE DIRECTLY FROM THE UTILITY.

20 (2) WHEN PRACTICABLE, THE UTILITY MAY ASSIGN ITS OWN
21 EMPLOYEES TO PERFORM THE WORK, SUBJECT TO STATE LICENSING
22 REQUIREMENTS AND ALL APPLICABLE STATE AND LOCAL RULES, CODES,
23 AND STANDARDS.

24 (3) (a) THE UTILITY SHALL MAKE USE OF A LIST, REFERRED TO IN
25 THIS SECTION AS THE "CERTIFIED CONTRACTOR LIST", CONTAINING THE
26 NAMES AND CONTACT INFORMATION OF:

27 (I) QUALIFIED CONTRACTORS THAT PARTICIPATE IN

1 APPRENTICESHIP PROGRAMS THAT:

2 (A) ARE REGISTERED WITH THE UNITED STATES DEPARTMENT OF
3 LABOR'S EMPLOYMENT AND TRAINING ADMINISTRATION OR WITH A STATE
4 APPRENTICESHIP COUNCIL RECOGNIZED BY THE UNITED STATES
5 DEPARTMENT OF LABOR; AND

6 (B) HAVE BEEN PROVIDING TRAINING FOR AT LEAST SIX MONTHS;
7 AND

8 (II) QUALIFIED MECHANICAL, ELECTRICAL, AND PLUMBING
9 CONTRACTORS THAT PARTICIPATE IN APPRENTICESHIP PROGRAMS MEETING
10 THE STANDARDS SPECIFIED IN SECTION 24-92-115 (1)(a)(II).

11 (b) THE COLORADO DEPARTMENT OF LABOR AND EMPLOYMENT
12 SHALL OVERSEE THE COMPILATION OF THE CERTIFIED CONTRACTOR LIST
13 THROUGH ONE OF THE FOLLOWING METHODS:

14 (I) DIRECTING THE STATE APPRENTICESHIP COUNCIL, IF
15 AVAILABLE, TO ASSEMBLE THE INFORMATION; OR

16 (II) ESTABLISH AN APPLICATION PROCESS WHEREBY CONTRACTORS
17 WOULD APPLY FOR INCLUSION IN THE LIST AND PROVIDE EVIDENCE, IN A
18 FORMS SATISFACTORY TO THE DEPARTMENT, THAT EACH APPLICANT MEETS
19 THE CRITERIA SET FORTH IN SUBSECTION (3)(a) OF THIS SECTION.

20 (c) THE UTILITY SHALL PUBLISH THE CERTIFIED CONTRACTOR LIST
21 ON ITS WEBSITE AND INCLUDE OR REFERENCE THE LIST IN ALL OF THE
22 UTILITY'S RELEVANT MARKETING MATERIAL FOR GAS DSM PROGRAMS.

23 (d) IN ADDITION TO THE CERTIFIED CONTRACTOR LIST, EACH
24 INVESTOR-OWNED GAS UTILITY SHALL REQUIRE ITS RESIDENTIAL
25 CUSTOMERS TO USE LICENSED PLUMBING AND ELECTRICAL CONTRACTORS
26 THAT PERFORM THE TYPE OF WORK APPROPRIATE TO RESIDENTIAL GAS
27 DSM INSTALLATIONS FOR PARTICIPATION IN GAS DSM PROGRAMS WHERE

1 A REBATE IS PAID DIRECTLY TO THE CUSTOMER AFTER THE INSTALLATION
2 IS COMPLETE AND THE CUSTOMER USES A CONTRACTOR.

3 (4) THE FOLLOWING REQUIREMENTS APPLY TO GAS DSM PROJECTS
4 IN NEW OR EXISTING BUILDINGS:

5 (a) FOR PLUMBING, MECHANICAL, OR ELECTRICAL PROJECTS
6 UNDERTAKEN BY A COMMERCIAL OR INDUSTRIAL CUSTOMER IN A BUILDING
7 THAT CONTAINS TWENTY THOUSAND SQUARE FEET OR MORE OF
8 CONDITIONED FLOOR SPACE AND FOR WHICH A REBATE IS TO BE PROVIDED
9 DIRECTLY TO THE CUSTOMER AS PART OF A GAS DSM PROGRAM, THE
10 UTILITY SHALL CONDITION PAYMENT OF THE REBATE ON THE CUSTOMER'S
11 EXCLUSIVE USE OF CONTRACTORS FROM THE CERTIFIED CONTRACTOR LIST
12 UNLESS THE WORK IS DONE BY EMPLOYEES OF THE UTILITY.

13 (b) (I) FOR PLUMBING, MECHANICAL, OR ELECTRICAL PROJECTS
14 THAT INVOLVE ENERGY EFFICIENCY IMPROVEMENTS TO CENTRAL BUILDING
15 SYSTEMS IN A MULTIFAMILY BUILDING THAT CONTAINS TWENTY
16 THOUSAND SQUARE FEET OR MORE OF CONDITIONED FLOOR SPACE AND FOR
17 WHICH A REBATE IS TO BE PROVIDED DIRECTLY TO THE BUILDING OWNER
18 AS PART OF A GAS DSM PROGRAM, THE UTILITY SHALL CONDITION
19 PAYMENT OF THE REBATE ON THE BUILDING OWNER'S EXCLUSIVE USE OF
20 CONTRACTORS THAT PARTICIPATE IN APPRENTICESHIP PROGRAMS
21 REGISTERED WITH THE UNITED STATES DEPARTMENT OF LABOR'S
22 EMPLOYMENT AND TRAINING ADMINISTRATION OR WITH A STATE
23 APPRENTICESHIP COUNCIL RECOGNIZED BY THE UNITED STATES
24 DEPARTMENT OF LABOR FOR ANY NECESSARY PLUMBING OR ELECTRICAL
25 WORK. IF THE CONTRACTOR CHOSEN BY THE CUSTOMER IS NOT ON THE
26 CERTIFIED CONTRACTOR LIST, THE UTILITY SHALL REQUIRE ANOTHER
27 METHOD OF VERIFYING COMPLIANCE WITH THIS SUBSECTION (4)(b).

1 (II) THIS SUBSECTION (4)(b) DOES NOT APPLY TO A GAS DSM
2 PROJECT THAT IS LIMITED TO IN-UNIT WORK IN A MULTIFAMILY BUILDING,
3 AS UNDERTAKEN BY THE OWNER OR TENANT OF THE MULTIFAMILY
4 BUILDING OR UNIT.

5 SECTION 6. In Colorado Revised Statutes, 40-3.2-106, amend
6 (1) introductory portion, (1)(c), (4), and (5); and add (1)(c.5) as follows:

7 40-3.2-106. Costs of pollution in utility planning - definitions
8 - rules. (1) The commission shall require an electric OR GAS public utility
9 subject to commission jurisdiction to consider the cost of carbon dioxide
10 emissions, as set forth pursuant to IN subsection (4) of this section, when
11 determining the cost, benefit, or net present value of any plan or proposal
12 submitted in one of the following proceedings:

13 (c) Applications related to, ~~section 40-3.2-104;~~ or THE
14 COMMISSION'S EVALUATION OF, PROGRAMS ADOPTED UNDER SECTION
15 40-3.2-103;

16 (c.5) APPLICATIONS RELATED TO, OR THE COMMISSION'S
17 EVALUATION OF, PROGRAMS ADOPTED UNDER SECTION 40-3.2-104; OR

18 (4) The commission shall base the cost of carbon dioxide
19 emissions on the most recent assessment of the social cost of carbon
20 dioxide developed by the federal government USING A DISCOUNT RATE OF
21 TWO AND ONE-HALF PERCENT OR LESS. Starting in 2020, the commission
22 shall use a social cost of carbon dioxide of not less than ~~forty-six~~
23 SIXTY-EIGHT dollars per short ton. The commission shall modify the cost
24 of carbon dioxide emissions based on escalation rates of the 2020 base
25 cost by an amount that is equal to or greater than the ~~central value~~
26 escalation rates established in the technical support document. When
27 calculating the cost of carbon dioxide emissions for any proceeding listed

1 in subsection (1) of this section, the commission shall use ~~the same~~ A
2 discount rate ~~as that used to develop the federal~~ FOR THE social cost of
3 carbon dioxide ~~as set forth in~~ THAT DOES NOT EXCEED THE LESSER OF TWO
4 AND ONE-HALF PERCENT OR ANY LOWER VALUE ESTABLISHED BY THE
5 MOST RECENT AVAILABLE SUCCESSOR TO the technical support document.
6 Notwithstanding the discount rate used to develop the social cost of
7 carbon dioxide value over the planning period, the commission shall
8 continue to discount any net present value analysis of any optimized
9 resource portfolio in the electric resource planning process using discount
10 rates that the commission deems appropriate.

11 (5) IN THE BASE CASE ANALYSIS OF COST EFFECTIVENESS AS
12 DESCRIBED IN SECTION 40-1-102 (5)(b), the commission shall apply ~~a~~ THE
13 SOCIAL cost of carbon dioxide AND THE SOCIAL COST OF METHANE
14 emissions to the ~~nonenergy benefits~~ BENEFIT-COST CALCULATION for
15 programs that are defined to be ENERGY EFFICIENCY OR beneficial
16 electrification PROGRAMS OR THAT INCORPORATE BEHIND-THE-METER
17 THERMAL RENEWABLE SOURCES.

18 **SECTION 7.** In Colorado Revised Statutes, **add** 40-3.2-107 as
19 follows:

20 **40-3.2-107. Costs of methane pollution in gas DSM program**
21 **planning - rules - definitions.** (1) THE COMMISSION SHALL REQUIRE A
22 GAS PUBLIC UTILITY SUBJECT TO COMMISSION JURISDICTION TO CONSIDER
23 THE SOCIAL COST OF METHANE EMISSIONS, AS SET FORTH IN SUBSECTION
24 (2) OF THIS SECTION, WHEN DETERMINING THE COST, BENEFIT, OR NET
25 PRESENT VALUE OF REVENUE REQUIREMENTS OF ANY PLAN OR PROPOSAL
26 SUBMITTED IN AN APPLICATION RELATED TO, OR THE COMMISSION'S
27 EVALUATION OF, PROGRAMS ADOPTED UNDER SECTION 40-3.2-103.

1 (2) (a) THE COMMISSION SHALL BASE THE SOCIAL COST OF
2 METHANE EMISSIONS ON THE MOST RECENT ASSESSMENT OF THE GLOBAL
3 SOCIAL COST OF METHANE DEVELOPED BY THE FEDERAL GOVERNMENT,
4 USING A DISCOUNT RATE OF TWO AND ONE-HALF PERCENT OR LESS AS
5 UPDATED TO REFLECT THE LATEST AVAILABLE FIGURES DERIVED FROM
6 PEER-REVIEWED, PUBLISHED STUDIES; EXCEPT THAT, BEGINNING ON THE
7 EFFECTIVE DATE OF THIS SECTION, THE COMMISSION SHALL USE A SOCIAL
8 COST OF METHANE OF NOT LESS THAN ONE THOUSAND SEVEN HUNDRED
9 FIFTY-SIX DOLLARS PER SHORT TON. THE COMMISSION SHALL MODIFY THE
10 SOCIAL COST OF METHANE EMISSIONS BASED ON ESCALATION RATES OF
11 THE 2020 BASE COST BY AN AMOUNT THAT IS EQUAL TO OR GREATER THAN
12 THE ESCALATION RATES ESTABLISHED IN THE ADDENDUM TO THE
13 TECHNICAL SUPPORT DOCUMENT AND SHALL USE A DISCOUNT RATE THAT
14 DOES NOT EXCEED THE LESSER OF TWO AND ONE-HALF PERCENT OR ANY
15 LOWER VALUE ESTABLISHED BY THE MOST RECENT AVAILABLE SUCCESSOR
16 TO THE TECHNICAL SUPPORT DOCUMENT.

17 (b) WHEN CALCULATING THE COST OF METHANE EMISSIONS FOR
18 ANY PURPOSE LISTED IN SUBSECTION (1) OF THIS SECTION, THE
19 COMMISSION SHALL OBTAIN AND APPLY THE BEST AVAILABLE VALUES FOR
20 NATURAL GAS LEAKAGE DURING THE EXTRACTION, PROCESSING,
21 TRANSPORTATION, AND DELIVERY OF NATURAL GAS BY THE GAS PUBLIC
22 UTILITY AS WELL AS LEAKAGE FROM PIPING OR OTHER EQUIPMENT ON
23 CUSTOMER PREMISES. THE COMMISSION SHALL TAKE INTO ACCOUNT ANY
24 RELEVANT DATA AND EMISSIONS ACCOUNTING METHODOLOGIES
25 DEVELOPED BY THE AIR QUALITY CONTROL COMMISSION PURSUANT TO
26 SECTION 25-7-140 REGARDING METHANE LEAKAGE RATES AND THE
27 APPROPRIATE GLOBAL WARMING POTENTIAL OF METHANE. THE

1 COMMISSION SHALL USE THE SAME DISCOUNT RATE AS THAT USED TO
2 DEVELOP THE FEDERAL SOCIAL COST OF METHANE, AS SET FORTH IN THE
3 ADDENDUM TO THE TECHNICAL SUPPORT DOCUMENT.

4 (c) NOTWITHSTANDING THE DISCOUNT RATE USED FOR THE COST
5 OF METHANE EMISSIONS, THE COMMISSION SHALL DISCOUNT OTHER
6 FUTURE COST STREAMS INTO THE NET PRESENT VALUE ANALYSIS OF ANY
7 RESOURCE PORTFOLIO IN THE GAS DSM PROGRAM PLANNING PROCESS
8 USING A DISCOUNT RATE THAT THE COMMISSION DEEMS RELEVANT TO THE
9 PARTIES RESPONSIBLE FOR FINANCING OR PAYING THESE FUTURE COSTS.
10 WHEN RATEPAYERS ARE COVERING COSTS WITHOUT INVESTMENT FROM
11 GAS PUBLIC UTILITIES, SUCH AS ENVIRONMENTAL COSTS OR
12 PASS-THROUGH FUEL COSTS, THE COMMISSION SHALL GIVE
13 CONSIDERATION TO DISCOUNTING THOSE COSTS WITH A STABLE
14 LONG-TERM INFLATION RATE THAT, IN THE COMMISSION'S JUDGMENT,
15 ACCURATELY REPRESENTS THE NET PRESENT VALUE OF FUTURE CASH
16 FLOWS EXPERIENCED BY RATEPAYERS.

17 (3) AS USED IN THIS SECTION:

18 (a) "ADDENDUM TO THE TECHNICAL SUPPORT DOCUMENT" MEANS
19 THE 2016 ADDENDUM OF THE FEDERAL INTERAGENCY WORKING GROUP ON
20 SOCIAL COST OF GREENHOUSE GASES, ENTITLED "ADDENDUM TO
21 TECHNICAL SUPPORT DOCUMENT ON SOCIAL COST OF CARBON FOR
22 REGULATORY IMPACT ANALYSIS UNDER EXECUTIVE ORDER 12866:
23 APPLICATION OF THE METHODOLOGY TO ESTIMATE THE SOCIAL COST OF
24 METHANE AND THE SOCIAL COST OF NITROUS OXIDE".

25 (b) "TECHNICAL SUPPORT DOCUMENT" MEANS THE 2016
26 TECHNICAL SUPPORT DOCUMENT OF THE FEDERAL INTERAGENCY WORKING
27 GROUP ON SOCIAL COST OF GREENHOUSE GASES, ENTITLED "TECHNICAL

1 UPDATE OF THE SOCIAL COST OF CARBON FOR REGULATORY IMPACT
2 ANALYSIS UNDER EXECUTIVE ORDER 12866".

3

4 **SECTION 8. Act subject to petition - effective date -**
5 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following
6 the expiration of the ninety-day period after final adjournment of the
7 general assembly; except that, if a referendum petition is filed pursuant
8 to section 1 (3) of article V of the state constitution against this act or an
9 item, section, or part of this act within such period, then the act, item,
10 section, or part will not take effect unless approved by the people at the
11 general election to be held in November 2022 and, in such case, will take
12 effect on the date of the official declaration of the vote thereon by the
13 governor.

14 (2) This act applies to plans, applications, or other documents
15 reviewed by the public utilities commission on or after the applicable
16 effective date of this act.