

Decision No. C26-0584

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.

**COMMISSION DECISION GRANTING APPLICATION,
IN PART, AND WITH MODIFICATIONS, DENYING MOTION
TO APPROVE SECOND SETTLEMENT AGREEMENT,
AND REQUIRING FILINGS**

Issued Date: September 9, 2026
Adopted Date: January 14, 2026 & February 25, 2026

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I. BY THE COMMISSION

A. Statement

1. By this Decision, the Commission grants, in part and with modifications, the Verified Application of Black Hills Colorado Gas, Inc. (“Black Hills” or the “Company”) for Approval of its 2024-2028 Clean Heat Plan (“Application”).

2. As part of this determination, the Commission declines to approve the Second Settlement Agreement (“Second Settlement”)¹ filed on October 14, 2025, pursuant to Rule 1408, 4 *Code of Colorado Regulations* (“CCR”) 723-1, by Black Hills and intervenors the Colorado Energy Office (“CEO”), Staff of the Public Utilities Commission of the State of Colorado (“Staff”), and the Colorado Office of the Utility Consumer Advocate (“UCA”), and denies the associated Motion to Approve Second Settlement Agreement.

3. The Commission orders Black Hills to file an updated version of its 2026-2028 clean heat plan consistent with the findings and directives of this Decision.

¹ Hr. Ex. 122, Second Settlement (Rev. 1).

B. Procedural History

4. Black Hills filed its Application, the Company's inaugural clean heat plan, pursuant to § 40-3.2-108, C.R.S., (the "Clean Heat Statute") and Rules 4725 to 4733 of the Rules Regulating Gas Utilities, 4 CCR 723-4 on December 29, 2023. Through the Application, Black Hills requested that the Commission approve: (a) Black Hills' clean heat plan for the years 2024-2028; (b) Black Hills' preferred clean heat plan scenario; (c) Black Hills' proposed budgets within the preferred scenario and the proposed budget flexibility; (d) Black Hills' proposed cost recovery mechanisms including the creation of a new clean heat plan rider; (e) Black Hills' 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 clean heat plan rider; and (f) any waivers or variances the Commission deems necessary for approval and implementation of its proposed clean heat plan.

5. On March 7, 2024, the Commission referred the matter to an administrative law judge ("ALJ") for disposition through Decision No. C24-0148-I.

6. On April 9, 2024, the assigned ALJ issued Decision No. R24-0218-I, establishing the following parties to this Proceeding: Black Hills, CEO, Staff, the Southwest Energy Efficiency Project ("SWEEP"), and UCA.

7. On May 13, 2024, the ALJ issued Decision No. R24-0326-I, which set a procedural schedule, scheduled an evidentiary hearing and a public comment hearing, and acknowledged Black Hills' waiver of the statutory time period for a final Commission decision.

8. On August 16, 2024, Black Hills, CEO, Staff, and UCA jointly filed a Settlement Agreement (“First Settlement”) along with a motion requesting the Commission approve the First Settlement. SWEEP did not join the First Settlement.

9. The ALJ held an evidentiary hearing on August 29, 2024. Decision No. R24-0784 summarizes the details of that hearing at ¶¶ 3-7.

10. On October 29, 2024, the ALJ issued Decision No. R24-0784 (the “Recommended Decision”), approving the First Settlement without modification.

11. On November 18, 2024, SWEEP filed exceptions to the Recommended Decision, requesting that the Commission reverse the Recommended Decision, decline to approve the First Settlement, and instead approve SWEEP’s proposed portfolio, which SWEEP maintained better aligns with recent policy decisions made by the Commission in other proceedings because the portfolio invests in beneficial electrification (“BE”) and demand side management (“DSM”).

12. On February 12, 2025, through Decision No. C25-0091, the Commission granted, in part, and denied, in part, SWEEP’s exceptions to the Recommended Decision, resulting in certain modifications to the First Settlement. The Commission otherwise upheld the Recommended Decision.

13. On March 4, 2025, Black Hills filed an Application for Rehearing, Reargument, or Reconsideration (“RRR”) of Decision No. C25-0091. Black Hills requested the Commission reconsider its modifications to the First Settlement. Black Hills took the position that the Commission’s modifications were not in the public interest and, therefore, the Company was exercising its right to withdraw from the First Settlement. In the alternative, Black Hills requested

the Commission provide for additional process to evaluate other modifications so as to rebalance the overall outcome.

14. On April 2, 2025, by Decision No. C25-0248, the Commission granted Black Hills' RRR Application for the sole purpose of tolling the statutory deadline pursuant to § 40-6-114, C.R.S.

15. On April 8, 2025, by Decision No. C25-0262, the Commission addressed Black Hills' RRR Application, granting, in part, and denying, in part, the RRR Application. The Commission denied Black Hills' request to reinstate the First Settlement and found that additional process in the Proceeding was necessary. The Commission found the unmodified First Settlement was not in the public interest and thus additional process was necessary to complete the adjudication of the Company's clean heat plan Application.

16. On May 20, 2025, by Decision No. C25-0387, the Commission established a further procedural schedule for this Proceeding, including a three-day *en banc* evidentiary hearing for October 27-29, 2025.

17. On October 14, 2025, Black Hills, CEO, Staff, and UCA (the "Settling Parties") jointly filed the Second Settlement along with a motion requesting the Commission approve the Second Settlement. SWEEP did not join the Second Settlement.

18. On October 27, 2025, by Decision No. C25-0771, the Commission vacated the previously scheduled evidentiary hearing date of October 29, 2025 (retaining the October 27-28, 2025 dates) and established related deadlines.

19. On October 27 and 28, 2025, the Commission convened an evidentiary hearing, during which parties had the opportunity to cross-examine witnesses, and the Commissioners

questioned certain witnesses. In addition, the Commission admitted into evidence Hearing Exhibit 601 and all the documents listed thereon. These documents consist of all of the pre-filed testimony and attachments in the Proceeding.² In addition, during the course of the hearing, the following hearing exhibits were offered and admitted into the evidentiary record: Hearing Exhibits 102 (and highly confidential version); 102, Attachment MKG-5; 126; 129; 130; 131; 132; 133; 510; 512; 513; 516; 517; 518; 519; 520. Administrative notice was taken of Hearing Exhibit 521.

20. On November 14, 2025, Black Hills, CEO, Staff, SWEEP, and UCA each filed a post-hearing statement of position (“SOP”).

21. The Commission conducted oral deliberations in this Proceeding at the Commissioners’ Weekly Meetings on January 14, 2026, and February 25, 2026, resulting in this Decision.

C. Background and Statutory Requirements

22. Senate Bill (“SB”) 21-264, codified as § 40-3.2-108, C.R.S., requires Colorado gas utilities with more than 90,000 retail customers to develop, file, and receive approval of comprehensive clean heat plans designed to achieve greenhouse gas emission reductions, specifically, the reduction of carbon dioxide and methane emissions from gas distribution systems and the associated end-use consumption. In enacting this legislation, the General Assembly stated that its intent was to implement a performance standard that will allow Colorado gas utilities to use available tools, including energy efficiency, biomethane, hydrogen, recovered methane,

² In Decision No. C25-0295, issued in this Proceeding on April 17, 2025, the Commission acknowledged that the Proceeding would move forward with the record as it stood after the filing of rebuttal testimony, thereby striking the testimony from the First Settlement from the evidentiary record.

BE of customer end uses, cost-effective leak reductions on the utility’s distribution system as determined by the Commission that exceeds state and federal requirements, and other measures to achieve greenhouse gas emission reductions, cost effectiveness, and equity.³ Further, the General Assembly declared that the Commission must “maximize” greenhouse gas emission reductions and benefits to customers, with particular attention to residential customers who participate in income-qualified programs, “while managing costs and risks to customers, including stranded-asset cost risks, and in a manner that supports family-sustaining jobs.”⁴

23. A “clean heat plan” is defined as a “comprehensive plan submitted by a gas distribution utility or municipal gas distribution utility that demonstrates projected reductions in methane and carbon dioxide emissions that, together, meet the reductions required in this section at the lowest reasonable cost.”⁵ The “lowest reasonable cost” means a reasonable-cost mix of clean heat resources that meet clean heat targets as determined through a detailed analysis of available technologies and includes resource costs, market volatility risks, risks to ratepayers, systems operations costs, infrastructure costs, environmental justice goals, the social cost of carbon, and the social cost of methane in comparing the costs and benefits of alternatives, and other costs and benefits as determined by the Commission.

24. SB 21-264 sets ambitious greenhouse gas emission reduction targets. Section 40-3.2-108(3), C.R.S., requires gas utilities to file a clean heat plan to demonstrate the gas utility will achieve greenhouse gas emission reduction targets of four percent by 2025 and 22 percent by 2030, measured against 2015 emission levels. Emission reductions must come from

³ § 40-3.2-108(1)(c)(I), C.R.S.

⁴ § 40-3.2-108(1)(c)(II), C.R.S.

⁵ § 40-3.2-108(2)(b), C.R.S.

the “distribution and end-use combustion of gas”⁶ and must include: (a) methane leaked from the transportation and delivery of gas from the gas distribution and service pipelines from the city gate to customer end use; (b) carbon dioxide emissions resulting from the combustion of gas by residential, commercial, and industrial customers not otherwise subject to federal greenhouse gas emission reporting and excluding all transport customers; and (c) emissions of methane resulting from leakage from delivery of gas to other local distribution companies.⁷ Pursuant to Rule 4527(a), 4 CCR 723-4, the gas utility must use the most recent version of the workbook published by the Air Pollution Control Division within the Colorado Department of Public Health and Environment to calculate its baseline and projected emissions.⁸

25. The statute also enumerates certain resources as “clean heat resources” including: (1) gas DSM (as defined in § 40-1-102(6), C.R.S.); (2) recovered methane (defined as biomethane or methane derived from municipal solid waste, the pyrolysis of municipal solid waste, biomass pyrolysis or wastewater treatment that meets a recovered methane protocol approved by the Air Quality Control Commission and is located in Colorado); (3) green hydrogen (defined as hydrogen derived from a “clean energy resource,” which is defined in § 40-2-125.5 (2)(b), C.R.S., that uses water as the source of the hydrogen and may, for purposes of a clean heat plan green hydrogen project, include associated clean energy generation, transmission, and other infrastructure, subject to Commission approval); (4) BE (as defined in § 40-1-102(1.2), C.R.S.); (5) pyrolysis of tires; (6) thermal energy (as defined in § 40-3.2-108(1)(r), C.R.S.); and (7) wastewater thermal energy (as defined in § 40-3.2-108(1)(u), C.R.S.). The Commission is

⁶ § 40-3.2-108(4)(b)(I), C.R.S.

⁷ § 40-3.2-108(4)(c)(I), C.R.S.

⁸ Rule 4527(a), 4 CCR 723-4.

mandated to evaluate whether a clean heat plan “achieves the clean heat targets through maximizing the use of clean heat resources” before considering approving non-enumerated emission reduction pathways.⁹

26. When approving a clean heat plan, the Commission must consider several factors when determining if the plan is in the public interest, including whether: (a) the clean heat plan achieves the clean heat targets through maximizing the use of clean heat resources; (b) the additional air quality, environmental, and health benefits of the clean heat plan in addition to the greenhouse gas emission reductions; (c) investments in a clean heat plan prioritize serving customers participating in income-qualified programs and communities historically impacted by air pollution and other energy-related pollution; (d) the clean heat plan results in a reasonable cost to customers, including savings to customer bills resulting from investments made pursuant to the plan; and (e) the clean heat plan ensures system reliability.

27. SB 21-264 requires the Commission to establish a cost cap of 2.5 percent of annual gas bills for all full-service customers as a whole.¹⁰ This cost cap, which is the maximum cost impact established for compliance with a clean heat target, may only be exceeded if the Commission finds that: (a) the clean heat plan is in the public interest; (b) costs to customers are reasonable; (c) the clean heat plan includes mitigation of rate increases for income-qualified customers; and (d) the benefits of the clean heat plan, including accounting for the social costs of methane and carbon dioxide, exceed the costs.

⁹ § 40-3.2-108(6)(d)(I)(A), C.R.S.

¹⁰ § 40-3.2-108(6)(a)(I), C.R.S.

28. Consistent with § 40-3.2-108(6)(d)(III), C.R.S., the Commission may alter or amend a utility’s proposed clean heat plan as necessary to ensure that the resulting plan is in the public interest.

D. Second Settlement

29. The Second Settlement largely mirrors the First Settlement, with the following clean heat resources and budgets:

	2026	2027	TOTAL
Total DSM	\$4,413,185	\$4,413,158	\$8,826,370
<i>DSM Income-Qualified</i>	\$882,637	\$882,637	\$1,765,274
Advanced Monitoring & Leak Detection	\$793,474	\$1,271,421	\$2,064,895
Renewable Natural Gas	\$0	\$700,000	\$700,000
Rocky Ford Neighborhood BE Pilot Program	\$40,000	\$40,000	\$80,000
Disproportionately Impacted Community Engagement & Outreach Plan		\$50,000	\$50,000
Thermal Energy Feasibility Study	\$150,000	\$230,000	\$380,000
Electrification Study	\$150,000	\$150,000	\$300,000
Green Hydrogen	\$0	\$0	\$0
Total	\$5,546,659	\$6,854,606	\$12,401,265

30. Black Hills highlights the following Second Settlement terms:

- The modified portfolio makes “significant contributions to reducing emissions” with an anticipated 19,800 metric tons of carbon dioxide equivalent (“MTCO_{2e}”) over the plan period
- The modified portfolio maximizes the use of clean heat resources, including four of the eight categories of clean heat resources (DSM, recovered methane, BE, and thermal energy)
- The Second Settlement increased the DSM budget for income-qualified customers to 20 percent of the total DSM budget
- The overall budget for the modified portfolio falls within the 2.5 percent statutory cap¹¹

¹¹ Hr. Ex. 123, Harrington Second Settlement Testimony, pp. 10-11.

- The Second Settlement includes an electrification study “to understand the potential costs and opportunities of the BE of gas and customer end uses,” at a cost of \$300,000¹²
- The Second Settlement includes a feasibility study to investigate a thermal pilot program application in Black Hills’ service territory to better understand the potential costs and opportunities, at a cost of \$380,000¹³

31. The Settling Parties each support the Second Settlement through supporting testimony. Black Hills characterizes the Second Settlement as representing “a balance of interests and reasonable results.”¹⁴ Black Hills argues the Second Settlement has an advantage over SWEEP’s proposals because it relies on a suite of clean heat resources, including ones that are not dependent on customer adoption.¹⁵ Black Hills also highlights that the Second Settlement is supported by parties with a broad base of interests and that “all represent to some extent the interests of” Black Hills’ customers.¹⁶

32. SWEEP’s opposition to the Second Settlement largely mirrors its objections to the First Settlement. SWEEP argues that the Second Settlement relies on “high-cost clean heat resources and unproductive, expensive studies to achieve minimal emissions reductions.”¹⁷ SWEEP objects that the Second Settlement would barely offset the Company’s growth and would leave 2027 emissions essentially unchanged from 2024 levels. SWEEP contends the Second Settlement makes only minor adjustments and offers no meaningful attempt to address the concerns the Commission previously identified in this Proceeding.¹⁸

¹² Hr. Ex. 122, Second Settlement (Rev. 1), p. 15.

¹³ Hr. Ex. 122, Second Settlement (Rev. 1), p. 14.

¹⁴ Black Hills Second SOP, p. 6.

¹⁵ Black Hills Second SOP, p. 10.

¹⁶ Black Hills Second SOP, p. 10.

¹⁷ SWEEP Second SOP, p. 2.

¹⁸ Hr. Ex. 508, Brant Second Settlement Testimony, p. 4.

33. Rule 1408(a), 4 CCR 723-1, encourages the use of written settlements in contested proceedings. Any such settlement must be filed with an accompanying motion and supported by factual testimony demonstrating compliance with applicable statutes, Commission rules, and the public interest. The settling parties bear the burden to show, by a preponderance of the evidence, that the settlement as a whole is just, reasonable, and in the public interest.¹⁹ Under Rule 1408(b), 4 CCR 723-1, the Commission may approve, modify, or reject a settlement. Settlements are non-precedential and do not bind the Commission or any participant in future proceedings. If the Commission rejects a settlement, the agreement is privileged and inadmissible in subsequent proceedings.

34. As provided in Rule 1408(a), 4 CCR 723-1, the Commission may modify settlement provisions when necessary. Although the Commission gives appropriate consideration to the negotiated compromises reflected in a settlement, the Commission's review is ultimately governed by its independent obligation to determine outcomes that serve the public interest.²⁰ While the Commission encourages settlements, such agreements cannot substitute for the Commission's duty to give the public interest "first and paramount consideration."²¹ When warranted, the Commission may modify or decline to adopt settlement terms or an entire settlement.

35. The Company's clean heat plan offerings, and the corresponding emission reductions, are matters squarely within the public interest. In fulfilling its independent duty, the Commission is not bound by the parties' proposals and may adopt whatever outcome, based on

¹⁹ § 24-4-105(7), C.R.S.; § 13-25-127(1), C.R.S.; Rule 1500, 4 CCR 723-1.

²⁰ *See Caldwell v. Pub. Utils. Comm'n*, 692 P.2d 1085, 1089 (Colo. 1984) (explaining the Commission has an independent duty to determine matters that are within the public interest).

²¹ *Pub. Serv. Co. v. Pub. Utils. Comm'n*, 142 Colo. 135, 147, 350 P.2d 543, 549 (1960).

the record, that is necessary to ensure the final result is just, reasonable, and in the public interest. Although Rule 1408, 4 CCR 723-1, encourages settlements, it expressly recognizes the Commission's ability to deny or modify them. The intent of the rule is not *carte blanche* approval of negotiated agreements regardless of their policy implications. Such a reading of the rule would be wholly contrary to the Commission's public interest charge. For many of the same reasons explained in our prior Decision Nos. C25-0248 and C25-0262, the Commission finds the Second Settlement is not in the public interest and therefore declines to approve it as a resolution of the issues in this Proceeding.

36. We find the Second Settlement deficient for two primary reasons. First, it does not comport with the public interest or the statutory framework governing clean heat plans because it fails to achieve meaningful emission reductions and relies on higher-cost clean heat resources.²² Second, it relies heavily on gas appliance rebates without ensuring that these DSM offerings actually alter customer appliance replacement decisions or lead to associated greenhouse gas reductions.²³ Taken as a whole, the Second Settlement does not support a public interest finding because it does not demonstrate that ratepayer funds spent on clean heat resources advance the objectives of SB 21-264 to reduce emissions from gas utilities in a lowest-reasonable-cost manner.

37. Additionally, in evaluating a clean heat plan, the Commission must consider several factors, including whether the plan: achieves clean heat targets through maximizing the use of clean heat resources; provides additional air quality, environmental, and health benefits beyond greenhouse gas emission reductions; prioritizes investments that serve income-qualified customers and communities historically impacted by air and energy-related pollution; results in a reasonable

²² Hr. Ex. 122, Second Settlement (Rev. 1), ¶¶ 23-28.

²³ Hr. Tr. Oct. 27, 2025, p. 39:13-18.

cost to customers, including savings to customer bills resulting from investments made pursuant to the plan; and ensures system reliability.²⁴ Applying these factors, the Commission finds the Second Settlement deficient, particularly because it does not maximize clean heat resources or achieve additional air quality benefits. These shortcomings arise largely from continued reliance on gas equipment rebates and the limited deployment of BE resources.

38. Because we decline to approve the Second Settlement, and consistent with the Commission's authority to modify a gas utility's clean heat plan when necessary to ensure compliance with the public interest, the Commission adopts the modifications to the Company's proposals described below. These changes are necessary to ensure that Black Hills' approved clean heat plan aligns with the public-interest considerations in § 40-3.2-108(6)(d)(I), C.R.S.

E. Clean Heat Plan Resources and Associated Budgets

1. Demand Side Management

39. As part of its initial clean heat "preferred" plan, Black Hills proposed DSM investments of \$4.7 million in 2025, \$4.4 million in 2026, and \$2.0 million per year through 2030. These funds would support energy efficiency measures and services beyond the Company's already-committed DSM expenditures.²⁵ Black Hills projects that these investments would reduce emissions by 13,948 MTCO₂e by 2030.²⁶

40. The Company designed its preferred plan to remain within the statutory 2.5 percent rate-impact cap. Black Hills also evaluated two additional clean heat scenarios: (1) an emissions target achievement scenario, designed to meet the statutory 22 percent emission reduction target

²⁴ § 40-3.2-108(6)(d)(I), C.R.S.

²⁵ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 7.

²⁶ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 8, Table ES-4: Clean Heat Preferred Plan Emissions Reductions.

by 2030 regardless of cost; and (2) a cost-effective policy alignment scenario, which would add further emission reductions beyond the preferred plan through the inclusion of “non-qualified” recovered methane.²⁷

41. The Second Settlement narrowed the DSM investment under the clean heat plan to \$4.4 million per year over the 2026-2027 period,²⁸ with 20 percent of those funds—\$882,000 per year—dedicated to income-qualified customers.

42. SWEEP proposes a more expansive DSM budget of approximately \$7.2 million per year beginning in 2025, with modest increases thereafter.²⁹ In Answer Testimony, SWEEP witness Brant explained that this budget was designed, in part, to achieve the goal of 0.75 percent savings as a percent of sales in total through Black Hills’ DSM programs.³⁰

43. In settlement testimony, Staff witness Haglund states the Second Settlement “will achieve approximately eight percent more” cumulative greenhouse gas emission reductions over the two-year period covered by the Second Settlement than Black Hills’ initial two-year preferred portfolio (2025-2026), while remaining within the statutory cost cap.³¹ Witness Haglund further asserts that the Second Settlement relies primarily on expanded DSM to reduce emissions, commits funding to develop additional clean heat resources, and establishes a balanced cost-recovery approach.³²

²⁷ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 33.

²⁸ Hr. Ex. 122, Second Settlement (Rev. 1), p. 10.

²⁹ Hr. Ex. 500, Brant Answer Testimony, p. 47, Table JB-4: Total Incremental Budget for SWEEP Portfolio.

³⁰ Hr. Ex. 500, Brant Answer Testimony, p. 47.

³¹ Hr. Ex. 204, Haglund Second Settlement Testimony, p. 5.

³² Hr. Ex. 204, Haglund Second Settlement Testimony, p. 5-6.

44. UCA contends the Second Settlement is in the public interest and should be approved without modification.³³ UCA asserts the First Settlement secured key consumer-protection guardrails and a cleaner, more cost-effective portfolio, and the Second Settlement preserves those gains while tightening the budget and adding information-gathering tools—such as the proposed thermal energy feasibility study and electrification study—to guide future clean heat planning.³⁴

45. CEO argues that, although the Second Settlement does not result in the complete achievement of the 2030 emissions targets, even the alternative plan proposed by SWEEP would not achieve the 2030 emissions targets. Nonetheless, CEO believes the Second Settlement reasonably begins to “bend the curve” of Black Hills’ emissions toward the 2030 target and that the inclusion of the proposed Rocky Ford neighborhood BE pilot program along with the contemplated thermal pilot program and electrification study will provide valuable information on customer interest in non-gas alternatives to inform the Company’s 2027 clean heat plan. CEO also notes that the Second Settlement avoids further delay by initiating clean heat plan implementation.³⁵

46. In Decision No. C25-0091, the Commission modified the First Settlement by providing specific guardrails on any incremental DSM funding under the clean heat plan. The Commission restricted expanded DSM funding to weatherization- and envelope-related initiatives³⁶ and questioned the appropriateness of funding furnace and boiler replacement without demonstrating efficiency improvements. The Commission found “like-for-like” gas equipment

³³ UCA Second SOP, p. 4.

³⁴ UCA Second SOP, p. 4.

³⁵ CEO Second SOP, pp. 6-7.

³⁶ Decision No. C25-0091 at ¶ 38.

replacement yields negligible emission reductions while locking in future gas consumption and its associated emissions for decades.³⁷

47. In Decision No. C25-0091, the Commission also rejected SWEEP’s expanded DSM budget and affirmed the importance of cost control within the 2.5 percent rate-impact cap for this initial plan. Consistent with that finding, the Commission again emphasizes a commitment to cost control and caps the DSM budget at approximately \$4 million over the 2026-2027 period for Black Hills’ first clean heat plan—about half of Black Hills’ proposed DSM budget. This limitation is appropriate for two reasons. First, given the guardrails described below, even the reduced budget represents a substantial increase in certain DSM activities. Second, limiting DSM funding frees additional resources for offering BE across the entire Black Hills service territory, which the Commission finds necessary to support meaningful emission reductions while staying within the rate-impact cap that limits the immediate cost pressure felt by customers to implement the clean heat plan.

48. It is within the Commission’s inherent authority and duties under the Clean Heat Statute to limit which measures are available for inclusion in a clean heat plan and funded through clean heat plan approved funds. Although the statute defines clean heat resources to include “gas demand-side management programs,” it does not dictate that all the Company’s existing DSM offerings must be included as clean heat resources. The statute, read as a whole, supports the conclusion that the Commission may restrict the clean heat resources and measures included in an

³⁷ Decision No. C25-0091 at ¶ 37.

approved clean heat plan to those that advance clean heat objectives.³⁸ While the Commission declined in Proceeding No. 21R-0449G to limit by general rule which gas DSM measures were appropriate for utilization as a clean heat resource, the record in this Proceeding reflects that some of Black Hills' current DSM offerings are incongruent with the clean heat goals of reducing emissions.³⁹ Further, Black Hills has not shown that incentives for gas appliances will reduce emissions.⁴⁰ The Commission is tasked with ensuring that the approved clean heat plan achieves maximum practicable emission reductions using clean heat resources,⁴¹ and restricting DSM funding to measures that demonstrably do so supports that statutory goal.

49. Consistent with past findings, the Commission limits clean heat plan-supported DSM to weatherization- and envelope-related measures and excludes measures or programs that support new or replacement gas appliances.⁴² Testimony at the October 2025 evidentiary hearing confirmed that the Company would not be able to verify efficiency improvements even if customer forms were revised to require an improvement in efficiency.⁴³ Considering the wide availability and use of high-efficiency gas heating equipment already in the marketplace, the additionality provided by the Company's rebates is not apparent, calling into question how much of the claimed emissions reductions would actually be attributable to the Company's clean heat plan. Without a verifiable way to determine that DSM spending approved in this clean heat plan actually

³⁸ See, e.g., § 40-3.2-108(6)(d)(I), C.R.S. (giving Commission authority to modify plan); § 40-3.2-108(5)(a), C.R.S. (requiring the Commission institute a rulemaking that removes any prohibition on customer incentives to help customers replace gas appliances with highly efficient electric alternatives); § 40-3.2-108(6)(d)(I), C.R.S.; § 40-3.2-108(2)(k), C.R.S. (requiring that the determination of lowest reasonable cost consider analysis of available technologies).

³⁹ Hr. Ex. 517, Att. CEO 3-2, Clean Heat Plan Comprehensive Measure List.

⁴⁰ Hr. Tr. October 28, 2025, p. 93:17-25.

⁴¹ § 40-3.2-108(6)(d)(II)(B), C.R.S.

⁴² Decision No. C25-0091 at ¶ 38.

⁴³ Hr. Tr. October 27, 2025, pp. 41-42.

reduces emissions in line with the intent of the Clean Heat Statute, we find it necessary to specify that DSM spending must actually provide the possibility for emission reductions. Weatherization and envelope offerings reliably reduce emissions and should be prioritized for clean heat funding because they are more consistent with the purpose of clean heat planning and provide a “no regrets” approach to incentivizing customer behavior.

50. The Commission reaffirms that DSM funds should require efficiency improvements and cannot support “like-for-like” equipment replacement. Additionally, incentives for building-envelope measures may be provided only where the measure exceeds the efficiency required by current local building codes or statewide requirements. These guardrails ensure DSM expenditures are designed to ensure that ratepayers invest only in measures that are certain to provide energy efficiency and emission reduction benefits.

51. In setting the DSM budget, the Commission limits clean heat funded DSM to residential customers. The record demonstrates that serving residential customers is significantly more cost effective—yielding modified total resource cost (“MTRC”) scores of 1.85-1.92—whereas non-residential projects are far less cost effective. Black Hills projects an MTRC score below 1.0 for new non-residential, or commercial construction, and only marginal cost effectiveness—1.15 MTRC—for commercial retrofits. The Commission therefore concludes that DSM funds are better directed at the residential market.

52. The Second Settlement dedicates 20 percent of DSM funds to income-qualified customers, representing \$1.76 million over two years,⁴⁴ and requires Black Hills to automatically enroll clean heat plan DSM income-qualified program participants in the Company’s Energy

⁴⁴ Hr. Ex. 122, Second Settlement (Rev. 1), pp. 10-11.

Assistance Program if they are not already enrolled.⁴⁵ The Commission finds these guardrails are appropriate and will therefore incorporate the same concept in our Decision.

2. Beneficial Electrification

53. In its direct case, Black Hills proposed only a small BE pilot program for the Rocky Ford neighborhood, representing fewer than 2,000 customers. In its supplemental direct testimony, responsive to Decision No. C24-0148-I, the Company also provided a modified preferred scenario reflecting a minimum of 15 percent emissions reductions towards the 2030 target through BE measures, which may include thermal energy networks as a clean heat resource.⁴⁶ The Company stated that its modeling resulted in a lower benefit-cost ratio compared to its originally presented preferred plan.⁴⁷ The Second Settlement includes an electrification study, budgeted at \$300,000, to examine the “conditions under which whole-home or beneficial electrification of individual appliances might be cost effective.”⁴⁸ Black Hills maintains that SWEEP’s modeling is flawed because it uses current non-forecasted data and assumptions based on forecasted or possible scenarios. Black Hills contends the “obvious mismatch in SWEEP’s modeling that utilizes current, much lower electric rates, and future projected emission rates that are also much lower, significantly skews the analysis towards electrification.”⁴⁹

54. Black Hills asserts that BE is not a tool available to the Company as a clean heat resource for several reasons. First, it claims there is no evidence in the record showing that electrification of the Company’s customers across the state would result in reduced net greenhouse

⁴⁵ Hr. Ex. 122, Second Settlement (Rev. 1), p. 11.

⁴⁶ Hr. Ex. 107, Cottrell Supplemental Direct Testimony, p. 5.

⁴⁷ See Hr. Ex. 107, Cottrell Supplemental Direct Testimony, p. 7, Table AWC-1: Electrification Scenarios Key Metrics Comparison.

⁴⁸ Black Hills Second SOP, p. 26.

⁴⁹ Black Hills Second SOP, p. 18.

gas emissions.⁵⁰ Second, the Company asserts that what it terms “forced electrification” would violate the Fifth Amendment takings clause by constituting a regulatory taking.⁵¹ Third, the Company contends that such “forced electrification” is inconsistent with cost recovery principles because remaining gas customers would bear higher fixed-infrastructure costs and would “subsidize the conversion of other customers who make the personal choice to electrify,” resulting in what it characterizes as “unjust cross-subsidization.”⁵²

55. Conversely, SWEEP urges the Commission to approve its proposal that would allocate \$14.1 million to BE starting in 2027.⁵³ The remaining \$14.5 million of SWEEP’s portfolio would be invested in DSM. SWEEP explains that its portfolio focuses on heating electrification for existing residential customers.⁵⁴ SWEEP assumed heat pump incentives of \$2,000 plus an 18 percent administrative adder, and modeled adoption rates consistent with the assumptions in Colorado’s Greenhouse Gas Pollution Reduction Roadmap 2.0.⁵⁵ SWEEP assumed 75 percent of systems would be hybrid and that 25 percent of customers would convert to full heating electrification at the point of failure. According to its calculations, SWEEP contends its BE approach would produce net benefits of \$33 million, with a benefit-cost ratio of 1.41.⁵⁶

56. CEO argues that the Commission should not require BE rebates for gas-only customers before the policy, legal, and technical issues are addressed through a non-adjudicated miscellaneous proceeding involving all gas local distribution companies (“LDC”) and

⁵⁰ Black Hills Second SOP, p. 12.

⁵¹ Black Hills Second SOP, p. 14.

⁵² Black Hills Second SOP, p. 16.

⁵³ SWEEP Second SOP, p. 5.

⁵⁴ SWEEP Second SOP, p. 6.

⁵⁵ SWEEP Second SOP, pp. 2-4.

⁵⁶ SWEEP Second SOP, p. 7.

Commission-regulated electric utilities.⁵⁷ CEO further recommends inviting the Colorado Rural Electric Association and the Colorado Association of Municipal Utilities to participate in that proceeding. While CEO supports the electrification study included in the Second Settlement, it maintains that the study should not substitute for the broader process offered by a miscellaneous proceeding.

57. UCA contends there is no legal basis for the Commission to compel Black Hills to expand its proposed BE program beyond that offered by the Company.⁵⁸ UCA characterizes the Commission’s authority to do so as a “fundamental” issue in this Proceeding and argues that, although the Commission has broad powers, § 40-3.2-109(2)(b), C.R.S., imposes BE-plan filing requirements only on investor-owned electric utilities—not gas utilities.⁵⁹ UCA acknowledges that under § 40-3.2-108(6)(II), C.R.S., a gas distribution utility *may* include a BE plan in its clean heat plan, noting Black Hills did so here with its proposed Rocky Ford neighborhood BE pilot program.⁶⁰

58. Staff contends that requiring an expansive BE offering would likely be ineffective. Staff witness Haglund states that “such a program would likely be unsuccessful due to Black Hills’ well-established opposition to such a program.”⁶¹ Witness Haglund reasons that, although the Commission could order Black Hills to implement a large-scale program, it cannot ensure the Company will implement a *good* or *successful* BE program, and thus, if scarce budget space is allocated to a large-scale program that ultimately fails to reduce emissions, the Commission will

⁵⁷ CEO Second SOP, pp. 7-8.

⁵⁸ UCA Second SOP, p. 3.

⁵⁹ UCA Second SOP, p. 3.

⁶⁰ UCA Second SOP, p. 3.

⁶¹ Hr. Ex. 204, Haglund Second Settlement Testimony, p. 13.

have lost an opportunity to achieve greater emissions reductions through other programs the Company is more committed to implementing.⁶² Staff concludes that, “[a]bsent any apparent incentive for Black Hills to succeed in its implementation of large-scale BE, it does not support using the Company’s budget space for that purpose.”⁶³

59. The Commission finds that the public interest supports inclusion of BE in Black Hills’ current clean heat plan, and therefore modifies the Company’s proposal consistent with our authority under § 40-3.2-108(6)(d)(I), C.R.S.

60. As a threshold matter, the Commission finds that it has authority to require inclusion of BE in Black Hills’ approved clean heat plan when the evidentiary record, as here, supports inclusion.⁶⁴ SB 21-264 does not distinguish between gas-only and dual-fuel utilities. The legislature has, in other instances, expressly crafted statutes that apply specifically to a subset of utilities,⁶⁵ but made no such distinction within SB 21-264. Within SB 21-264, the legislature distinguished between differing types of utilities,⁶⁶ but declined to do so with respect to who can utilize BE as a clean heat resource.

61. Section 40-3.2-108(2)(c), C.R.S., establishes BE as a clean heat resource with no carveout for gas-only utilities.⁶⁷ Black Hills points to the legislative declaration within SB 21-264

⁶² Hr. Ex. 204, Haglund Second Settlement Testimony, pp. 13-14.

⁶³ Hr. Ex. 204, Haglund Second Settlement Testimony, p. 14.

⁶⁴ Decision No. C25-0091 at ¶ 45.

⁶⁵ For example, § 40-3.3-102, C.R.S., requires “dual-fuel” utilities to engage in a pilot related to gas planning pilot communities. Section 40-3.2-104.3, C.R.S., allows the Commission to require a “dual-fuel” utility to provide its customers with relevant information regarding options for switching to electric space or water heating. A “dual-fuel” utility means a utility that offers its customers both electric and gas service. § 40-3.2-104.3(1)(b), C.R.S.

⁶⁶ For example, § 40-3.2-108(9), C.R.S., creates a separate process for clean heat plan filings from “small” gas distribution utilities.

⁶⁷ The Gas Rules, 4 CCR 723-4, also make no distinction in this instance.

describing “available tools” for reducing emissions, arguing that the legislature understood not all tools were equally accessible to each utility.⁶⁸ But Black Hills overreads this language. The declaration merely sets out the then-presently-available tools for reduction of greenhouse gas emissions; it does not limit for future considerations what methods may be available to a particular entity. Nothing in SB 21-264 distinguishes between “available” and “non available” clean heat resources. It does not require a utility to identify what clean heat resources are available to it—conversely, it requires a utility to utilize clean heat resources to the “maximum extent practicable.”⁶⁹ Nor does SB 21-264 require the Commission to distinguish or consider which resources are available as a general matter but instead requires the Commission to consider whether the clean heat plan achieves the clean heat targets through “maximizing” the use of clean heat resources.⁷⁰

62. We also disagree with Black Hills’ argument that statutory changes to § 40-3.2-103, C.R.S., instituted in House Bill 21-1238 are relevant here.⁷¹ SB 21-264 is clear: all clean heat resources are available to all utilities for consideration within a clean heat plan. Thus, there is no need to look beyond the statutory provision of § 40-3.2-108, C.R.S., to devise legislative intent. More importantly, requiring Black Hills to offer rebates for electric appliances as a pathway to compliance with statutorily mandated goals is a far from “requiring the removal of gas-fueled appliances” or a “ban” on the installation of gas service. As a legal matter, all clean heat resources are available to all utilities required to file a clean heat plan pursuant to SB 21-264.

⁶⁸ Black Hills Second SOP, p. 11.

⁶⁹ § 40-3.2-108(4)(d)(I), C.R.S.

⁷⁰ § 40-3.2-108(9), C.R.S.

⁷¹ Black Hills Second SOP, p. 15.

63. Further, while certain clean heat resources may not be available in every instance,⁷² Black Hills has not shown that BE is unavailable to it as an emissions-reduction pathway. As a factual matter, the Company's request for \$300,000 in ratepayer funds to study electrification within its service territory effectively concedes that BE is at least conceptually and legally feasible within its service territory as a clean heat resource.⁷³

64. The Commission recognizes that it must rely on the evidentiary record, and that a resource that works for one utility may not work for another.⁷⁴ However, the record here supports a finding that BE is an available clean heat resource for Black Hills.

65. The Commission finds the evidence in this Proceeding persuasive that electrification rebates offered within Black Hills' service territory satisfy the statutory definition of BE for qualification as a clean heat resource. Pursuant to the statutory definitions in § 40-1-102(1.2)(a), C.R.S., BE involves converting a customer's end use from a nonelectric fuel source to a high-efficiency electric source, or avoiding the use of nonelectric fuel sources in new construction or industrial applications, where the result is to (1) reduce net greenhouse gas emissions over the lifetime of the conversion or avoidance; and (2) reduce societal costs or provide for more efficient utilization of grid resources. SWEEP's proposal, as modified by the Commission, to offer rebates for electrification of home heating meets the first part of this definition by replacing or avoiding gas end uses with electric alternatives. Electrification rebates offered by Black Hills would reduce the net greenhouse gas emissions over the lifetime of the electric appliance. SWEEP's modeling suggests that "virtually all" of Black Hills customers would

⁷² See, e.g., Black Hills Second SOP, p. 12 (highlighting that green hydrogen is not available at present).

⁷³ Hr. Ex. 122, Second Settlement (Rev. 1) at ¶ 36.

⁷⁴ Black Hills Second SOP, p. 13.

have reduced net greenhouse gas from their home heating by switching to a heat pump, even after accounting for increased emissions associated with increased electricity usage.⁷⁵ SWEEP witness Kanj testified that a heat pump and weatherization upgrade would yield average emissions savings of about 4.8 MTCO₂e per year, compared to a household's current home heating and a heat pump-only upgrade would yield reductions of about 4.5 MTCO₂e—compared to only about 1 MTCO₂e savings from upgrading to a 97 percent efficient gas furnace.⁷⁶ The record also reflects societal benefits—including improved indoor air quality and public health—and grid-efficiency benefits because Colorado is summer-peaking and BE primarily increases winter heating load.⁷⁷ Accordingly, electrification efforts for Black Hills' customers meets the statutory definition of BE.

66. The Commission also finds that BE is generally cost effective relative to other clean heat resources. Black Hills' analysis shows BE ranks above green hydrogen and recovered methane.⁷⁸ SWEEP's analysis places BE roughly on par with DSM,⁷⁹ while Black Hills' modeling ranks DSM and Advanced Monitoring and Leak Detection ("AMLD") somewhat higher⁸⁰—yet both analyses indicate a place for BE in a clean heat plan utilizing varied types of clean heat resources. Although the parties critique each other's modeling assumptions, we find SWEEP's modeling generally credible to show directionally that BE is cost effective as a resource choice for clean heat purposes. In particular, SWEEP's criticism of Black Hills' decision to model the full

⁷⁵ Hr. Ex. 501, Kanj Answer Testimony, p. 8.

⁷⁶ Hr. Ex. 501, Kanj Answer Testimony, p. 8 and Table WK-1: Electric Upgrade Scenarios.

⁷⁷ Hr. Tr. October 27, 2025, p. 140:11-16.

⁷⁸ Hr. Ex. 107, Cottrell Supplemental Direct Testimony, p. 9, Table AWC-4: Electrification Scenarios Cost-Effectiveness Comparison.

⁷⁹ Hr. Ex. 500, Brant Answer Testimony, p. 40.

⁸⁰ Hr. Ex. 107, Cottrell Supplemental Direct Testimony, p. 9, Table AWC-4: Electrification Scenarios Cost-Effectiveness Comparison.

cost of electrification is particularly salient.⁸¹ Overall, the record shows that inclusion of BE in the approved clean heat plan serves the public interest.

67. Accordingly, the Commission approves a BE budget of \$4 million over the two-year clean heat plan period. This budget is roughly proportional to SWEEP’s proposal but remains within the statutory cost cap. The Commission finds that a roughly even split between BE and DSM funding provides the best pathway for reasonable progress toward 2030 compliance. Black Hills shall offer BE rebates for heating electrification throughout its entire service territory.

68. Finally, the Commission rejects Black Hills’ arguments that implementing BE constitutes a regulatory taking or violates cost recovery principles. As we have previously found, the contention that so-called “forced electrification” would amount to a taking is without merit.⁸² As with DSM, BE may reduce gas sales, but Black Hills has offered no evidence that its authorized rate of return would be impaired or that any resulting sales decline would be so significant as to be confiscatory under applicable precedent.⁸³ Even if fully expended, the total magnitude of approved budget—\$4 million—represents a modest portion of the Company’s overall sales. Offering incentives for BE is no more “forced electrification” than offering incentives for energy efficiency is “forced efficiency.” These are programs designed to engage the customer in the furtherance of statutory objectives as determined by the legislature. The Commission is likewise unpersuaded by Black Hills’ assertion that requiring it to offer BE rebates violates cost recovery principles.⁸⁴ The record contains no indication that customers will fully electrify and leave the

⁸¹ Decision No. C25-0091 at ¶ 49; Hr. Tr. October 27, 2025, p. 253:3-11.

⁸² Decision No. C25-0091 at ¶¶ 48-49.

⁸³ *Duquesne Light Co. v. Barasch*, 488 U.S. 299 (1989).

⁸⁴ Hr. Ex. 108, Harrington Rebuttal Testimony, p. 21:9-17.

system entirely, resulting in widespread departures from the gas system.⁸⁵ Even if a limited number of customers do fully electrify, some costs associated with complying with the Clean Heat Statute, including the provision of BE rebates, are appropriate business cost to charge existing customers in accordance with standard regulatory practice.⁸⁶

69. With respect to the original Rocky Ford neighborhood BE pilot program, the Commission understands that the proposed \$80,000 budget would fund only marketing activities and no direct incentives. The Commission concludes that these funds would be more effectively used to support BE marketing and customer outreach across the entire service territory, accompanied by appropriate tracking and reporting, rather than limiting efforts to a single neighborhood.

3. Electrification Study

70. SWEEP argues that the electrification study put forth in the Second Settlement is a poor use of ratepayer money and is an “unproductive exercise” that will merely “kick the can further down the road.”⁸⁷ SWEEP objects that the Second Settlement places the Company in charge of the electrification study’s ultimate design and execution, requires no consensus among parties, and would not resolve core disagreements about the legal and policy issues raised in this Proceeding.⁸⁸ SWEEP therefore recommends, if the Commission approves the Second Settlement, redirecting the \$300,000 study budget toward an expanded BE pilot program. SWEEP reasons that converting the desk study to a pilot would at least provide real-world data.

⁸⁵ Hr. Tr. October 27, 2025, p. 87:1-3.

⁸⁶ Decision No. C25-0091 at ¶ 49.

⁸⁷ SWEEP Second SOP, p. 20.

⁸⁸ SWEEP Second SOP, p. 21.

71. We generally agree with SWEEP that the proposed electrification study does not appear to resolve the fundamental legal and policy questions raised in this Proceeding. The study’s design and objectives lack sufficient clarity, and the record—particularly evidence submitted by SWEEP—already demonstrates that BE is a broadly cost-effective resource. Moreover, neither the Company nor the other Settling Parties persuasively explained how this study would answer, or even adequately address, the legal and logistical challenges the Company asserts impede BE implementation for its gas-only customers. We therefore decline to incorporate or otherwise order this study to proceed.

4. Third-Party Administration

72. SWEEP recommends that the Commission direct Black Hills to use a third-party administrator to implement the clean heat plan’s BE programs, asserting that such administration is necessary to ensure successful implementation.⁸⁹ Specifically, SWEEP proposes that the Commission require Black Hills to develop a draft request for proposals (“RFP”), solicit comments from the stakeholders in this Proceeding, and file the draft RFP with the Commission within 90 days of a final decision in this Proceeding. SWEEP recommends the Commission solicit comments on the draft RFP and then either approve or modify it as part of this Proceeding.

73. Black Hills and other parties did not meaningfully respond to SWEEP’s recommendation on this issue.

74. The Commission finds that, although we are concerned about Black Hills’ motivation to implement BE and other components of this Decision, given the Company’s demonstrated historical objection to the programs, third-party administration may have merit.

⁸⁹ Hr. Ex. 500, Brant Answer Testimony, p. 44.

However, the record contains only limited support for adopting such an approach at this time. Accordingly, the Commission finds it appropriate to first assess the Company's performance through regular reporting. Rule 4733, 4 CCR 723-4, requires the Company to report on its clean heat plan progress, including actual versus budgeted expenditures and other relevant information. We remain open to considering third-party administration in future clean heat plans and to evaluating its potential need, benefits, and costs. In the interim, we encourage the Company to voluntarily employ third-party administration where appropriate and to include any associated costs in its next clean heat plan, to the extent such costs are justified.

5. Hydrogen Proposal

75. Black Hills initially proposed investing \$500,000 in green hydrogen in 2030 as part of its preferred clean heat plan.⁹⁰ The Company stated that hydrogen blending would be limited to 3 percent by volume, consistent with levels successfully piloted by other utilities.⁹¹ Black Hills projected that this resource would reduce emissions by 1,302 metric tons in 2030, representing slightly under 2 percent of total reductions in that year.⁹² The Company estimates that its proposed green hydrogen program would cost \$384 per MTCO₂e reduced and yield a benefit-cost ratio of 0.48.⁹³

76. SWEEP contends that the Company provided no meaningful detail regarding how hydrogen blending would occur in the proposed pilot.⁹⁴ SWEEP argues that the green hydrogen

⁹⁰ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 7, Table ES-3: Clean Heat Preferred Plan Implementation Costs.

⁹¹ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 30.

⁹² Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 8, Table ES-4: Clean Heat Preferred Plan Emissions Reductions.

⁹³ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 45, Table 18: Clean Heat Preferred Plan Cost-Effectiveness Results.

⁹⁴ Hr. Ex. 500, Brant Answer Testimony, p. 16.

proposal is problematic due to its high costs, blending limitations, and the risk of stranding hydrogen assets after 2030.⁹⁵ In Answer Testimony, SWEEP witness Brant cautioned that hydrogen can only be blended into the gas distribution system in limited quantities, citing a recent California study indicating that gas utilities can safely blend up to 5 percent hydrogen by volume before infrastructure upgrades are required, leading him to conclude that hydrogen is unlikely to scale sufficiently to meet the deep 2030 emission reduction goals.⁹⁶ Witness Brant further noted that investments made to enable hydrogen blending within existing infrastructure have lifespans that extend several decades, raising concerns about stranded assets.⁹⁷ Finally, witness Brant highlighted the resource's poor benefit-cost ratio of 0.48—corresponding to a cost of \$384 per MTCO₂e—and asserted that other decarbonization measures available for clean heat plans, such as BE, offer substantially lower costs per metric ton of emissions reduced.⁹⁸ Witness Brant also questioned whether the Company's cost estimates accounted for interconnection costs associated with hydrogen blending.

77. The Commission has several concerns regarding the Company's green hydrogen proposal. As SWEEP notes, the resource is not cost effective and is quite expensive compared to other options. In this instance, approving a relatively high-cost resource without first maximizing the use of more reasonably priced clean heat resources would be inconsistent with the legislature's directive to approve a clean heat plan that demonstrates projected greenhouse gas emission

⁹⁵ Hr. Ex. 500, Brant Answer Testimony, pp. 17-18.

⁹⁶ Hr. Ex. 500, Brant Answer Testimony, p. 18 (citing Arun Raju et al., Cal. Pub. Util. Comm'n, *Hydrogen Blending Impacts Study 4* (2022) <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M493/K760/493760600.PDF>).

⁹⁷ Hr. Ex. 500, Brant Answer Testimony, p. 18.

⁹⁸ Hr. Ex. 500, Brant Answer Testimony, p. 17.

reductions at the lowest reasonable cost.⁹⁹ The Commission also agrees that the proposal lacks sufficient detail to fully understand, let alone evaluate, the logistics associated with producing and injecting green hydrogen into the Company's system. In addition, the Company proposes implementing its green hydrogen program in 2030, whereas we limit our approval of any programs here to the 2026-2027 window. For these reasons, the Commission rejects the Company's proposed green hydrogen investment as part of its current clean heat plan. The Company may propose a green hydrogen program again in its next clean heat plan if it determines that such inclusion could meet the legislative intent to maximize clean heat resources and deliver a clean heat plan at the lowest reasonable cost.

6. AMLD

78. Black Hills' preferred clean heat plan includes a total AMLD investment of \$8.1 million over the 2025-2030 period, or approximately \$1.35 million per year.¹⁰⁰ This amount represents just under 23 percent of total clean heat spending. Separately, however, the Company explains that full AMLD implementation is expected to require \$10.5 million in investment over the same period, plus annual operating and maintenance expenses of \$525,000.¹⁰¹

79. Black Hills states that it currently surveys its entire system—comprising approximately 170 miles of transmission pipe, 7,200 miles of distribution main, and 200,000 service locations—once every five years. In comparison, it asserts that, once fully deployed, AMLD will allow for system-wide surveys every three years using the same crews and one

⁹⁹ See § 40-3.2-108(2)(b), C.R.S. (defining “clean heat plan” as comprehensive plan submitted by utility that demonstrates projected emission reductions meeting target reductions at the lowest reasonable cost) and -108(2)(k), C.R.S. (defining “lowest reasonable cost”).

¹⁰⁰ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 7, Table ES-3: Clean Heat Preferred Plan Implementation Costs.

¹⁰¹ Hr. Ex. 103, Downey Direct Testimony, pp. 10-11.

additional analyst. The Company concludes that AMLD will “detect more leaks within a shorter timeframe,” enabling it to “address leaks more quickly and prioritize safety and emissions reductions.”¹⁰²

80. Black Hills projects that full AMLD implementation, given the size of its system, requires two vehicles operating two survey methods simultaneously: one vehicle operating to identify large leaks only (“super-emitter”) and the other to identify all leaks (“compliance”). The Company proposes a staged implementation that would implement AMLD in super-emitter mode in year one and transition to a combined approach in super-emitter and compliance mode in year two.¹⁰³ Black Hills states this would result in substantial emissions reductions beginning in year one while allowing time to work through the logistical transitions needed to fully implement this technology into its operations.¹⁰⁴ Black Hills states it would then evaluate the use of these two AMLD units and assess the leak detection rates and investigation and repair costs to ensure they align with expectations and would also use emission measurements gathered from initial AMLD units to determine the \$/ton abatement cost relative to current practices and other clean heat resources, and make a determination on the viability of expanding the initiative.¹⁰⁵

81. SWEEP challenges the Company’s claimed AMLD budget, pointing out that the Company subsequently indicated it will cost approximately \$886,000 to fix the increased leaks identified by the technology and require \$525,000 in operations and maintenance costs which,

¹⁰² Hr. Ex. 103, Downey Direct Testimony, p. 8.

¹⁰³ Hr. Ex. 103, Downey Direct Testimony, p. 9.

¹⁰⁴ Hr. Ex. 103, Downey Direct Testimony, p. 9.

¹⁰⁵ Hr. Ex. 103, Downey Direct Testimony, pp. 9-10.

when summed, exceed the average budget for this program before even accounting for any costs for the AMLD equipment itself.¹⁰⁶

82. SWEEP argues that the Clean Heat Statute requires that, for leak repairs to count toward compliance with the clean heat targets, the utility must quantify the actual methane reductions achieved by leak repairs, and the Commission must find that the leak reductions are cost effective, including potentially requiring evaluation of non-pipeline alternatives.¹⁰⁷ In Answer Testimony, witness Brant also noted that Commission rules further require leak reductions to meet an Air Quality Control Commission recovered methane protocol in order to count as a clean heat resource.¹⁰⁸ Witness Brant also stated the Clean Heat Statute “discusses the General Assembly’s intent that utilities will use tools including cost-effective leak reduction that ‘exceed state and federal requirements.’”¹⁰⁹ SWEEP ultimately contends the Clean Heat Statute “bars gas utilities from taking credit for recovered methane emission reductions that are ‘required or accounted for by a proposed or final federal, state, or local rule or regulation.’”¹¹⁰

83. SWEEP questions whether Black Hills’ clean heat plan is the appropriate mechanism for recovering AMLD-related costs. In Answer Testimony, witness Brant argued that the Company has not presented sufficient evidence in this Proceeding showing that the use of AMLD will lead to leak repairs and reductions that can qualify as a clean heat resource by being cost effective, meet a recovered methane protocol, and go beyond minimum legal

¹⁰⁶ Hr. Ex. 500, Brant Answer Testimony, p. 20 & Att. JB-2 at pp. 1-2 (Black Hills response to CEO discovery request).

¹⁰⁷ Hr. Ex. 500, Brant Answer Testimony, p. 21 (citing §§ 40-3.2-108(2)(n)(IV) and 40-3.2-108(3)(f), C.R.S.).

¹⁰⁸ Hr. Ex. 500, Brant Answer Testimony, p. 21 (citing Rule 4730(a)(II)(E), 4 CCR 723-4). *See also* § 40-3.2-108(2)(c)(VI), C.R.S. (defining “clean heat resource”).

¹⁰⁹ Hr. Ex. 500, Brant Answer Testimony, p. 21 (citing § 40-3.2-108(1)(c)(I), C.R.S.).

¹¹⁰ SWEEP Second SOP, p. 28 (citing § 40-3.2-108(2)(o), C.R.S.).

requirements—and he reiterated that AMLD itself does not directly reduce emission, which must come from the actual repair of leaks.¹¹¹ Witness Brant concluded that it would be premature to approve the Company’s AMLD budget and posited that AMLD itself seems like a better investment to recover through a general rate case and not a clean heat rider.¹¹² Consequently, SWEEP opposes providing AMLD funding through the clean heat plan.¹¹³

84. In Answer Testimony, UCA likewise opposed the use of AMLD as part of Black Hills’ clean heat plan, maintaining that the clean heat plan is not the platform for the approval of this program due to the ongoing advanced leak detection-related rulemakings by the Commission and by the federal Pipeline and Hazardous Materials Safety Administration.¹¹⁴ UCA recommended reallocating the budget for the AMLD program to the energy efficiency program.

85. Staff and CEO supported the proposed AMLD program. Staff identified AMLD as one of the “most cost-effective” clean heat resources and recommends “prioritizing” its deployment.¹¹⁵ CEO supported approving a budget for AMLD but recommended that the Commission require Black Hills to obtain approval from the Air Quality Control Commission for its proposed AMLD protocol before the Company may begin spending its approved clean heat plan budget on AMLD equipment and leak repairs.¹¹⁶

¹¹¹ Hr. Ex. 500, Brant Answer Testimony, p. 22.

¹¹² Hr. Ex. 500, Brant Answer Testimony, p. 22.

¹¹³ SWEEP Second SOP, p. 26.

¹¹⁴ Hr. Ex. 300, Henry-Sermos Answer Testimony, p. 24.

¹¹⁵ Hr. Ex. 200, Haglund Answer Testimony, pp. 26-27 (citing Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 38, Table 8: Emissions Target Achievement Scenario Cost-Effectiveness Results).

¹¹⁶ Hr. Ex. 400, Durkay Answer Testimony, pp. 8, 72.

86. The Commission finds merit in SWEEP's arguments that the Clean Heat Statute requires improvement beyond existing federal and state requirements. The Company already is required to comply with enhanced leak detection and repair protocols under recent statutory and Commission rule changes. Consequently, AMLD investment is not necessarily a clean heat investment; rather, it may more appropriately be treated as part of a gas utility's normal course of business. This omission undermines Black Hills' cost effectiveness assessment. The Commission may approve leak reduction measures counting toward clean heat compliance only when the utility quantifies the actual methane reductions achieved and the Commission finds those reductions cost effective. For these reasons, the Commission denies funding for the AMLD program through the Company's clean heat plan and the associated cost recovery through the clean heat plan rider. These investments and expenses may instead be presented in a future rate case for consideration of appropriate cost recovery.

7. Thermal Energy

87. In Answer Testimony, CEO recommended that Black Hills establish at least one thermal energy service pilot program during the clean heat plan time period. CEO suggested the pilot could consist of either a thermal energy network for several customers or providing thermal energy service to one large commercial customer.¹¹⁷ CEO witness Durkay testified that geothermal systems offer highly efficient heating and cooling, can significantly reduce emissions from residential and commercial buildings, and may provide system-wide savings to the electric grid

¹¹⁷ Hr. Ex. 400, Durkay Answer Testimony, pp. 52-53.

relative to BE.¹¹⁸ CEO proposed a budget of \$722,000 over the 2027-2030 period to conduct the pilot and recommended granting Black Hills a presumption of prudence—125 percent on the thermal energy pilot budget specifically, or 115 percent on full clean heat plan budget—to allow flexibility in implementing the program.¹¹⁹

88. Both the First Settlement and Second Settlement provided for Black Hills to conduct a feasibility study to investigate a potential thermal pilot program. The settlements, with reduced timeframe than the Company’s clean heat plan, proposed a budget of \$380,000 over a two-year period.¹²⁰ The thermal energy feasibility study would include a siting analysis of potential locations; a consideration of the potential direct and indirect economic benefits to the Company, its customers, and direct end-users; an evaluation of avoided fuel and gas infrastructure costs; and an analysis of the impacts to each of the sites from the development of the project. Black Hills also would conduct stakeholder research as part of the study.

89. No party opposed this concept as proposed in the First Settlement or Second Settlement. Although we find the Second Settlement as a whole is not in the public interest, we agree with CEO’s Answer Testimony that thermal energy networks offer distinct and possibly significant benefits in emissions reduction, efficiency gains, and cost reduction. We therefore incorporate into our Decision the concept of a thermal energy feasibility study, like that proposed

¹¹⁸ Hr. Ex. 400, Durkay Answer Testimony, pp. 50-51 (citing Xiaobing Liu, et al., Oak Ridge National Laboratory, Grid Cost and Total Emissions Reductions through Mass Deployment of Geothermal Heat Pumps for Building Heating and Cooling Electrification in the United States (Nov. 2003), at xii-xiii, 8, 14 (Attachment JPD-11); *see also* Colorado Energy Office, The Heat Beneath our Feet: Colorado’s Geothermal Energy Opportunities (Attachment JPD-12), at 15).

¹¹⁹ Hr. Ex. 400, Durkay Answer Testimony, p. 55, Figure JPD-10: CEO Preferred Portfolio Budget 2024-2030 & p. 92.

¹²⁰ *See* Hr. Ex. 122, Second Settlement (Rev. 1), p. 10, Table 1.

in the Second Settlement, and approve cost recovery for the study through the clean heat plan rider. Further, we direct the Company to work with stakeholders involved in this Proceeding to ensure that the design and objectives of the study meet the needs identified around furthering understanding of thermal networks in an actionable way.

8. Recovered Methane

90. The Company proposes to spend \$9.7 million from 2027-2030, or \$2.4 million per year, on clean heat plan-qualified recovered methane (also referred to as renewable natural gas, or “RNG”).¹²¹ Black Hills explains that clean heat plan-qualified gas is “in-state renewable natural gas that qualifies under the feedstock specific protocol and distribution gas system leak repair that is incremental to what is already required by current state or federal requirements.”¹²² The Company indicates that RNG would cost \$1,206 per MTCO₂e and result in a benefit-cost ratio of 0.15.¹²³ These values were derived from a single response to the Company’s a Request for Information (“RFI”) soliciting potential market opportunities.

91. SWEEP argues that RNG, along with AMLD, is higher cost and less beneficial compared to BE and DSM. In Answer Testimony, SWEEP witness Brant argued that the Company overestimates the already-limited availability of RNG, that any available RNG in the state would be more effectively used as a decarbonization strategy for other end-users, and that the Company is underestimating the true cost of RNG compared to other clean heat resources.¹²⁴ Witness Brant also asserted that securing clean heat plan eligible RNG will likely be more difficult

¹²¹ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 7, Table ES-3: Clean Heat Preferred Plan Implementation Costs.

¹²² Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 1.

¹²³ Hr. Ex. 104, Cottrell Direct Testimony, Att. AWC-1, p. 45, Table 18: Clean Heat Preferred Plan Cost-Effectiveness Results.

¹²⁴ Hr. Ex. 500, Brant Answer Testimony, pp. 22-23.

than the Company anticipates due to competition from other off-takers and that RNG would be more effective at reducing emissions if directed toward hard-to-decarbonize sectors such as commercial transportation. Witness Brant further noted that the Company's modeling shows a benefit-cost ratio of 0.15 for clean heat plan qualified RNG, with the Company estimating a staggering \$1,206 per MTCO_{2e} reduction.

92. In Answer Testimony, Staff argued that even if Black Hills were able to procure recovered methane and green hydrogen in the quantities outlined in its preferred plan, the Company's own analysis demonstrates that these resources are cost-ineffective, both in absolute terms and in relation to DSM.¹²⁵ Staff also observed that the Company did not present any potential or executed in-state or out-of-state RNG project agreements,¹²⁶ and that its RFI produced no potential projects. Staff therefore recommended that the Company bring forward an RNG proposal in its next clean heat plan, after conducting a new RFI.¹²⁷

93. We agree that recovered methane does not appear to be cost effective, even under the Company's modest evaluation. We also agree that the Company provided minimal supporting information and relied on an analysis derived from a single response to its RFI solicitation. Although recovered methane could be a relevant piece of a clean heat plan, the Commission concludes that it must be more thoroughly evaluated and supported with an improved dataset, and that it be reasonably cost effective to provide value to Black Hills' customers. Accordingly, we reject the inclusion of recovered methane in Black Hills' clean heat plan.

¹²⁵ Hr. Ex. 200, Haglund Answer Testimony, p. 33.

¹²⁶ Hr. Ex. 201, LaMere Answer Testimony, p. 14.

¹²⁷ Hr. Ex. 201, LaMere Answer Testimony, p. 17.

F. Cost Recovery**1. Cost Cap**

94. Black Hills developed its preferred clean heat plan using the statutory annual retail cost cap of 2.5 percent,¹²⁸ which equates to approximately \$6 million per year.¹²⁹ Maintaining compliance with the cost cap was a key consideration in designing the Company's preferred clean heat plan.¹³⁰ In rebuttal testimony, the Company stated that it revised its cost-cap calculation based on updated data and aligned its methodology with the approach recommended by Staff.¹³¹

95. SWEEP proposes a portfolio that exceeds the cost cap in calendar years 2026-2028, arguing that the Commission may approve a clean heat plan that exceeds the cost cap if the plan satisfies statutory requirements.¹³² SWEEP asserts that its proposed portfolio meets those requirements by being in the public interest, offering reasonable costs to customers, mitigating rate increases for income-qualified customers, and providing benefits that exceed costs. SWEEP also disagrees with the Company's cost-cap methodology, recommending instead that the Commission base the cap 2023 revenues. This approach would increase the cost cap to nearly \$7.2 million—higher than the figures used by Black Hills.¹³³

¹²⁸ Rule 4731(b)(I)(A), 4 CCR 723-4: The utility shall present at least one portfolio [that] shall use the maximum amount of clean heat resources practicable and also comply with a 2.5 percent annual retail cost impact cap.

¹²⁹ Hr. Ex. 104, Cottrell Answer Testimony, Att. AWC-1, p. 7, Table ES-3: Clean Heat Preferred Plan Implementation Costs.

¹³⁰ Hr. Ex. 101, Harrington Direct Testimony, p. 28.

¹³¹ Hr. Ex. 110, Cottrell Rebuttal Testimony, p. 19; Hr. Ex. 108, Harrington Rebuttal Testimony, p. 19.

¹³² Hr. Ex. 500, Brant Answer Testimony, p. 53.

¹³³ Hr. Ex. 500, Brant Answer Testimony, p. 50.

96. In Answer Testimony, Staff supported maintaining expenditure within the cost cap. Staff recommended that the Commission approve a cost cap for Black Hills based on a five-year average of revenues and an assumed annual growth rate of two percent.¹³⁴

97. CEO maintained that § 40-3.2-108(6)(d)(III), C.R.S., authorizes the Commission to approve a clean heat plan that exceeds the 2.5 percent cost cap if certain statutory elements are met, including that the plan is in the public interest, costs to customers are reasonable, includes mitigation of rate increases for income-qualified customers, and the benefits of the plan (including the social costs of methane and carbon dioxide) exceed the costs.¹³⁵

98. UCA raised that Black Hills had calculated the 2.5 percent cost cap based on total revenues forecast for the year 2025.¹³⁶ UCA recommended that the Commission approve a modified version of the Company's clean heat plan that maximizes the use of cost-effective clean heat resources while remaining within the annual 2.5 percent cost cap.¹³⁷

99. The Commission finds the Company's intent to stay within the 2.5 percent cost cap reasonable and appropriate for its first clean heat plan. Although we recognize that the funding available under the cost cap is likely insufficient to fully achieve the statutory clean heat targets, we conclude that the Company's approach balances emission reductions and ratepayer impacts in a reasonable manner. We also find the Company's calculation of the retail cost cap to be reasonable and adopt those values as the maximum expenditure levels for the clean heat programs approved in this Proceeding.

¹³⁴ Hr. Ex. 200, Haglund Answer Testimony, pp. 12, 19-21.

¹³⁵ Hr. Ex. 400, Durkay Answer Testimony, p. 84.

¹³⁶ Hr. Ex. 300, Henry-Sermos Answer Testimony, p. 12 (citing Att. LHS-5A, Discovery Request UCA 5-1).

¹³⁷ Hr. Ex. 300, Henry-Sermos Answer Testimony, p. 31.

2. Budget Flexibility

100. In the Second Settlement, the Settling Parties agree that Black Hills should have flexibility to shift dollars between program budgets. Specifically, the Settling Parties state the Company may shift budgets up to 15 percent within and between clean heat resources. Any shift exceeding 15 percent must be preceded by the 60-Day Notice process. Additionally, if budget dollars are shifted into the DSM program, then the DSM income-qualified program budget will increase proportionally.¹³⁸

101. SWEEP opposes the budget-flexibility provision of the Second Settlement, arguing that the language would allow Black Hills to shift funding away from lower-cost resources such as DSM and BE toward higher-cost resources such as RNG. SWEEP contends this is particularly concerning given the uncertainty in, and duration of, RNG contracts.¹³⁹

102. The Commission adopts and incorporates into this Decision the budget flexibility approach put forth in the Second Settlement but limits such flexibility to the resources specifically approved in this Decision. We find that budget flexibility is generally appropriate and reasonable given program participation adoption.

3. Recovery Mechanism

103. The Company seeks approval for deferred accounting treatment of clean heat plan related costs through a new regulatory asset and proposes to recover such costs through a new clean heat plan rider.¹⁴⁰ The Company proposes an immediate 2.5 percent surcharge to all retail sales customers' monthly bills and explains that "all customer collections associated with the

¹³⁸ Hr. Ex. 122, Second Settlement (Rev. 1), p. 8.

¹³⁹ Hr. Ex. 508, Brant Second Settlement Testimony, pp. 11-12.

¹⁴⁰ Hr. Ex. 105, Christofferson Direct Testimony, p. 40.

Clean Heat Plan will be accounted for in the regulatory asset account ... Tracking the customer collections and expenses of the Clean Heat Plan will allow for balancing the finances of the Clean Heat Plan.”¹⁴¹

104. In Answer Testimony, Staff opposed this proposal and urged instead that the Commission require Black Hills to recover clean heat plan costs through the existing DSM cost adjustment rider (“DSMCA”). Staff also recommended that the Commission authorize rider recovery only for actual, historical costs incurred.¹⁴² Staff witness Haglund stated that, if the Commission ultimately rejects Staff’s recommendation to limit rider recovery to historical (rather than forecasted) costs, then the Commission should: (a) apply an asymmetric carrying charge to rider balances, under which ratepayers earn a carrying cost at the Company’s weighted average cost of capital (“WACC”) on over-recovery, while the Company does not earn a return on under-recovery; and (b) require an annual adjustment to the rider to resolve and true-up any accrued balances of over- or under-recovery.¹⁴³

105. UCA also recommended that approved clean heat plan costs be incorporated into Black Hills’ gas DSM as part of one comprehensive program recovered through a single rider.¹⁴⁴ UCA further suggested that, if the Commission approves any measure of RNG or a reduced budget for this program, then the associated costs should be reviewed during the Company’s next rate case and adjusted periodically through the Company’s existing Gas Cost Adjustment mechanism.¹⁴⁵

¹⁴¹ Hr. Ex. 105, Christofferson Direct Testimony, p. 41.

¹⁴² Hr. Ex. 105, Haglund Answer Testimony, p. 6.

¹⁴³ Hr. Ex. 105, Haglund Answer Testimony, p. 7.

¹⁴⁴ Hr. Ex. 300, Henry-Sermos Answer Testimony, p. 29.

¹⁴⁵ Hr. Ex. 300, Henry-Sermos Answer Testimony, p. 30.

106. CEO likewise expressed concern about the “proliferation of riders” and recommended that the Commission direct Black Hills to use its existing DSMCA mechanism to recover the cost of approved clean heat plan spending.¹⁴⁶ CEO suggested renaming that rider to reflect its broader purpose, such as “Gas System Transformation Rider.”

107. SWEEP argued that it is appropriate for the Company to recover clean heat plan implementation costs through a rider mechanism, and prefers a separate clean heat plan rider rather than collection through the existing DSMCA mechanism.¹⁴⁷

108. The Commission finds good cause to approve cost recovery through a new clean heat plan rider, as proposed by Black Hills,¹⁴⁸ subject to the following parameters: (a) rider rates will be set annually on a forecasted basis, initially using the budgets approved by this Decision; (b) Black Hills will submit an annual true-up of the rider amount on April 1 of each year to reflect actual incurred costs; (c) Black Hills will modify the tariff sheet for its proposed clean heat plan rider to include provisions that apply an asymmetric carrying charge equal to the Company’s authorized WACC such that over-recovered balances earn a WACC but under-recovered balances are trued up without a carrying charge; and (d) the rider may recover only costs associated with clean heat resources, again initially using the budgets approved by this Decision. Black Hills is directed to file a compliance advice letter to implement its proposed Sheet No. 46 within Colo. PUC No. 1, as modified in accordance with this Decision.

¹⁴⁶ Hr. Ex. 400, Durkay Answer Testimony, p. 90.

¹⁴⁷ Hr. Ex. 500, Brant Answer Testimony, p. 50.

¹⁴⁸ Hr. Ex. 123, Harrington Second Settlement Testimony, Att. MJH-1 (Clean Heat Plan Rider Tariffs), p. 15.

G. Other Issues

1. Issues Not Addressed

109. The Commission denies all requests made in this Proceeding that have not been addressed in this Decision.

2. Deferral of Application Expenses

110. Black Hills proposes to include deferred costs associated with preparing and litigating this Proceeding in the regulatory asset to be recovered through the clean heat plan rider, estimating approximately \$360,000 for outside services.¹⁴⁹ The Commission grants this request.

3. 60/90-Day Notice Process

111. The Commission approves the use of the 60/90-Day Notice Process for programs advanced under this clean heat plan. A 60-Day Notice Process will be used to propose new programs or make changes to existing programs. Stakeholders will have 30 days to provide comments to Black Hills after it issues a Notice. Black Hills then will have 30 days to respond to such comments. Black Hills will then file a report summarizing the comments and resolution. A similar process, but with 90-Day Notice, will be used to discontinue existing programs. Staff retains the ability to file a Notice of Deficiency as used elsewhere.

4. Compliance Filings

112. Black Hills shall file an updated version of its clean heat plan for the remainder of 2026 and 2027, consistent with the findings and directives in this Decision. Black Hills shall further file a compliance advice letter to implement the new clean heat plan rider, consistent with the discussion above in Paragraph 108. Both of these filings are due within 45 days after the

¹⁴⁹ Hr. Ex. 105, Christofferson Direct Testimony, p. 42.

effective date of this Decision, or, if any party files an application for RRR pursuant to § 40-6-114, C.R.S., within 45 days after the effective date of the Commission’s decision granting or denying the RRR.

5. Next Clean Heat Plan Filing

113. The Commission acknowledges that the delay in completing adjudication of this Proceeding—due in part to the Second Settlement as well as the Commission’s own delay in issuing this Decision because of the press of business—limits the extent of implementation experience the Company will have before filing its next clean heat plan. Nevertheless, we find that the next clean heat plan filing is crucial to the development of the Company’s plans for achieving further emissions reductions toward the 2030 clean heat target. Accordingly, we order Black Hills to file its next clean heat plan no later than the first quarter of 2027, with sufficient time to allow for adjudication and implementation by January 2028.

II. ORDER

A. The Commission Orders That:

1. The Verified Application of Black Hills Colorado Gas, Inc. (“Black Hills”) for Approval of its 2024-2028 Clean Heat Plan, filed on December 29, 2023, is granted, in part and with modifications, consistent with the discussion above.

2. The Motion to Approve Second Settlement Agreement, filed on October 14, 2025, by Black Hills and the Colorado Energy Office, Staff of the Public Utilities Commission of the State of Colorado, and the Colorado Office of the Utility Consumer Advocate, is denied.

3. Black Hills shall file an updated version of its clean heat plan for the remainder of 2026 and 2027, consistent with the findings and directives in this Decision. This filing is due within

45 days after the effective date of this Decision, or, if any party files an application for rehearing, reargument, or reconsideration (“RRR”) pursuant to § 40-6-114, C.R.S., within 45 days after the effective date of the Commission’s decision granting or denying the RRR.

4. Black Hills shall file an advice letter compliance filing to implement a clean heat plan rider, consistent with the discussion above. Black Hills shall file the compliance tariff sheets in a separate proceeding and on not less than 30 days’ notice. The advice letter and tariff sheets shall be filed as a new advice letter proceeding and shall comply with all applicable rules. In calculating the proposed effective date, the date the filing is received at the Commission is not included in the notice period and the entire notice period must expire prior to the effective date. This filing is due within 45 days after the effective date of this Decision, or, if any party files an application for RRR pursuant to § 40-6-114, C.R.S., within 45 days after the effective date of the Commission’s decision granting or denying the RRR.

5. The annual clean heat plan report required by Rule 4733, 4 *Code of Colorado Regulations* 723-4, shall be filed within 45 days after the effective date of this Decision, or, if any party files an application for RRR pursuant to § 40-6-114, C.R.S., within 45 days after the effective date of the Commission’s decision granting or denying the RRR.

6. The 20-day time period provided by § 40-6-114, C.R.S., to file an application for RRR shall begin on the first day after the effective date of this Decision.

7. This Decision is effective upon its Issued Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETINGS
January 14, 2026 & February 25, 2026.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ERIC BLANK

MEGAN M. GILMAN

TOM PLANT

Commissioners