

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.

**COMMISSION DECISION GRANTING PETITION FOR
PROPOSED RULEMAKING**

Issued Date: July 15, 2025

Adopted Date: July 2, 2025

I. BY THE COMMISSION

A. Statement

1. By this Decision, the Commission grants 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 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.” As used in this Decision, the term “clean heat plan” refers to the plans submitted by gas utilities demonstrating projected reductions in methane and carbon dioxide emissions to meet target levels. *See* § 40-3.2-108(2)(b), C.R.S. (defining “clean heat

plan”), § 40-3.2-108(3), C.R.S. (explaining clean heat targets and setting initial levels), § 40-3.2-108(4), C.R.S. (outlining clean heat plan requirements), and § 40-3.2-108(10) and (11), C.R.S. (delegating to Commission the setting of targets for years 2035 and beyond).

2. Consistent with the discussion below, the Commission will examine in a forthcoming rulemaking proceeding the addition of mass-based greenhouse gas emission reduction targets for gas utility clean heat plans for the year 2035 in the Rules Regulating Gas Utilities, 4 *Code of Colorado Regulations* (“CCR”) 723-4.

B. Procedural History

3. By Decision No. C25-0437-I, issued June 4, 2025, the Commission accepted the Petition, provided notice to interested persons, and established the following two deadlines for interested persons to file comments on whether good cause exists to proceed to grant the Petition and commence a rulemaking: (1) June 11, 2025, for initial comments and (2) June 18, 2025, for reply comments.

4. On June 11, 2025, Black Hills Colorado Gas, Inc., doing business as Black Hills Energy (“Black Hills”), and Public Service Company of Colorado (“Public Service”) filed initial comments responding to the Petition. No reply comments were filed.

5. The Commission deliberated on the merits of the Petition at its July 2, 2025 Commissioners’ Weekly Meeting, resulting in this Decision.

C. Petition

6. 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.

7. The Petition states that three gas utilities, Public Service Company of Colorado, Black Hills, and Atmos Energy Corporation, filed clean heat plans in 2023 as required by statute.¹ The Petition states the Commission has approved Public Service's and Atmos Energy Corporation'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 the utility is not regulated by the Commission.

8. 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

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

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

9. The Petition states that, based on analysis of historical data and statutory targets for statewide greenhouse gas 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 greenhouse gas pollution in 2035 when using a linear regression of the historic contributions in 2015 and statutorily established contributions in 2025 and 2030.

10. 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.

11. 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

12. 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

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.

utilities as part of statewide greenhouse gas pollution was then determined by comparing the mass emissions from the three gas utilities to the total, statewide greenhouse gas pollution reduction targets established in § 25-7-102(2)(g), C.R.S., expressed as mass emissions in 2025 and 2030 relative to the baseline year. The Petition explains that, as the majority of greenhouse gas 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

13. Finally, the Petition recommends the Commission set clean heat targets only for the year 2035 at this time. The Petition notes that § 40-3.2-108(10)(a), C.R.S., sets a separate deadline, of no later than December 1, 2032, for establishing clean heat targets for the years 2040, 2045, and 2050. The Petition recommends the Commission wait to establish those further targets until it has more information about the gas utilities’ progress towards the 2030 and 2035 targets.

D. Comments

14. In response to the Petition, Black Hills states that, while it appreciates the analysis and proposal submitted by Petitioners, it does not agree with the Petitioners’ proposal that the Commission establish a clean heat target for 2035 that requires gas utilities to reduce greenhouse gas emissions by 41 percent compared to a 2015 baseline. However, pursuant to Rule 1306(b), 4 CCR 723-1, Black Hills agrees that a rulemaking proceeding is the appropriate procedural avenue to address the Petitioners’ proposal and any alternative target-setting approach that may be proposed by stakeholders within the rulemaking.

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

15. Similarly, Public Service states that it understands the Commission to be considering at this junction only whether to open a rulemaking and that the substance of the Petitioners' proposed 2035 target would be considered within the rulemaking. Within that framework, and considering that the Commission must determine the 2035 target and then reflect changes in its rules, Public Service agrees that a rulemaking is the appropriate next step. Public Service states that, in that proceeding, interested persons will have an opportunity to weigh in and provide their perspectives on what the appropriate 2035 target should be. Public Service also comments that it agrees with the Petitioners that the rulemaking should be limited to setting the 2035 target, reasoning that it is early in the clean heat trajectory and premature to set targets for later years, particularly since the Commission has until December 2032 to do so by statute.

16. No comments were filed in reply to these comments.

E. Proposed Rules

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

18. The Commission contemplates these new targets would require revisions to current Rule 4728(d) of the Rules Regulating Gas Utilities, 4 CCR 723-4. Specific redlines will be provided with the notice of proposed rulemaking that commences the rulemaking proceeding.

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

F. Findings and Conclusions

19. Pursuant to Rule 1306(b) of the Rules of Practice and Procedure, 4 CCR 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 persons. 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.

20. Given the statutory mandate in § 40-3.2-108(10), C.R.S., to determine the 2035 target no later than December 1 of this year, the analysis put forth in the Petition for consideration in setting the target, and the unanimous support in responsive comments for proceeding to open a rulemaking, we find good cause to grant the Petition. Consistent with the comments filed by Black Hills and Public Service, we intend for this rulemaking to provide opportunity for both examination of the Petitioners' proposed 2035 target and consideration of any alternative target-setting approach that may be proposed by stakeholders participating in the rulemaking.

II. ORDER**A. The Commission Orders 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 is granted, consistent with the discussion above.

2. Commission advisors shall prepare a Notice of Proposed Rulemaking with proposed amendments and additions to Rule 4728, 4 *Code of Colorado Regulations* 723-4, which the Commission will issue by separate order.

3. This Decision is effective immediately on its Issued Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
JULY 2, 2025.**

(S E A L)



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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Commissioners