

Decision No. C25-0437-I

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 25M-0234G

IN THE MATTER OF THE PETITION OF THE COLORADO ENERGY OFFICE AND THE AIR POLLUTION CONTROL DIVISION OF THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT REQUESTING THE COLORADO PUBLIC UTILITIES COMMISSION OPEN A RULEMAKING SETTING CLEAN HEAT TARGETS FOR 2035.

**INTERIM COMMISSION DECISION ACCEPTING
PETITION FOR RULEMAKING, ISSUING NOTICE OF
PETITION, AND SETTING SCHEDULE TO RECEIVE
COMMENTS FROM PARTICIPANTS**

Issued Date: June 4, 2025

Adopted Date: June 4, 2025

I. BY THE COMMISSION

A. Statement

1. This matter comes before the Commission for consideration of the Petition for Rulemaking of the Colorado Energy Office and the Air Pollution Control Division (the “Division”) of the Colorado Department of Public Health and Environment (jointly, the “Petitioners”), filed on May 30, 2025 (“Petition”), pursuant to § 24-4-103(7), C.R.S. The Petitioners request the Commission open a rulemaking and determine mass-based greenhouse gas (“GHG”) emission reduction targets for gas utility clean heat plans for the year 2035, in order to implement the legislative directive in § 40-3.2-108(10), C.R.S., which states: “No later than December 1, 2025, the commission, in consultation with the division, shall determine mass-based greenhouse gas emission reduction targets for clean heat plans for 2035.” For support, the Petitioners included Attachment 1, a May 22, 2025 memorandum from the Division’s Climate Change Program to the

Commission, and Attachment 2, a technical support document. The Petitioners urge that time is of the essence and therefore request the Commission establish a shortened notice and response time to the Petition.

2. By this Decision, the Commission accepts the Petition, provides notice to interested persons, and establishes the following two deadlines for interested participants to file comments on whether good cause exists to proceed to grant the Petition and open a rulemaking: (1) June 11, 2025, for initial comments and (2) June 18, 2025, for reply comments.

B. Discussion

3. The Petition reviews that the current clean heat targets for the years 2025 and 2030 are set forth as follows in § 40-3.2-108(3)(b)(II), C.R.S. (emphasis added):

A gas distribution utility shall demonstrate compliance with subsection (3)(b)(I) of this section by filing and obtaining commission approval of clean heat plans that meet clean heat targets calculated as follows: Consistent with subsection (3)(c) of this section and as compared to a 2015 baseline, **a four percent reduction in greenhouse gas emissions in 2025**, of which not more than one percent can be from recovered methane; and **a twenty-two percent reduction in greenhouse gas emissions in 2030**, of which not more than five percent can be from recovered methane.

4. The Petition states that three gas utilities, Public Service Company of Colorado, Black Hills Energy, and Atmos Energy, filed clean heat plans in 2023 as required by statute.¹ The Petition states the Commission has approved Public Service Company's and Atmos Energy's clean heat plans, and the utilities are now in the process of implementing them. The Petition notes that a municipal gas distribution utility, Colorado Springs Utility, also submitted a clean heat plan approved by its board to the Division on July 31, 2023, pursuant to § 25-7-105(1)(e)(VIII), C.R.S.; but explains, this plan was omitted from the Division's calculations because it is not regulated by the Commission.

¹ Petition at p. 7 (citing § 40-3.2-108(4)(a) C.R.S.).

5. The Petition states that § 40-3.2-108, C.R.S., requires the Commission to establish mass-based clean heat targets for 2035 no later than December 1, 2025, and prescribes that the Commission, in setting such targets, must: “[e]nsure that gas distribution utilities’ greenhouse gas emissions will be in line with the residential, commercial, and industrial sectors’ contribution to statewide greenhouse gas pollution; and [d]etermine whether recovered methane may be used to meet the [2035] mass-based greenhouse gas emissions reduction targets.”²

6. The Petition states that, based on analysis of historical data and statutory targets for statewide GHG pollution, the Division proposes a 2035 clean heat target reduction of 41 percent from a 2015 baseline, which translates to a mass-based emission target of 5.270 million metric tons carbon dioxide equivalent (“MMT CO₂eq”)³ across the three gas distribution utilities with clean heat plans regulated by the Commission. The Petition explains this proposed target represents an extrapolation of the regulated gas utilities’ contribution to statewide GHG pollution in 2035 when using a linear regression of the historic contributions in 2015 and statutorily established contributions in 2025 and 2030.

² Petition at p. 7 (citing §§ 40-3.2-108(10)(a)-(b), C.R.S.).

³ The Petition states emissions are calculated using global warming potentials from the Intergovernmental Panel on Climate Change’s Fifth Assessment Report and a 100-year time horizon (AR5 GWP100). Petition at p. 7.

7. The Petition provides the following summary:

Table 1: Summary of existing and proposed Clean Heat Targets

Year	2015	2025	2030	2035
Scenario	Baseline	Statute	Statute	Proposed
Target Reductions from 2015 baseline (percent)	n/a	4%	22%	41%
Target Reductions from 2015 baseline (MMT CO ₂ eq)	n/a	0.357	1.965	3.662
Target Emissions (MMT CO ₂ eq)	8.932	8.574	6.967	5.270

8. The Petition explains these established contributions from regulated gas utilities were determined by applying the reduction targets of 4 percent in 2025 and 22 percent in 2030 in § 40-3.2-108, C.R.S., to the 2015 clean heat plan baseline data provided by the gas utilities to project mass emissions in those years. The Petition explains the percentage contribution of these utilities as part of statewide GHG pollution was then determined by comparing the mass emissions from the three gas utilities to the total, statewide GHG pollution reduction targets established in § 25-7-102(2)(g), C.R.S., expressed as mass emissions in 2025 and 2030 relative to the 2005 baseline year. The Petition explains that, as the majority of GHG emissions from the residential, commercial, and industrial sector are the result of natural gas combustion delivered by gas distribution utilities or via their pipelines, following a linear regression of these established contribution amounts provides the 2035 mass-based clean heat target “in line with the residential, commercial, and industrial sectors’ contribution to statewide greenhouse gas pollution.”⁴

9. Finally, the Petition recommends the Commission set clean heat targets only for the year 2035 at this time. The Petition notes § 40-3.2-108(10)(a), C.R.S., sets a separate deadline for establishing clean heat targets for the years 2040, 2045, and 2050, of no later than December 1, 2032. The Petition recommends the Commission wait to establish those further

⁴ Petition at p. 9 (citing § 40-3.2-108(10)(a), C.R.S.).

targets until it has more information about the gas utilities' progress towards the 2030 and 2035 targets.

C. Proposed Rules

10. The Petition proposes the Commission establish a clean heat target for the year 2035 that requires gas utilities to reduce GHG emissions by 41 percent compared to a 2015 baseline. The Petition also recommends the Commission allow gas utilities to use recovered methane to achieve these targets because recovered methane is an enumerated clean heat resource and can provide a cost-effective option for reducing emissions from this sector.⁵

D. Findings and Conclusions

11. Pursuant to Rule 1306(b) of the Rules of Practice and Procedure, 4 *Code of Colorado Regulations* 723-1, upon the filing of a petition for rulemaking, the Commission, at its discretion, may accept the petition, issue notice, and set a schedule to receive comments on the petition from interested participants. The Commission may also allow for the filing of reply comments. Once all comments are received, the Commission will deliberate and determine whether good cause exists to proceed to grant the petition, in whole or in part, and proceed to issue a notice of proposed rulemaking.

12. Given the statutory mandate in § 40-3.2-108(10), C.R.S., to determine the 2035 targets no later than December 1 of this year, and the analysis put forth by the Petitioners for consideration, we find good cause to accept the Petition. We agree that time is of the essence and therefore adopt the following schedule for interested participants to file comments on whether good cause exists to proceed to grant the Petition and open a rulemaking: (1) initial comments are due June 11, 2025, and (2) any reply comments are due June 18, 2025.

⁵ Petition at p. 9 (citing § 40-3.2-108(2)(c), C.R.S.).

II. ORDER

A. It Is Ordered That:

1. The Petition for Rulemaking filed on May 30, 2025, by the Colorado Energy Office and the Air Pollution Control Division of the Colorado Department of Public Health and Environment (“Petition”), is accepted for purposes of establishing a notice and comment period.

2. This Decision shall serve as notice of the Petition to interested persons.

3. Any person desiring to file comments on the Petition may send written comments, addressed to the Public Utilities Commission, 1560 Broadway, Suite 250, Denver, Colorado 80202, or file written comments through the Commission’s E-filings system using Proceeding No. 25M-0234G at: <https://www.dora.state.co.us/pls/efi/EFI.homepage>.

4. Initial written comments are due June 11, 2025. Reply comments are due June 18, 2025.

5. This Decision is effective immediately upon its Issued Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
JUNE 4, 2025.**

(SEAL)



ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads "Rebecca E. White".

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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MEGAN M. GILMAN

TOM PLANT

Commissioners