

Decision No. C24-0148-I

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23A-0633G

IN THE MATTER OF THE VERIFIED APPLICATION OF BLACK HILLS COLORADO GAS, INC. 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 Black Hills Colorado Gas, Inc. (BHCG) for approval of its 2024-2028 Clean Heat Plan.

2. Through this Decision, the Commission orders BHCG 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 and other pending motions.

B. Background

3. BHCG 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, BHCG requests that the Commission approve: a) BHCG's inaugural Clean Heat Plan for 2024-2028; b) BHCG's

preferred Clean Heat Plan scenario; c) BHCG's proposed budgets within the preferred scenario and the proposed budget flexibility; d) BHCG's proposed cost recovery mechanisms including the creation of a new surcharge called the Clean Heat Plan Rider (CHPR); e) BHCG's proposal to track and defer costs incurred in association with preparing and litigating this proceeding into a non-interest bearing regulatory asset that will be recovered through the CHPR; and f) any waivers or variances the Commission deems necessary for approval and implementation of its proposed clean heat plan.

4. BHCG's "Clean Heat Preferred Plan" scenario uses DSM programs approved in its most recent DSM-SI filing in Proceeding No. 23A-0361G, additional clean heat plan funded DSM, recovered methane (which Black Hills refers to as renewable natural gas), Advanced Monitoring and Leak detection, and green hydrogen blending starting in 2030. This scenario stays within the 2.5 percent annual retail sales cost cap, but achieves only 11 percent of the 2030 emissions reductions target. Black Hills 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, BHCG should present reference (base), low and high forecasts of sales, customer counts, system-wide capacity (design 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. BHCG 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 BHCG has created compliant forecasts, it should reassess all portfolios and the modeling results 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 BHCG'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 BHCG. Pursuant to § 40-3.2-108(4)(c)(II)(D), C.R.S., the Commission can direct utilities to file additional scenarios as appropriate. SB21-264 does not differentiate between eligible clean heat resources for gas only utilities versus dual fuel utilities which 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.¹ 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.

¹ § 40-3.2-108(1)(c)(IV), C.R.S.

3. Disproportionately Impacted Communities

12. It is not clear how BHCG 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.”² In its application, BHCG states that “Clean Heat resources prioritizing disproportionately impacted (DI) communities and income qualified (IQ) customers will be implemented as appropriate within the scope of specific resources. Clean Heat funded DSM is anticipated to be allocated towards Income Qualified communities proportional to those amounts proposed in BHCG’s DSM SI Proceeding No. 23A-0361G, in which 25 percent residential funds are allocated to Income Qualified customers. The other resources employed, green hydrogen, AMLD, and RNG will not take a targeted approach to benefit specific DI communities or Income Qualified customers. Rather DI communities and IQ customers will be the beneficiaries of such resources proportionate to the customer mix throughout BHCG’s service territory.”³ It also states that “Clean Heat funding will be available to all customers, however a significant amount of Clean Heat funding will be devoted exclusively to IQ customers in 2025 and 2026.”⁴ Please explain how the benefits of BHCG’s energy efficiency and DSM investments will specifically benefit DI or IQ customers, and how the other resources will deliver cost, health, environmental, or social benefits to these customers.

² § 40-3.2-108(4)(c)(V), C.R.S.

³ Hrg. Ex. 104, Attachment AWC-1_2024-2028 BHCG Clean Heat Plan, 49.

⁴ Hrg. Ex. 105, Direct Testimony of Matthew J. Christofferson, 48:4-48:10.

4. Workforce Development

13. BHCG 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 BHCG's service territory. It also recognizes 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.

6. Safety, Reliability, and Resilience

15. It is not clear that BHCG 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 service⁵ (SB 21-264 (4)(c)(x)), besides stating that the plans will have no effect. Please provide an explanation of these effects or why none will occur.

D. Referrals to an Administrative Law Judge

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

⁵ § 40-3.2-108(4)(c)(X), C.R.S.

II. ORDER

A. The Commission Orders That:

1. BHCG 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.

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