

First Regular Session  
Seventy-third General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 21-0106.02 Thomas Morris x4218

SENATE BILL 21-161

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SENATE SPONSORSHIP

Hansen and Coram,

HOUSE SPONSORSHIP

Arndt,

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Senate Committees  
Transportation & Energy

House Committees

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A BILL FOR AN ACT

101 CONCERNING ADOPTION BY THE PUBLIC UTILITIES COMMISSION OF  
102 PROGRAMS FOR THE VOLUNTARY REDUCTION OF GREENHOUSE  
103 GAS EMISSIONS BY NATURAL GAS UTILITIES.

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Bill Summary

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

The bill requires the public utilities commission (PUC) to adopt by rule, no later than July 31, 2022, greenhouse gas (GHG) emission reduction programs (reduction programs) for large natural gas utilities (those that have at least 250,000 customer accounts in Colorado) and small natural gas utilities (those that have fewer than 250,000 customer

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.

accounts in Colorado) (collectively, utilities). Municipally owned utilities may, but need not, participate in a reduction program. The rules must include reporting requirements and a process for utilities to fully recover qualified investments, which are prudently incurred costs associated with a reduction program.

The bill establishes the following GHG emission reduction targets, using a utility's 2019 GHG emissions as a baseline:

- By January 1, 2025, at least 5%;
- By January 1, 2030, at least 10%; and
- On and after January 1, 2035, at least 15%.

GHG emission reductions from the delivery of natural gas to other utilities and transportation sector retail customers are excluded from the reduction programs. The following sources of GHG emission reductions are included in the reduction programs:

- Methane leaked from the transportation and delivery of natural gas from natural gas distribution and service pipelines; and
- Carbon dioxide emitted by the utility's retail customers (other than those in the transportation sector) as a result of the combustion of natural gas delivered by the utility.

GHG emission reductions can be achieved by:

- Using renewable natural gas, which must account for at least 35% of the emission reductions;
- Emission offsets;
- Methane emission reductions from a variety of mechanisms; and
- Other programs developed by the utility and approved by the PUC that demonstrate GHG emission reductions.

If a large utility's total incremental annual cost to meet the GHG emission reduction targets exceeds 2% of the large utility's total revenue requirement for a particular year, the large utility shall not make additional qualified investments under the reduction program for that year without approval from the PUC.

Small utilities may opt in to the reduction program as established by the PUC by rule. The rule must include tradeable credits and a rate cap limiting the small utility's costs of making qualified investments.

For included emission reductions and until 2025, a utility participating in a reduction program is not subject to any additional GHG emission reduction requirements or required to incur any additional costs under Colorado's generally applicable GHG emission reduction requirements if the utility:

- Files with the PUC a plan that contains approvable and cost-effective programs that make progress toward the GHG emission reduction targets and are projected to meet either the applicable emission reduction targets or the

- applicable retail rate impact;
- Reports GHG emission reductions consistent with the accounting methodology established by the division of administration in the department of public health and environment; and
- Is either projected to meet the GHG emission reduction targets in an applicable year or the PUC finds that the projected costs to achieve the emission reductions have met the applicable retail rate impact.

The bill gives the oil and gas conservation commission the authority to authorize class VI injection permits, which authorize the deep sequestration of carbon dioxide.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 40-2-124.5 as  
 3 follows:

4 **40-2-124.5. Greenhouse gas emission reduction programs -**  
 5 **definitions - rules - repeal.** (1) AS USED IN THIS SECTION:

6 (a) "AUTOMATIC ADJUSTMENT CLAUSE" MEANS AN ANNUAL  
 7 MECHANISM THAT ALLOWS FOR RECOVERY OF INVESTMENT ON AN  
 8 UNLAGGED BASIS WITH A FORWARD-LOOKING REVENUE REQUIREMENT  
 9 CALCULATION WITH A TRUE-UP PROCESS.

10 (b) "BIOGAS" MEANS A MIXTURE OF CARBON DIOXIDE AND  
 11 HYDROCARBONS, PRIMARILY METHANE GAS, RELEASED FROM THE  
 12 BIOLOGICAL DECOMPOSITION OF ORGANIC MATERIALS.

13 (c) "DIVISION" MEANS THE DIVISION OF ADMINISTRATION CREATED  
 14 IN SECTION 25-1-102 (2)(a).

15 (d) "GREENHOUSE GAS" HAS THE MEANING ESTABLISHED IN  
 16 SECTION 25-7-140 (6), MEASURED IN TERMS OF CARBON DIOXIDE  
 17 EQUIVALENT.

18 (e) "GREENHOUSE-GAS-NEUTRAL" MEANS THAT THE AMOUNT OF  
 19 GREENHOUSE GASES EMITTED INTO THE ATMOSPHERE FROM THE

1       CONVERSION OF THE FUEL SOURCE POWERING AN END USE TO RENEWABLE  
2       NATURAL GAS, INCLUDING THE GREENHOUSE GAS EMISSIONS  
3       ATTRIBUTABLE TO THE TRANSPORT AND DELIVERY OF THE RENEWABLE  
4       NATURAL GAS, IS NO GREATER THAN THE AMOUNT OF GREENHOUSE GASES  
5       THAT WOULD HAVE BEEN EMITTED INTO THE ATMOSPHERE FROM THE SAME  
6       END USE OVER THE NEXT FIVE YEARS IF THE FUEL SOURCE HAD NOT BEEN  
7       CONVERTED TO RENEWABLE NATURAL GAS, WHERE GREENHOUSE GASES  
8       ARE MEASURED IN TERMS OF CARBON DIOXIDE EQUIVALENT.

9               (f) "LARGE NATURAL GAS UTILITY" MEANS A NATURAL GAS  
10       UTILITY WITH TWO HUNDRED FIFTY THOUSAND OR MORE CUSTOMER  
11       ACCOUNTS IN COLORADO.

12              (g) "NATURAL GAS UTILITY" MEANS A PUBLIC UTILITY PROVIDING  
13       NATURAL GAS SERVICE TO RETAIL SALES CUSTOMERS; EXCEPT THAT THE  
14       TERM DOES NOT INCLUDE A MUNICIPALLY OWNED NATURAL GAS UTILITY.

15              (h) (I) "QUALIFIED INVESTMENT" INCLUDES:

16              (A) A CAPITAL INVESTMENT IN RENEWABLE NATURAL GAS  
17       INFRASTRUCTURE INCURRED BY A NATURAL GAS UTILITY FOR THE PURPOSE  
18       OF PROVIDING NATURAL GAS SERVICE UNDER A PROGRAM DESCRIBED IN  
19       SUBSECTION (3) OR (4) OF THIS SECTION;

20              (B) COSTS INCURRED IN THE SEQUESTRATION OF GREENHOUSE GAS  
21       PURSUANT TO A CLASS VI INJECTION PERMIT ISSUED BY THE OIL AND GAS  
22       CONSERVATION COMMISSION IN ACCORDANCE WITH SECTION 34-60-106  
23       (9);

24              (C) COSTS INCURRED IN THE PURCHASE OF GREENHOUSE GAS  
25       EMISSION OFFSETS AS APPROVED BY THE DIVISION; AND

26              (D) COSTS INCURRED IN ACHIEVING GREENHOUSE GAS EMISSION  
27       REDUCTIONS PURSUANT TO A PROGRAM PROPOSED BY THE NATURAL GAS

1 UTILITY AND APPROVED BY THE COMMISSION THAT DEMONSTRATES  
2 GREENHOUSE GAS EMISSION REDUCTIONS.

3 (II) "QUALIFIED INVESTMENT" DOES NOT INCLUDE AN INVESTMENT  
4 IN A BIOGAS PRODUCTION PROJECT BY:

5 (A) A SINGLE LIVESTOCK OPERATION THAT PRODUCES MORE THAN  
6 TWO HUNDRED FIFTY STANDARD CUBIC FEET OF BIOGAS PER MINUTE; OR

7 (B) A SINGLE BIOGAS SOURCE THAT PRODUCES MORE THAN ONE  
8 THOUSAND STANDARD CUBIC FEET OF BIOGAS PER MINUTE.

9 (i) "RENEWABLE NATURAL GAS" MEANS ANY OF THE FOLLOWING  
10 PRODUCTS THAT HAVE BEEN PROCESSED TO MEET PIPELINE QUALITY  
11 STANDARDS OR TRANSPORTATION FUEL-GRADE REQUIREMENTS OR ARE  
12 DELIVERED BY AN ALTERNATIVE ENERGY CARRIER:

13 (I) BIOGAS THAT IS BLENDED WITH, OR SUBSTITUTED FOR,  
14 GEOLOGIC NATURAL GAS;

15 (II) HYDROGEN GAS THAT IS DERIVED FROM A RENEWABLE ENERGY  
16 RESOURCE, AS THAT TERM IS DEFINED IN SECTION 40-2-124 (1)(a)(VII); OR

17 (III) METHANE GAS THAT IS DERIVED FROM ANY COMBINATION OF  
18 BIOGAS, INCLUDING BIOGAS RECOVERED FROM MANURE MANAGEMENT  
19 SYSTEMS AND ANAEROBIC DIGESTERS; HYDROGEN GAS; CARBON OXIDES  
20 DERIVED FROM RENEWABLE ENERGY RESOURCES, AS THAT TERM IS  
21 DEFINED IN SECTION 40-2-124 (1)(a)(VII); WASTE CARBON DIOXIDE;  
22 WASTEWATER CARBON DIOXIDE; COALBED METHANE RESULTING FROM  
23 HUMAN ACTIVITY OR NATURALLY OCCURRING COALBED DEPOSITS; A  
24 MUNICIPAL SOLID WASTE LANDFILL; THE PYROLYSIS OF MUNICIPAL SOLID  
25 WASTE OR WASTE TIRES, AS THAT TERM IS DEFINED IN SECTION 30-20-1402  
26 (12); BIOMASS PYROLYSIS OR ENZYMATIC BIOMASS; OR THE  
27 DECOMPOSITION OF ORGANIC FOOD WASTE.

1           (j) "RENEWABLE NATURAL GAS INFRASTRUCTURE" MEANS ALL  
2 EQUIPMENT AND FACILITIES FOR THE PRODUCTION, PROCESSING, PIPELINE  
3 INTERCONNECTION, AND DISTRIBUTION OF RENEWABLE NATURAL GAS TO  
4 BE FURNISHED TO COLORADO CUSTOMERS.

5           (k) "SMALL NATURAL GAS UTILITY" MEANS A NATURAL GAS  
6 UTILITY WITH FEWER THAN TWO HUNDRED FIFTY THOUSAND CUSTOMER  
7 ACCOUNTS IN COLORADO.

8           (2) (a) THE COMMISSION SHALL ADOPT BY RULE:

9           (I) A GREENHOUSE GAS EMISSION REDUCTION PROGRAM FOR  
10 LARGE NATURAL GAS UTILITIES PURSUANT TO SUBSECTION (3) OF THIS  
11 SECTION; AND

12           (II) A GREENHOUSE GAS EMISSION REDUCTION PROGRAM FOR  
13 SMALL NATURAL GAS UTILITIES PURSUANT TO SUBSECTION (4) OF THIS  
14 SECTION.

15           (b) RULES ADOPTED BY THE COMMISSION UNDER THIS SECTION  
16 MUST INCLUDE:

17           (I) THE ESTABLISHMENT OF GREENHOUSE GAS EMISSION  
18 REDUCTION TARGETS IN ACCORDANCE WITH SUBSECTION (3)(a) OF THIS  
19 SECTION OR ALTERNATIVE TARGETS IF THE COMMISSION FINDS THAT THE  
20 ALTERNATIVE TARGETS ARE COST-EFFECTIVE, ARE VIABLE, ARE IN THE  
21 PUBLIC INTEREST, AND WILL LEAD TO NET REDUCTIONS IN GREENHOUSE  
22 GAS EMISSIONS;

23           (II) A REQUIREMENT THAT IN ORDER TO COUNT TOWARD A LARGE  
24 NATURAL GAS UTILITY'S ATTAINMENT OF A GREENHOUSE GAS EMISSION  
25 REDUCTION TARGET, GREENHOUSE GAS EMISSIONS ATTRIBUTABLE TO A  
26 LARGE NATURAL GAS UTILITY'S USE OF RENEWABLE NATURAL GAS MUST  
27 MEET ONE OF THE FOLLOWING CONDITIONS:

1 (A) THE RENEWABLE NATURAL GAS IS DELIVERED TO OR WITHIN  
2 COLORADO THROUGH A DEDICATED PIPELINE; OR

3 (B) THE RENEWABLE NATURAL GAS IS DELIVERED THROUGH A  
4 COMMON CARRIER PIPELINE AND MEETS BOTH OF THE FOLLOWING  
5 REQUIREMENTS: THE SOURCE OF RENEWABLE NATURAL GAS INJECTS THE  
6 RENEWABLE NATURAL GAS INTO A COMMON CARRIER PIPELINE THAT  
7 PHYSICALLY FLOWS WITHIN COLORADO OR TOWARD THE END USER IN  
8 COLORADO FOR WHICH THE RENEWABLE NATURAL GAS WAS PRODUCED;  
9 AND THE SELLER OR PURCHASER OF THE RENEWABLE NATURAL GAS  
10 DEMONSTRATES THAT THE CAPTURE OR PRODUCTION OF THE RENEWABLE  
11 NATURAL GAS IS GREENHOUSE-GAS-NEUTRAL AND DIRECTLY RESULTS IN  
12 THE REDUCTION OR AVOIDANCE OF GREENHOUSE GAS EMISSIONS IN  
13 COLORADO;

14 (III) A REQUIREMENT THAT A SOURCE OF RENEWABLE NATURAL  
15 GAS IS NOT ELIGIBLE TO PROVIDE NATURAL GAS FOR PURPOSES OF MEETING  
16 A GREENHOUSE GAS EMISSION REDUCTION TARGET IF THE SOURCE:

17 (A) HAS AN ADVERSE IMPACT ON THE WATERS OF THE STATE; OR

18 (B) IS OUT OF COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
19 GREENHOUSE GASES, CRITERIA POLLUTANTS AS THAT TERM IS DEFINED IN  
20 40 CFR 52.31 (b)(4), OR HAZARDOUS AIR POLLUTANTS AS THAT TERM IS  
21 DEFINED IN SECTION 25-7-103 (13);

22 (IV) A REQUIREMENT THAT GREENHOUSE GAS EMISSION  
23 REDUCTION TARGETS ALLOW FOR FUTURE DIVERSION OF ORGANIC  
24 MATERIALS FROM LANDFILLS;

25 (V) (A) REPORTING REQUIREMENTS UNDER THE GREENHOUSE GAS  
26 EMISSION REDUCTION PROGRAMS FOR LARGE AND SMALL NATURAL GAS  
27 UTILITIES THAT INCLUDE PUBLIC DISCLOSURE OF THE LOCATION AND

1 QUANTITY OF ALL RENEWABLE NATURAL GAS PROCURED BY EACH UTILITY.

2 (B) AFTER LARGE NATURAL GAS UTILITIES REPORT TO THE  
3 COMMISSION PURSUANT TO SUBSECTION (2)(d)(II) OF THIS SECTION, THE  
4 COMMISSION SHALL DEVELOP A REPORT REGARDING THE TECHNICAL AND  
5 ECONOMIC FEASIBILITY OF ACHIEVING THE 2030 AND 2035 TARGETS AND  
6 A RECOMMENDATION AS TO WHETHER THE GENERAL ASSEMBLY SHOULD  
7 MODIFY THE GREENHOUSE GAS EMISSION REDUCTION TARGETS. THE  
8 COMMISSION SHALL SUBMIT THE REPORT TO THE GENERAL ASSEMBLY BY  
9 JANUARY 1, 2026. THIS SUBSECTION (2)(b)(V)(B) IS REPEALED, EFFECTIVE  
10 SEPTEMBER 1, 2027.

11 (VI) MODIFICATIONS TO THE COMMISSION'S EXISTING RULES FOR  
12 GAS COST ADJUSTMENT AND PRUDENCE REVIEW TO:

13 (A) ALLOW QUALIFIED INVESTMENTS TO BE RECOVERABLE  
14 THROUGH THE GAS COST ADJUSTMENT;

15 (B) CREATE A PRUDENCE REVIEW STANDARD FOR QUALIFIED  
16 INVESTMENTS THAT WILL PROVIDE ASSURANCE THAT QUALIFIED  
17 INVESTMENTS WILL BE RECOVERABLE THROUGH THE GAS COST  
18 ADJUSTMENT; AND

19 (C) REFLECT GREENHOUSE GAS EMISSION REDUCTION CREDITS  
20 RECEIVED BY A NATURAL GAS UTILITY AS A CREDIT AGAINST COSTS  
21 INCLUDED IN THAT UTILITY'S GAS COST ADJUSTMENT;

22 (VII) THE CREATION OF A PROCESS FOR NATURAL GAS UTILITIES TO  
23 FULLY RECOVER PRUDENTLY INCURRED COSTS ASSOCIATED WITH THE  
24 GREENHOUSE GAS EMISSION REDUCTION PROGRAMS FOR LARGE AND  
25 SMALL NATURAL GAS UTILITIES;

26 (VIII) THE EXCLUSION FROM THE GREENHOUSE GAS EMISSION  
27 REDUCTION PROGRAMS OF THE REDUCTIONS RESULTING FROM THE



1 DELIVERY OF NATURAL GAS TO OTHER NATURAL GAS UTILITIES AND  
2 TRANSPORTATION SECTOR RETAIL CUSTOMERS; AND

3 (IX) THE INCLUSION IN THE GREENHOUSE GAS EMISSION  
4 REDUCTION PROGRAMS OF THE FOLLOWING SOURCES OF GREENHOUSE GAS  
5 EMISSIONS:

6 (A) METHANE LEAKED FROM THE TRANSPORTATION AND  
7 DELIVERY OF NATURAL GAS FROM NATURAL GAS DISTRIBUTION AND  
8 SERVICE PIPELINES; AND

9 (B) CARBON DIOXIDE EMITTED BY A NATURAL GAS UTILITY'S  
10 RETAIL CUSTOMERS, OTHER THAN THOSE IN THE TRANSPORTATION  
11 SECTOR, AS A RESULT OF THE COMBUSTION OF NATURAL GAS DELIVERED  
12 BY THE NATURAL GAS UTILITY.

13 (c) RULES ADOPTED BY THE COMMISSION UNDER THIS SUBSECTION  
14 (2) MUST NOT PROHIBIT A LARGE NATURAL GAS UTILITY, A SMALL  
15 NATURAL GAS UTILITY, OR AN AFFILIATED INTEREST OF EITHER, INCLUDING  
16 THROUGH PARTNERSHIPS WITH OTHER ENTITIES, FROM MAKING A CAPITAL  
17 INVESTMENT IN A GREENHOUSE GAS EMISSION REDUCTION PROJECT IF THE  
18 AFFILIATED INTEREST IS NOT A PUBLIC UTILITY. IF A NATURAL GAS UTILITY  
19 OWNS A GREENHOUSE GAS EMISSION REDUCTION FACILITY, FOLLOWING  
20 DEVELOPMENT OR ACQUISITION OF THE FACILITY, THE UTILITY SHALL USE  
21 UTILITY EMPLOYEES OR QUALIFIED CONTRACTORS IF THE CONTRACTORS'  
22 EMPLOYEES HAVE ACCESS TO AN APPRENTICESHIP PROGRAM REGISTERED  
23 WITH THE UNITED STATES DEPARTMENT OF LABOR'S OFFICE OF  
24 APPRENTICESHIP OR BY A STATE APPRENTICESHIP COUNCIL RECOGNIZED BY  
25 THAT OFFICE; EXCEPT THAT THIS APPRENTICESHIP REQUIREMENT DOES NOT  
26 APPLY TO:

27 (I) THE DESIGN, PLANNING, OR ENGINEERING OF THE GREENHOUSE

1 GAS EMISSION REDUCTION INFRASTRUCTURE;

2 (II) MANAGEMENT FUNCTIONS TO OPERATE THE INFRASTRUCTURE;

3 OR

4 (III) ANY WORK INCLUDED IN A WARRANTY.

5 (d) WITH REGARD TO GREENHOUSE GAS EMISSIONS SPECIFIED IN  
6 SUBSECTION (2)(b)(IX) OF THIS SECTION AND UNTIL JANUARY 1, 2025, A  
7 NATURAL GAS UTILITY THAT IS PARTICIPATING IN A GREENHOUSE GAS  
8 EMISSION REDUCTION PROGRAM PURSUANT TO THIS SECTION IS NOT  
9 SUBJECT TO ANY ADDITIONAL GREENHOUSE GAS EMISSION REDUCTION  
10 REQUIREMENTS OR REQUIRED TO INCUR ANY ADDITIONAL COSTS UNDER  
11 ANY GREENHOUSE GAS EMISSION REDUCTION REQUIREMENTS IMPOSED BY  
12 LAW OTHER THAN THIS SECTION IF THE UTILITY:

13 (I) FILES WITH THE COMMISSION A PLAN THAT CONTAINS  
14 APPROVABLE AND COST-EFFECTIVE PROGRAMS THAT MAKE PROGRESS  
15 TOWARD THE APPLICABLE GREENHOUSE GAS EMISSION REDUCTION  
16 TARGETS AS SPECIFIED IN SUBSECTION (3)(a) OF THIS SECTION THAT ARE  
17 PROJECTED TO MEET EITHER THE APPLICABLE EMISSION REDUCTION  
18 TARGETS OR THE APPLICABLE RETAIL RATE IMPACT SPECIFIED IN  
19 SUBSECTION (3)(e) OF THIS SECTION FOR LARGE NATURAL GAS UTILITIES  
20 OR DETERMINED PURSUANT TO SUBSECTION (4)(a) OF THIS SECTION FOR  
21 SMALL NATURAL GAS UTILITIES;

22 (II) REPORTS GREENHOUSE GAS EMISSION REDUCTIONS  
23 CONSISTENT WITH THE ACCOUNTING METHODOLOGY ESTABLISHED BY THE  
24 DIVISION; AND

25 (III) DEMONSTRATES TO THE COMMISSION THAT EITHER:

26 (A) THE UTILITY IS PROJECTED TO MEET THE APPLICABLE  
27 GREENHOUSE GAS EMISSION REDUCTION TARGETS AS SPECIFIED IN

1 SUBSECTION (2)(d)(I) OF THIS SECTION IN AN APPLICABLE YEAR; OR

2 (B) THE UTILITY'S PROJECTED COSTS TO ACHIEVE THE EMISSION  
3 REDUCTIONS HAVE MET THE APPLICABLE RETAIL RATE IMPACT AS  
4 SPECIFIED IN SUBSECTION (2)(d)(I) OF THIS SECTION.

5 (3) (a) (I) A LARGE NATURAL GAS UTILITY THAT PARTICIPATES IN  
6 THE GREENHOUSE GAS EMISSION REDUCTION PROGRAM FOR LARGE  
7 NATURAL GAS UTILITIES ADOPTED BY THE COMMISSION BY RULE  
8 PURSUANT TO SUBSECTION (2)(a)(I) OF THIS SECTION MAY MAKE  
9 QUALIFIED INVESTMENTS TO MEET THE FOLLOWING GREENHOUSE GAS  
10 EMISSION REDUCTION TARGETS, AS MEASURED AGAINST THE UTILITY'S  
11 2019 GREENHOUSE GAS EMISSION LEVELS:

12 (A) BY JANUARY 1, 2025, AT LEAST FIVE PERCENT;

13 (B) BY JANUARY 1, 2030, AT LEAST TEN PERCENT; AND

14 (C) ON AND AFTER JANUARY 1, 2035, AT LEAST FIFTEEN PERCENT.

15 (II) AT LEAST THIRTY-FIVE PERCENT OF THE EMISSION REDUCTIONS  
16 SPECIFIED IN SUBSECTION (3)(a)(I) OF THIS SECTION MUST BE DERIVED  
17 FROM RENEWABLE NATURAL GAS PROJECTS.

18 (b) THE COMMISSION SHALL ADOPT RATE-MAKING MECHANISMS  
19 THAT ENSURE THE RECOVERY OF ALL PRUDENTLY INCURRED COSTS THAT  
20 CONTRIBUTE TO THE LARGE NATURAL GAS UTILITY MEETING THE  
21 GREENHOUSE GAS EMISSION REDUCTION TARGETS SET FORTH IN  
22 SUBSECTION (3)(a) OF THIS SECTION. PURSUANT TO THE RATE-MAKING  
23 MECHANISMS ADOPTED UNDER THIS SUBSECTION (3)(b):

24 (I) QUALIFIED INVESTMENTS AND OPERATING COSTS ASSOCIATED  
25 WITH QUALIFIED INVESTMENTS THAT CONTRIBUTE TO THE LARGE NATURAL  
26 GAS UTILITY MEETING THE TARGETS SET FORTH IN SUBSECTION (3)(a) OF  
27 THIS SECTION MAY BE RECOVERED BY MEANS OF AN AUTOMATIC

1 ADJUSTMENT CLAUSE; AND

2 (II) COSTS OF PROCURING GREENHOUSE GAS EMISSION  
3 REDUCTIONS THAT CONTRIBUTE TO THE LARGE NATURAL GAS UTILITY  
4 MEETING THE TARGETS SET FORTH IN SUBSECTION (3)(a) OF THIS SECTION  
5 MAY BE RECOVERED BY MEANS OF AN AUTOMATIC ADJUSTMENT CLAUSE  
6 OR ANOTHER RECOVERY MECHANISM AUTHORIZED BY RULE.

7 (c) WHEN A LARGE NATURAL GAS UTILITY MAKES A QUALIFIED  
8 INVESTMENT IN A GREENHOUSE GAS EMISSION REDUCTION PROJECT, THE  
9 COSTS ASSOCIATED WITH THE QUALIFIED INVESTMENT INCLUDE THE COST  
10 OF CAPITAL ESTABLISHED BY THE COMMISSION IN THE LARGE NATURAL  
11 GAS UTILITY'S MOST RECENT GENERAL RATE CASE.

12 (d) A LARGE NATURAL GAS UTILITY SHALL ENGAGE IN A  
13 COMPETITIVE BIDDING PROCESS BEFORE MAKING A QUALIFIED INVESTMENT  
14 IN:

15 (I) BIOGAS PRODUCTION THAT IS UPSTREAM OF CONDITIONING  
16 EQUIPMENT;

17 (II) PIPELINE INTERCONNECTION;

18 (III) GAS CLEANING;

19 (IV) ELECTRICITY GENERATION FROM RENEWABLE NATURAL GAS;

20 OR

21 (V) OTHER GREENHOUSE GAS EMISSION REDUCTION PROJECTS AS  
22 DETERMINED BY THE COMMISSION.

23 (e) IF A LARGE NATURAL GAS UTILITY'S TOTAL INCREMENTAL  
24 ANNUAL COST TO MEET THE TARGETS OF THE GREENHOUSE GAS EMISSION  
25 REDUCTION PROGRAM EXCEEDS TWO PERCENT OF THE LARGE NATURAL  
26 GAS UTILITY'S TOTAL REVENUE REQUIREMENT FOR A PARTICULAR YEAR,  
27 THE LARGE NATURAL GAS UTILITY SHALL NOT MAKE ADDITIONAL

1 QUALIFIED INVESTMENTS UNDER THE GREENHOUSE GAS EMISSION  
2 REDUCTION PROGRAM FOR THAT YEAR WITHOUT APPROVAL FROM THE  
3 COMMISSION.

4 (f) THE TOTAL INCREMENTAL ANNUAL COST FOR A LARGE  
5 NATURAL GAS UTILITY TO MEET THE TARGETS OF THE GREENHOUSE GAS  
6 EMISSION REDUCTION PROGRAM MUST ACCOUNT FOR:

7 (I) ANY VALUE RECEIVED BY A LARGE NATURAL GAS UTILITY UPON  
8 RESALE OF RENEWABLE NATURAL GAS, INCLUDING ANY ENVIRONMENTAL  
9 CREDITS THAT THE RENEWABLE NATURAL GAS PRODUCER CHOOSES TO  
10 INCLUDE WITH THE SALE OF THE RENEWABLE NATURAL GAS TO THE LARGE  
11 NATURAL GAS UTILITY; AND

12 (II) ANY SAVINGS ACHIEVED THROUGH AVOIDANCE OF  
13 CONVENTIONAL GAS PURCHASES OR DEVELOPMENT, SUCH AS AVOIDED  
14 PIPELINE COSTS OR CARBON COSTS.

15 (g) GREENHOUSE GAS EMISSION REDUCTIONS DUE TO THERMAL  
16 OXIDATION OF OR ELECTRICAL GENERATION FROM GAS EMITTED BY  
17 EXISTING METHANE LEAKS FROM ABANDONED COAL MINES COUNT  
18 TOWARD THE GREENHOUSE GAS EMISSION REDUCTION TARGETS SET FORTH  
19 IN SUBSECTION (3)(a) OF THIS SECTION WHEN THE GAS IS NOT PIPELINE  
20 QUALITY OR THE BUILDING OF NEW PIPELINES OR TRANSMISSION LINES IS  
21 NOT ECONOMICALLY FEASIBLE OR WOULD BE DETRIMENTAL TO AIR OR  
22 WATER QUALITY IN THE IMPACTED AREA.

23 (4) (a) UPON A FILING BY A SMALL NATURAL GAS UTILITY TO  
24 PARTICIPATE IN THE GREENHOUSE GAS EMISSION REDUCTION PROGRAM  
25 FOR SMALL NATURAL GAS UTILITIES ADOPTED BY THE COMMISSION BY  
26 RULE UNDER SUBSECTION (2)(a)(II) OF THIS SECTION, THE COMMISSION  
27 SHALL ESTABLISH A RATE CAP LIMITING THE SMALL NATURAL GAS

1 UTILITY'S COSTS OF QUALIFIED INVESTMENTS IN GREENHOUSE GAS  
2 EMISSION REDUCTION PROJECTS. THE RATE CAP MUST BE EXPRESSED AS A  
3 PERCENTAGE OF THE SMALL NATURAL GAS UTILITY'S TOTAL REVENUE  
4 REQUIREMENT AS APPROVED BY THE COMMISSION IN THE SMALL NATURAL  
5 GAS UTILITY'S MOST RECENT GENERAL RATE CASE. FOR THE PURPOSE OF  
6 ESTABLISHING A RATE CAP UNDER THIS SUBSECTION (4)(a), THE  
7 COMMISSION SHALL ACCOUNT FOR:

8 (I) ANY VALUE RECEIVED BY THE SMALL NATURAL GAS UTILITY  
9 UPON RESALE OF RENEWABLE NATURAL GAS, INCLUDING ANY  
10 ENVIRONMENTAL CREDITS THAT THE RENEWABLE NATURAL GAS  
11 PRODUCER CHOOSES TO INCLUDE WITH THE SALE OF RENEWABLE NATURAL  
12 GAS TO THE SMALL NATURAL GAS UTILITY; AND

13 (II) ANY SAVINGS ACHIEVED THROUGH AVOIDANCE OF  
14 CONVENTIONAL GAS PURCHASES OR DEVELOPMENT, SUCH AS AVOIDED  
15 PIPELINE COSTS OR CARBON COSTS.

16 (b) (I) A FILING BY A SMALL NATURAL GAS UTILITY UNDER  
17 SUBSECTION (4)(a) OF THIS SECTION MAY INCLUDE, BUT NEED NOT BE  
18 LIMITED TO:

19 (A) A PROPOSAL TO PROCURE A TOTAL VOLUME OF RENEWABLE  
20 NATURAL GAS OVER A SPECIFIC PERIOD; AND

21 (B) IDENTIFICATION OF THE QUALIFIED INVESTMENTS THAT THE  
22 SMALL NATURAL GAS UTILITY MAY MAKE IN GREENHOUSE GAS EMISSION  
23 REDUCTION PROJECT INFRASTRUCTURE.

24 (II) A SMALL NATURAL GAS UTILITY MAY FROM TIME TO TIME  
25 REVISE THE FILING SUBMITTED TO THE COMMISSION UNDER THIS  
26 SUBSECTION (4).

27 (c) COSTS PRUDENTLY INCURRED BY A SMALL NATURAL GAS

1 UTILITY PURSUANT TO A FILING SUBMITTED UNDER THIS SUBSECTION (4)  
2 MAY BE RECOVERED EITHER IN THE UTILITY'S RATE BASE OR BY MEANS OF  
3 AN AUTOMATIC ADJUSTMENT CLAUSE.

4 (d) WHEN A SMALL NATURAL GAS UTILITY MAKES A QUALIFIED  
5 INVESTMENT IN A GREENHOUSE GAS EMISSION REDUCTION PROJECT, THE  
6 COSTS ASSOCIATED WITH THE QUALIFIED INVESTMENT INCLUDE THE COST  
7 OF CAPITAL ESTABLISHED BY THE COMMISSION IN THE SMALL NATURAL  
8 GAS UTILITY'S MOST RECENT GENERAL RATE CASE.

9 (5) (a) THE COMMISSION SHALL ADOPT RULES PURSUANT TO  
10 SUBSECTIONS (2) TO (4) OF THIS SECTION NO LATER THAN JULY 31, 2022.

11 (b) THE COMMISSION'S RULES MUST ESTABLISH A RENEWABLE  
12 NATURAL GAS TRACKING AND VERIFICATION PROCESS TO PROVIDE LOCAL  
13 DISTRIBUTION COMPANY END USERS WITH COMPLIANCE DATA. THE  
14 PROCESS MUST ALLOW FOR AN ASSESSMENT OF THE TOTAL AMOUNT OF  
15 RENEWABLE NATURAL GAS PRODUCED AND DISTRIBUTED, INCLUDING  
16 SYSTEM GAS THAT IS CONTRACTED FOR BY A LOCAL DISTRIBUTION  
17 COMPANY.

18 (c) (I) THE COMMISSION'S RULES MUST ESTABLISH A PROGRAM OF  
19 TRADEABLE RENEWABLE NATURAL GAS ENVIRONMENTAL ATTRIBUTE  
20 CREDITS THAT MAY BE USED BY LARGE NATURAL GAS UTILITIES AND  
21 SMALL NATURAL GAS UTILITIES FOR THE SOLE PURPOSE OF COMPLYING  
22 WITH THIS SECTION. THE COMMISSION SHALL CONSULT WITH THE DIVISION  
23 IN THE DESIGN OF THE CREDIT TRADING PROGRAM. THE COMMISSION  
24 SHALL NOT ALLOW ANY GREENHOUSE GAS EMISSION REDUCTION CREDITS  
25 GENERATED PURSUANT TO THE CREDIT TRADING PROGRAM TO BE USED FOR  
26 ANY PURPOSE OTHER THAN COMPLIANCE WITH THIS SECTION.

27 (II) TO PREVENT DOUBLE COUNTING, A NATURAL GAS UTILITY

1 SHALL PROCURE ALL ENVIRONMENTAL ATTRIBUTES ASSOCIATED WITH  
2 GREENHOUSE GAS EMISSION REDUCTION PROJECTS AND REQUIRE SELLERS  
3 TO DEMONSTRATE THAT THE GREENHOUSE GAS EMISSION REDUCTIONS  
4 HAVE NOT BEEN USED TO COMPLY WITH ENVIRONMENTAL OR  
5 PROCUREMENT REQUIREMENTS IN ANY OTHER STATE. AN INDEPENDENT  
6 THIRD-PARTY VERIFIER SHALL VERIFY THAT THE RENEWABLE NATURAL  
7 GAS WAS DELIVERED BY CONTRACTED FACILITIES AND THE  
8 ENVIRONMENTAL ATTRIBUTES OF THE RENEWABLE NATURAL GAS WERE  
9 NOT SOLD, TRANSFERRED, CLAIMED, OR USED BY THE GENERATING  
10 FACILITY OR OTHER ENTITY.

11 (6) A MUNICIPALLY OWNED NATURAL GAS UTILITY MAY  
12 IMPLEMENT A GREENHOUSE GAS EMISSION REDUCTION PROGRAM SIMILAR  
13 TO THE PROGRAMS DESCRIBED IN THIS SECTION AND, IF SO, SHALL SUBMIT  
14 A STATEMENT TO THE COMMISSION TO DEMONSTRATE THAT THE UTILITY  
15 HAS DONE SO. ANY SUCH STATEMENT IS FOR INFORMATIONAL PURPOSES  
16 ONLY AND IS NOT SUBJECT TO APPROVAL BY THE COMMISSION.

17 **SECTION 2.** In Colorado Revised Statutes, 34-60-106, **amend**  
18 (9) as follows:

19 **34-60-106. Additional powers of commission - rules -**  
20 **definition - repeal.** (9) Notwithstanding ~~the provisions of~~ section  
21 34-60-120 or any other provision of law, the commission, as to class II  
22 AND CLASS VI injection wells defined in 40 CFR ~~144.6b~~, ~~shall also have~~  
23 ~~the power to~~ 144.6, MAY perform all acts for the ~~purpose~~ PURPOSES of  
24 protecting underground sources of drinking water in accordance with  
25 state programs authorized by 42 U.S.C. sec. 300f et seq., and regulations  
26 ~~thereunder in effect or~~ UNDER THAT SECTION, as ~~may be~~ amended, AND  
27 ENSURING THE SAFE AND EFFECTIVE SEQUESTRATION OF GREENHOUSE



1 GASES, AS THAT TERM IS DEFINED IN SECTION 25-7-140 (6), AND MAY  
2 ISSUE AND ENFORCE PERMITS AS NECESSARY FOR THOSE PURPOSES.

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

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