

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 25R-0309G

IN THE MATTER OF THE PROPOSED AMENDMENTS TO THE COMMISSION’S RULES
REGULATING GAS UTILITIES, 4 CODE OF COLORADO REGULATIONS 723-4,
ESTABLISHING MASS-BASED GREENHOUSE GAS EMISSION REDUCTION TARGETS
FOR CLEAN HEAT PLANS PURSUANT TO SECTION 40-3.2-108(10), C.R.S.

NOTICE OF PROPOSED RULEMAKING

Issued Date: July 15, 2025

Adopted Date: July 2, 2025

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I. BY THE COMMISSION

A. Statement

1. The Colorado Public Utilities Commission issues this Notice of Proposed Rulemaking (“NOPR”) to amend Rules 4728 and 4732 of the Rules Regulating Gas Utilities,

4 *Code of Colorado Regulations* (“CCR”) 723-4, in order to implement the legislative directive in § 40-3.2-108(10), C.R.S., for the Commission to determine mass-based greenhouse gas emission reduction targets for the year 2035 for gas utility clean heat plans submitted pursuant to § 40-3.2-108(4), C.R.S. As used in this NOPR, the term “clean heat plan” refers to the plans submitted by gas utilities demonstrating projected reductions in methane and carbon dioxide emissions to meet state 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), § 40-3.2-108(10) (delegating to Commission setting of targets for the year 2035), and § 40-3.2-108 (11), C.R.S. (delegating to Commission setting of targets for the years 2040, 2045, and 2050).

2. The statutory authority for the proposed rules is found, generally, at § 40-2-108, C.R.S., which authorizes and directs the Commission to promulgate rules as necessary to administer and enforce the provisions of title 40 of the Colorado Revised Statutes. Further, § 40-3.2-108(10) and (11), C.R.S., expressly direct the Commission to “determine” mass-based greenhouse gas emission reduction targets for clean heat plans for the year 2035 and beyond. In addition, § 40-3.2-108(4)(d)(II)(B), C.R.S., provides for the Commission to specify by rule the maximum amount of recovered methane resource for clean heat plans covering years after 2030.

3. The proposed changes to Rule 4728 and 4732 of the Rules Regulating Gas Utilities, 4 CCR 723-4, are set forth in legislative (*i.e.*, strikeout/underline) format in Attachment A to this NOPR, and in final format in Attachment B to this NOPR. The proposed rules are available through the Commission’s E-Filings system at the following link:

https://www.dora.state.co.us/pls/efi/EFI.Show_Docket?p_session_id=&p_docket_id=25R-0309G

4. The Commission will hold a remote public hearing on the proposed rules at 10:00 a.m. on September 18, 2025.

5. The Commission encourages interested persons to submit written comments before the hearing scheduled in this matter. Initial written comments are requested to be filed no later than August 15, 2025, and any written comments responsive to the initial comments are requested to be filed no later than September 12, 2025.

B. Applicable Law

6. Through § 40-3.2-108(3)(b)(II), C.R.S., the legislature has already established the clean heat targets for the years 2025 and 2030. The target for 2025 is a four percent reduction in greenhouse gas emissions, as compared to a 2015 baseline, of which not more than one percent can be from recovered methane resources. The target for 2030 is a twenty-two percent reduction in greenhouse gas emissions, as compared to a 2015 baseline, of which not more than five percent can be from recovered methane resources.

7. To date, three gas utilities, Public Service Company of Colorado (“Public Service”), Atmos Energy Corporation, and Black Hills Colorado Gas, Inc. (“Black Hills”), have filed clean heat plans with the Commission. The Commission approved Public Service’s clean heat plan in Proceeding No. 23A-0392EG. *See* Decision No. C24-0397, issued June 10, 2024 (granting application with modifications) and Decision No. C24-0601, issued August 21, 2024 (addressing applications for rehearing, reargument, or reconsideration of Decision No. C24-0397). The Commission approved Atmos Energy Corporation’s clean heat plan in Proceeding No. 23A-0632G. *See* Decision No. R24-0740, issued October 14, 2024 (administrative law judge’s recommend decision approving settlement agreement and granting application, as modified by settlement agreement) and Decision No. C24-0875, issued November 26, 2024 (addressing

exceptions to Decision No. R24-0740). The Commission is still adjudicating Black Hills' clean heat plan in Proceeding No. 23A-0633G, and an evidentiary hearing is scheduled for October 27-29, 2025. *See* Decision No. C25-0387 establishing the procedural schedule.

8. Through § 40-3.2-108(10), C.R.S., the legislature delegated to the Commission the task of determining the clean heat targets for the year 2035 and which currently sets a deadline of December 1, 2025, for the Commission to do so. Specifically, § 40-3.2-108(10), C.R.S., directs the Commission to, in consultation with the Air Pollution Control Division of the Colorado Department of Public Health and Environment (the "Division"), determine mass-based greenhouse gas emission reduction targets for gas utility clean heat plans for the year 2035. The statute prescribes that, in setting such targets, the Commission shall: (1) ensure that gas utilities' greenhouse gas emissions will be in line with the residential, commercial, and industrial sectors' contribution to statewide greenhouse gas pollution and (2) determine whether recovered methane may be used to meet the mass-based greenhouse gas emission reduction targets that the Commission establishes.

9. The legislature has also delegated to the Commission the task of establishing targets for the years 2040, 2045, and 2050. Through § 40-3.2-108(11), C.R.S., the legislature directs the Commission to, no later than December 1, 2032, and in consultation with the Division, determine the mass-based greenhouse gas emission reduction goals for clean heat plans for the years 2040, 2045, and 2050 using a 2015 baseline that, at minimum, ensure that gas distribution utilities' greenhouse gas emission reductions will be proportionate to the residential, commercial, and industrial sectors' contribution to the greenhouse gas emission reduction goals, excluding transportation gas service customers or customers that report their own greenhouse gas emissions to the U.S. Environmental Protection Agency. The statute prescribes that, in determining these

goals, the Commission shall consider savings achieved or projected to be achieved in other sectors of the state's economy, as well as the commercial availability of technologies to achieve emission reductions in this sector.

C. Petition for Rulemaking

10. The Commission opens this rulemaking after granting the Petition for Rulemaking ("Petition") filed on May 30, 2025, by the Colorado Energy Office and the Division ("Petitioners") by Decision No. C25-0509, issued July 15, 2025, in Proceeding No. 25M-0234G.

11. The Petitioners requested that 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 § 40-3.2-108(10), C.R.S.

12. Based on analysis of historical data and statutory targets for statewide greenhouse gas pollution, the Petitioners proposed 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") across the three gas distribution utilities which have filed clean heat plans with by the Commission. The Petition stated that 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). The Petition explained 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.

13. The Petition provided 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

14. The Petition explained these established contributions from regulated gas utilities were determined by applying the reduction targets of four 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 explained the percentage contribution of these 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 explained 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.”¹ The Petition recommended the Commission allow gas utilities to use recovered methane to achieve these targets, on grounds that recovered methane is an enumerated clean heat resource and can provide a cost-effective option for reducing emissions from this sector.

15. The Petitioners recommended the Commission set clean heat targets only for the year 2035. Noting that § 40-3.2-108(11), C.R.S., sets a separate deadline of December 1, 2032, for

¹ Petition at p. 9 (citing § 40-3.2-108(10)(a), C.R.S.).

establishing targets for the years 2040, 2045, and 2050, the Petitioners recommended the Commission wait to establish those further targets until it has more information about the gas utilities' actual progress towards targets for the years 2030 and 2035.

16. By Decision No. C25-0437-I, issued June 4, 2025, in Proceeding No. 25M-0234G, the Commission accepted the Petition and established a schedule for interested participants to file comments on whether good cause exists to proceed to grant the Petition and commence a rulemaking.

17. On June 11, 2025, Black Hills and Public Service filed initial comments responding to the Petition. No reply comments were filed. Black Hills and Public Service agreed that a rulemaking proceeding is the appropriate procedural avenue to address the proposal and any alternative target-setting approach that may be proposed by stakeholders in the rulemaking. Both utilities indicated that they reserved further comment on the substance of the Petition to the rulemaking.

18. By Decision No. C25-0509, issued July 15, 2025, in Proceeding No. 25M-0234G, the Commission granted the Petition and indicated that it would open a rulemaking to consider rules establishing clean heat plan targets for the year 2035.

D. Proposed Rule Changes

1. Rule 4728

19. For purposes of this NOPR, we utilize the clean heat target for the year 2035 that is recommended in the Petition, *i.e.*, a clean heat target for 2035 that requires gas utilities to reduce greenhouse gas emissions by 41 percent compared to a 2015 baseline. The attached redline reflects changes to implement this proposal to Rule 4728.

20. We further solicit comments on the merits of only addressing the greenhouse gas emission reduction targets for 2035 at this time. Section 40-3.2-108(11), C.R.S., sets a separate deadline of December 1, 2032, for establishing targets for the years 2040, 2045, and 2050. Nonetheless, delaying until 2032 the establishment of further clean heat targets could result in a suboptimal planning window that is less than a decade. Although a decade-long planning horizon may be appropriate in other industries, for utilities, infrastructure spending can reach hundreds of millions of dollars per year, where such costs have been historically collected from customers over a 60 year or longer time frame. Longer-term planning with the longer-range trajectory for emission reductions in sight could be crucial to ensure gas utility infrastructure spending is done wisely, especially given how deep 2050 statewide greenhouse gas emission reduction targets² may translate into each sector.³ Utilities and stakeholders often reference in proceedings the uncertain future and trajectory of both greenhouse emissions and sales forecasts, showing how longer-term uncertainty can impact current planning and strategy. Consequently, we solicit comment on the following two questions:

- a. Whether there is currently enough information about what the gas distribution utilities' proportionate contributions should be from 2040-2050 as they relate to the residential, commercial and industrial sectors greenhouse gas emission reduction goals.
- b. In the event that commenters indicate there is not currently enough information about the proportionate share of those goals, or those goals more generally, whether there are any specific planned activities, rulemakings, or legislatively directed actions that intend to make those calculations more clear and, if so, what they are and the timeline that is expected.

21. We also propose to allow, as recommended in the Petition, that gas utilities continue to have recovered methane as a clean heat resource option to achieve the 2035 target. The rationale

² § 25-7-102(g)(I), C.R.S.

³ Colorado Greenhouse Gas Pollution Reduction Roadmap, January 14, 2021, Governor Jared Polis, p. XXVI.

set forth in the Petition is that recovered methane is an enumerated clean heat resource and can provide a cost-effective option for reducing emissions from this sector.⁴

22. For the purpose of soliciting comments and recommendations, we propose to continue for the 2035 target to limit the maximum amount of recovered methane resources that may be used to achieve the required emission reductions to five percent of the total reduction for the period 2030 through 2035. At this point, having received only the initial clean heat plans from utilities, we have little current data upon which to assess this resource. Further, the data in the initial clean heat plan proceedings indicates that reliance upon recovered methane may not be among the most cost-effective pathways to greenhouse gas emission reductions, thus not supporting adoption of a higher limit at this point. As a result, and cognizant that § 40-3.2-108(4)(d)(II)(B), C.R.S., contemplates the Commission will set by rule the maximum amount of recovered methane resources for clean heat plans covering years after 2030 and prescribes criteria for the Commission to consider in evaluating inclusion of such resources, the proposed language in Rule 4728(d)(I)(C) continues the five percent maximum and conditions inclusion of recovered methane resources. The inclusion of recovered methane in an approved plan is contingent on a Commission finding that inclusion of those resources in the approved portfolio furthers investment in Colorado communities, reduces greenhouse gas emissions, is cost-effective, and is in the public interest. § 40-3.2-108(4)(d)(II)(B), C.R.S. In light of the Commission's current understanding of the benefits and drawbacks of utilizing recovered methane as a path to achieving clean heat targets, we propose that it is appropriate to carry over the statutory maximum from 2030 into the 2035 target, and defer adjudicating whether the use of recovered methane would meet the above statutory standard until we have more facts and analysis in front of us in future adjudicated

⁴ Petition at p. 9 (citing § 40-3.2-108(2)(c), C.R.S.).

clean heat plans. We propose that the required Commission determination in § 40-3.2-108(4)(d)(II)(B), C.R.S., could be made in the adjudication in which recovered methane is proposed as an emission reduction pathway. However, the Commission solicits comments from rulemaking participants as to what information can be provided now to enable the Commission to make the determination, instead, within this rulemaking that the five percent maximum, or other appropriate amount, furthers investment in Colorado communities, reduces greenhouse gas emissions, is cost-effective, and is in the public interest.

23. The proposed revisions in Rule 4728 of the Rules Regulating Gas Utilities, 4 CCR 723-4, are shown in Attachments A and B to this NOPR.

2. Rule 4732

24. In light of the proposed rule language in Rule 4728 conditioning inclusion of recovered methane resources on the Commission finding the criteria in § 40-3.2-108(4)(d)(II)(B), C.R.S., are satisfied, we propose corresponding changes in Rule 4732, which addresses approval of utility clean heat plans. The proposed new language in paragraph (e) specifies that, in evaluating clean heat plans covering years 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.

25. The proposed revisions in Rule 4732 of the Rules Regulating Gas Utilities, 4 CCR 723-4, are shown in Attachments A and B to this NOPR.

E. Conclusion

26. Through this NOPR, the Commission solicits comments from interested persons on the proposed rules. Interested persons may file written comments including data, views, and

arguments into this Proceeding for consideration. The Commission also welcomes the submission of alternative proposed rules, including both consensus proposals joined by multiple rulemaking participants and individual proposals. Participants are encouraged to provide redlines of any specific proposed rule changes.

27. The Commission will hold a hearing on the proposed rules at the below-stated time and place. In addition to submitting written comments, participants will have an opportunity to present comments orally at the hearing, unless the Commission deems oral presentations unnecessary.

28. The Commission will consider all comments submitted in this Proceeding, whether oral or written.

II. ORDER

A. The Commission Orders That:

1. This Notice of Proposed Rulemaking (including Attachment A and Attachment B) shall be filed with the Colorado Secretary of State for publication in the July 25, 2025, edition of the *Colorado Register*.

2. The Commission invites comments from interested persons on the proposed amendments to Rules 4728 and 4732 of the Rules Regulating Gas Utilities, 4 *Code of Colorado Regulations* 723-4, as discussed above.

3. Any person desiring to comment on the proposed rules may submit written comments. The Commission prefers that written comments be filed through its E-Filings system, which may be accessed at the following link:

https://www.dora.state.co.us/pls/efi/EFI.Show_Docket?p_session_id=&p_docket_id=25R-0309G

Alternatively, written comments may be sent to the Public Utilities Commission, 1560 Broadway, Suite 250, Denver, Colorado 80202, referencing this Proceeding No. 25R-0309G.

4. The rulemaking hearing on the proposed rules and related matters shall be held before the Commission, as follows:

DATE: September 18, 2025

TIME: 10:00 a.m. until not later than 5:00 p.m.

PLACE: By video conference using Zoom at a link in the calendar of events on the Commission's website, available at:
<https://puc.colorado.gov/>

5. Initial written comments on the proposed rules are requested by August 15, 2025. Any person wishing to file comments responding to the initial comments is requested to file such comments by September 12, 2025. These deadlines are set so that the comments and responses may be considered at the hearing; nonetheless, persons may file written comments into this Proceeding at any time.

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

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

(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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Commissioners