

COLORADO DEPARTMENT OF REGULATORY AGENCIES

Public Utilities Commission

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PART 4

RULES REGULATING GAS UTILITIES

4728. Clean Heat Targets.

- (a) Clean heat targets shall align with the statewide greenhouse gas emission reduction goals set forth in § 25-7-102(2)(g), C.R.S., and shall be consistent with § 40-3.2-108, C.R.S., et seq.
- (b) Baseline emissions, system-wide emissions, and reductions in emissions shall be calculated in accordance with rules 4525 through 4528.
- (c) Baseline.
 - (I) The utility shall calculate a baseline level of emissions for calendar year 2015, calculated in accordance with rule 4527.
 - (II) The utility shall exclude the emissions of customers, and to the extent practicable identify those customers and their associated load, that report their own greenhouse gas emissions to the United States Environmental Protection Agency under applicable federal law.
- (d) Targets.
 - (I) The following clean heat targets apply for a gas distribution utility:
 - (A) four percent reduction in greenhouse gas emissions in calendar year 2025 as compared to a 2015 baseline, of which not more than one percent (one-fourth of the emission reductions required to meet the 2025 target) can be from recovered methane;
 - (B) 22 percent reduction in greenhouse gas emissions in calendar year 2030 as compared to a 2015 baseline, of which not more than five percent (five-twenty seconds of the emission reductions required to meet the 2030 target) can be from recovered methane; and
 - (C) 41 percent reduction in greenhouse gas emissions in calendar year 2035 as compared to a 2015 baseline, of which not more than five percent (five-forty firsts of the emission reductions required to meet the 2035 target) can be from recovered methane and provided that the Commission determines that inclusion

of the recovered methane resources in the approved portfolio furthers investment in Colorado communities, reduces greenhouse gas emissions, is cost-effective, and is in the public interest.

- (II) No later than December 1, 2032, the Commission, in consultation with the Air Pollution Control Division, shall determine the mass-based clean heat targets for years 2040, 2045, and 2050 using the 2015 baseline pursuant to § 40-3.2-108(11), C.R.S.
- (III) A jurisdictional gas utility's clean heat plan may exceed the recovered methane caps set forth above in subparagraphs 4728(d)(I)(A), (B), and (C) if the Commission finds the utility otherwise could not cost-effectively meet the clean heat targets and that exceeding the recovered methane caps is in the public interest.
- (e) For clean heat targets beginning in year 2040, the maximum amount, if any, of each target reduction in greenhouse gas emissions that may be from recovered methane shall be determined by the Commission if such maximum levels promote investment in Colorado communities, reduce greenhouse gas emissions, are cost-effective, and are in the public interest.

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[indicates omission of unaffected rules]

4732. Approval of a Clean Heat Plan.

- (a) The Commission shall approve a clean heat plan, including the associated forecasts set forth in paragraph 4731(b), if it finds the plan to be in the public interest. The Commission may modify the plan if the modifications are necessary to ensure the plan is in the public interest.
- (b) In evaluating whether the clean heat plan is in the public interest, the Commission shall consider, at a minimum, the following factors:
 - (I) whether the plan achieves the clean heat targets using clean heat resources that, in aggregate, maximize greenhouse gas emission reductions;
 - (A) The Commission shall consult with the Air Pollution Control Division to estimate reductions of emissions of greenhouse gases and other air pollutants under the portfolios and verify the utility's calculations.
 - (B) The Air Pollution Control Division may participate as a party in the proceeding in which a utility files for approval of a clean heat plan.
 - (II) whether the plan can be implemented at the lowest reasonable cost and rate impact, taking into account savings to customer bills resulting from investments made pursuant to the plan. In determining the reasonableness of the cost and the cost impact, the Commission shall consider:
 - (A) fuel costs;
 - (B) non-fuel direct investment associated with the clean heat plan;

- (C) gas infrastructure costs;
 - (D) gas system operation costs;
 - (E) a cost test that includes both the social cost of carbon and the social cost of methane; and
 - (F) any other costs and benefits found relevant by the Commission.
- (III) whether the plan provides additional air quality, environmental, and health benefits in addition to the greenhouse gas emission reductions, and otherwise supports environmental justice goals;
 - (IV) whether the utility has demonstrated the investments in the clean heat plan prioritize serving customers participating in income-qualified programs and communities historically impacted by air pollution and other energy-related pollution;
 - (V) whether the plan presents risks to the utility's customers, including the risk of market volatility and the risk of stranded investment costs;
 - (VI) whether the plan provides long-term impacts on Colorado's utility workforce as part of a just transition including consideration of the labor metrics and benefits as specified in § 40-3.2-108(8), C.R.S., and defined in paragraph 4001(j); and
 - (VII) whether the plan maintains system safety and reliability.
- (c) The Commission may approve a utility's proposed rate adjustment clause or structure that allows for current recovery of the utility's clean heat plan costs.
 - (d) The utility may recover the prudently incurred costs associated with actions under an approved clean heat plan or other actions to meet any additional emission reduction requirements imposed on the utility pursuant to § 25-7-105(l)(e), C.R.S.
 - (e) In evaluating clean heat plans addressing emission reductions to meet clean heat targets after 2030, the Commission will approve recovered methane resources only where the Commission finds that inclusion of the recovered methane resources in the approved portfolio furthers investment in Colorado communities, reduces greenhouse gas emissions, is cost-effective, and is in the public interest.