

Decision No. C24-0149-I

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23A-0632G

IN THE MATTER OF THE APPLICATION OF ATMOS ENERGY CORPORATION FOR
APPROVAL OF ITS 2024-2028 CLEAN HEAT PLAN.

**INTERIM COMMISSION DECISION REQUIRING FILING
OF SUPPLEMENTAL DIRECT TESTIMONY AND
REFERRING TO AN ADMINISTRATIVE LAW JUDGE**

Mailed Date: March 7, 2024
Adopted Date: February 21, 2024

I. BY THE COMMISSION

A. Statement

1. This matter comes before the Commission for consideration of the Application of Atmos Energy Corporation (Atmos) for approval of its 2024-2028 Clean Heat Plan filed on December 29, 2023.

2. Through this Decision, the Commission orders Atmos to file Supplemental Direct Testimony concerning several facets of its application, as discussed below. We also refer this application to an administrative law judge for determination of its merits, including disposition of motions for intervention.

B. Background

3. Atmos filed its inaugural Clean Heat Plan application pursuant to 40-3.2-108, C.R.S. and Rules 4725 to 4733 of the Commission's Rules Regulating Gas Utilities (4 *Colorado Code of Regulations* (CRR) 723-4) on December 29, 2023. In its application, Atmos requests that the Commission: a) Finds that Atmos's Clean Heat Plan Preferred Portfolio is in the public

interest; b) Approves Atmos's Clean Heat Plan Preferred Portfolio and associated workbook; c) Approves Atmos's proposed Clean Heat Plan Rider; and d) Grants such other relief as necessary for final resolution of the issues raised in this Proceeding.

4. Atmos's application contains a "Preferred Portfolio" that proposes a clean heat resources portfolio consisting of the currently planned gas DSM programs resulting from the recent DSM Strategic Issues filing¹; gas efficiency programs in addition to those included in current approved plans furnaces, boilers, and water heaters; recovered methane; and two pilot programs.² Atmos's preferred Clean Heat portfolio is projected to result in approximately 31,000 metric tons of CO₂ equivalent emissions reductions in 2030, and is projected to cost approximately 17.5 million dollars over five years. This plan does not meet the statutory requirements for emissions reductions, but stays within the statutory cost cap set for utility expenditures on clean heat resources. Atmos also presents a "Least Cost" portfolio that meets the cost target found in SB21-264 and an "Emissions Target" portfolio that maximizes meeting the emissions targets in statute.

5. The application was deemed complete in accordance with § 40-6-109.5, C.R.S. on February 13, 2024.

C. Supplemental Direct Testimony

1. Forecasting

6. Please submit forecasting compliant with Rule 4731(a) of the Commission's Rules Regulating Gas Utilities, 4 CCR 723-4. For its initial forecast, Atmos should present reference (base), low and high forecasts of sales, customer counts, system-wide capacity (design

¹ Hrg. Ex. 101, Attachment KRO-2, p. 13.

² Atmos proposes that one pilot program will be used to test gas heat pump technologies and another will demonstrate early replacement of 25 manufactured homes with high efficiency manufactured homes in an income qualified population.

peak demand) requirements, throughput by Btus and volumes of green hydrogen, recovered methane, and total gas, and system-wide greenhouse gas emissions. All forecast elements shall be provided for the total utility and by customer class, for each year of the clean heat plan action period and in five-year increments during the clean heat plan informational period. Forecasts should be disaggregated by pressure district, unique planning zones requiring a distinct design peak demand condition, or other geographical segmentation, as appropriate. Atmos should fully explain, justify, and document the data, assumptions, methodologies, models, determinants, and any other inputs upon which it relied to develop forecasts pursuant to this rule.

7. The greenhouse gas emissions forecast should be based on the latest Commission-approved workbook developed by the Air Pollution Control Division, consistent with paragraph 4527(a). The forecasts should also include:

- a) the effect of current and enacted state and local building codes;
- b) changes in line extension policies, and the associated potential impact on gas customer growth, in the aggregate;
- c) building electrification programs and/or incentives offered by the local electric utility and local and federal entities that overlap with a utility's gas service territory;
- d) the price elasticity of demand; and
- e) other known factors affecting sales and gas supply capacity needs.

8. Low and high forecasts shall incorporate alternative projections of customer growth and sales, and any underlying supporting assumptions, to assess a reasonable range of variation surrounding the reference (base) forecast.

9. Once Atmos has created compliant forecasts, it should reassess all portfolios and the results of their modeling under each of the following conditions:

- a) A base forecast compliant with Rule 4731(a) that specifically takes into account the factors identified by the Commission within Rule 4731;

- b) The base case forecast utilized in Atmos's direct testimony from this Proceeding; and
- c) A forecast representing zero percent growth in throughput or peak demand from 2023 throughout the clean heat plan informational period.

2. Beneficial Electrification

10. In accordance with the legislative directive that a determination of the "lowest reasonable cost" must include a detailed analysis of available technologies, the Commission orders a more thorough analysis of available technologies delineated by the legislature as Clean Heat Resources, but not yet evaluated by Atmos. Pursuant to § 40-3.2-108(4)(c)(II)(D), C.R.S., the Commission can direct utilities to file additional scenarios as appropriate. SB 21-264 does not differentiate between eligible clean heat resources for gas only utilities versus dual fuel utilities, and establishes beneficial electrification as an eligible clean heat resource for all clean heat plans filed with the Commission.

11. To aid the record before the Commission, please file a modified version of the preferred scenario that contains a minimum of 15 percent emission reductions towards the 2030 target using beneficial electrification measures, which may include thermal energy networks, as identified in HB23-1252 as a clean heat resource.³ Displace the least cost-effective resources when adding beneficial electrification and thermal energy networks. Please also consider whether beneficial electrification measures or thermal energy networks included in this scenario could be designed to provide additional value streams to the utility. This could include considering programs like offering tariffed bill financing for electrification technologies, offering installation services, offering regulated energy products and services, or transitioning to heat as a service through the use of thermal networks.

³ 40-3.2-10(1)(c)(IV), C.R.S.

3. Disproportionately Impacted Communities

12. It is not clear how Atmos will “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.”⁴ In its Application, Atmos states that “[t]he proportion of spending for income-qualified customers for the planned and additional DSM in the Preferred portfolio is 34%.”⁵ Please explain how this spending will be allocated to specifically maximize the benefits of Atmos’ energy efficiency and DSM investments for disproportionately impacted communities or income-qualified customers.

4. Workforce Development

13. Atmos should examine how it could expand the capacity for delivery of DSM and other clean heat resources through training and education for contractors in rural areas. The Commission recognizes a correlation between barrier to increasing the uptake of various clean heat services and a lack of current capacity to deliver these services to areas within Atmos’ service territory. We also recognize the need to avoid exacerbating historic inequities in access to programs and technologies.

5. DSM Technologies

14. Please investigate the inclusion of duct sealing technologies, including associated costs and emissions reductions potentials, as measures in advanced DSM programs.

⁴ § 40-3.2-108(1)(c)(IV), C.R.S.

⁵ Hrg. Ex. 101, Attachment KRO-2, p. 18.

6. Safety, Reliability, and Resilience

15. It is not clear that Atmos has described 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.⁶ Please provide an explanation of these effects.

7. Monitoring and Verification

16. It is not clear that Atmos has described the monitoring and verification methodology to be used in annual reporting. Please describe Atmos's proposed monitoring methodology.

D. Referrals to an Administrative Law Judge

17. For procedural efficiency, we refer this proceeding to an Administrative Law Judge.

II. ORDER**A. It Is Ordered That:**

1. Atmos Energy Corporation shall file Supplemental Direct Testimony in a 30-day time period from the mailed date of this Decision.

2. The proceeding is referred to an Administrative Law Judge.

⁶ § 40-3.2-108(4)(c)(X), C.R.S.

3. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
February 21, 2024.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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MEGAN M. GILMAN

TOM PLANT

Commissioners