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Advice Letter No. 54

Public Utilities Commission of the State of Colorado
Attn: Rebecca White, Director
1560 Broadway, Suite 250
Denver, CO 80202

The accompanying tariff sheets issued by Black Hills Colorado Gas, Inc. d/b/a Black Hills Energy (“BHCG” or “Company”) are sent to you for filing in compliance with the requirements of the Public Utilities Law and the applicable rules of the Public Utilities Commission of the State of Colorado (“Commission”), including Rules 4110, 4602(a), 4603, and 4604. The following tariff sheets are attached:

COLORADO P.U.C. NO. 1

Colorado P.U.C. Sheet Number	Title of Sheet	Cancels Colorado P.U.C. Sheet Number
8 th Revised Sheet No. 2	Table of Contents	7 th Revised Sheet No. 2
2 nd Revised Sheet No. 5	Territories Served Eastern GCA Region Base Rate Area 2	1 st Revised Sheet No. 5
2 nd Revised Sheet No. 6	Territories Served Eastern GCA Region Base Rate Area 3	1 st Revised Sheet No. 6
2 nd Revised Sheet No. 7	Territories Served Eastern GCA Region Base Rate Area 1	1 st Revised Sheet No. 7
2 nd Revised Sheet No. 8	Territories Served Western GCA Region Base Rate Area 2	1 st Revised Sheet No. 8
3 rd Revised Sheet No. 9	Territories Served Western GCA Region Base Rate Area 1	2 nd Revised Sheet No. 9

Colorado P.U.C. Sheet Number	Title of Sheet	Cancels Colorado P.U.C. Sheet Number
3 rd Revised Sheet No. 10	Territories Served Western GCA Region Base Rate Area 1 (Continued)	2 nd Revised Sheet No. 10
28 th Revised Sheet No. 13	Statement of Rates Rate Schedule Sheet Gas Sales Rates	27 th Revised Sheet No. 13
33 rd Revised Sheet No. 14	Statement of Rates Rate Schedule Sheet Gas Sales Rates	32 nd Revised Sheet No. 14
32 nd Revised Sheet No. 15	Statement of Rates Rate Schedule Sheet Gas Sales Rates	31 st Revised Sheet No. 15
28 th Revised Sheet No. 16	Statement of Rates Rate Schedule Sheet Gas Sales Rates	27 th Revised Sheet No. 16
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32 nd Revised Sheet No. 24	Statement of Rates Rate Schedule Sheet Gas Sales Rates	31 st Revised Sheet No. 24

Colorado P.U.C. Sheet Number	Title of Sheet	Cancels Colorado P.U.C. Sheet Number
32 nd Revised Sheet No. 25	Statement of Rates Rate Schedule Sheet Gas Sales Rates	31 st Revised Sheet No. 25
15 th Revised Sheet No. 30	Statement of Rates Rate Schedule Sheet Gas Transportation Service Rates	14 th Revised Sheet No. 30
6 th Revised Sheet No. 62	Gas Rate Adjustments Gas Cost Adjustment (“GCA”)	5 th Revised Sheet No. 62
7 th Revised Sheet No. 63	Gas Rate Adjustments Gas Cost Adjustment (“GCA”) (Continued)	6 th Revised Sheet No. 63
4 th Revised Sheet No. 64	Gas Rate Adjustments Gas Cost Adjustment (“GCA”) (Continued)	3 rd Revised Sheet No. 64
14 th Revised Sheet No. 65	Gas Rate Adjustments Gas Cost Adjustment (“GCA”) (Continued)	13 th Revised Sheet No. 65
3 rd Revised Sheet No. 67	Gas Rate Adjustments Gas Transportation Rate Adjustment (“GT-1”) Eastern GCA Region	2 nd Revised Sheet No. 67
5 th Revised Sheet No. 68	Reserved for Future Use	4 th Revised Sheet No. 68
6 th Revised Sheet No. 69	Reserved for Future Use	5 th Revised Sheet No. 69

The principal purpose of this filing is to accomplish four items. First to end the Extraordinary Gas Cost Recovery Rider (“EGCCR”) for the Central and North/Southwest GCA region customers effective April 1, 2025. Second, to implement the Western and Eastern GCA structure effective April 1, 2025. Third, to update the GCA Minimum, Maximum and Midpoint for the Gas Price Risk Management Rider (“GPRMR”) to reflect the Western and Eastern GCA structure effective April 1, 2025. Fourth, to modify the Company’s Gas Cost Adjustment (“GCA”) rates in order to recover forecasted GCA commodity costs and deferred GCA costs effective April 1, 2025.

1. End Extraordinary Gas Cost Recovery Rider (EGCCR)

Pursuant to Paragraph 57 in Decision No. R22-0118 dated February 28, 2022 in Proceeding No. 21A-0196G, the EGCCR is to be collected from customers in the Central and North/Southwest GCA regions for a three-year period and a one-year period for the Western Slope GCA region.

On April 4, 2022, BHCG filed Compliance Advice Letter No. 19 to implement the EGCCR to be effective April 10, 2022, to begin collecting the EGCCR from its customers. The Company also

filed a Notice of Compliance Filing in Proceeding No. 21A-0196G in accordance with Rule 1207(g). The EGCCR became effective on April 10, 2022.

On April 4, 2023, BHCG filed a Less than Statutory Notice (“LSN”) Application to end the EGCCR for the Western Slope GCA region customers effective April 10, 2023, Proceeding No. 23L-0166G. Decision No. C23-0234 dated April 5, 2023 approved the Company’s LSN Application.

This advice letter is intended to end the EGCCR for the Central and North/Southwest GCA region customers effective April 1, 2025. The Company notes that this termination is ten days earlier than originally anticipated and the Company projects that the EGCCR will be slightly over collected.

2. Implement Western and Eastern GCA Structure

Pursuant to the Paragraph 71 of the Commission-approved Settlement Agreement in the Company’s 2023 Rate Case, Proceeding No. 23AL-0231G,¹ the Settling Parties agreed that the Company will implement the Western and Eastern GCA structure effective with the first GCA filing following the conclusion of the EGCCR related to Storm Uri. This advice letter is to implement the Western and Eastern GCA structure effective April 1, 2025. The Eastern GCA region includes the former Central and North/Southwest regions, except for the towns of Bayfield and Pagosa Springs. The only change to the Western region is the former Southwest area of the North/Southwest regions that includes the towns of Bayfield and Pagosa Springs has moved from the former North/Southwest region to the Western region.

3. Update GCA Minimum, Maximum and MidPoint (GPRMR)

Pursuant to Decision No. C23-0866 in Proceeding No. 23A-0540G, the Company implemented its Gas Price Risk Management Rider, including a GCA Minimum, Maximum and MidPoint.² The Company is updating the GPRMR to reflect the Western and Eastern GCA structure.

4. GCA

This advice letter will also modify the Company’s Gas Cost Adjustment (“GCA”) rates in order to recover forecasted quarterly GCA commodity costs and deferred GCA costs effective April 1, 2025. The GCA rate will decrease for customers located in all regions. Through this Advice Letter, BHCG requests authorization to reset the GCA rates to reflect the changes to the gas commodity costs and upstream costs, and to adjust the deferred gas cost. Deferred costs through March 31, 2024, have been included in the calculation of GCA rates.

Neither the Eastern nor the Western GCA regions are impacted by the Minimum, Maximum, and Midpoint GPRMR. The Eastern minimum is \$0.3500, the maximum is \$0.6600, and the proposed Q2 Eastern GCA is \$0.35782. The Western minimum is \$0.7000, the maximum is \$1.3000 and the proposed Q2 Western GCA is \$0.76066. No adjustment is needed.

¹ See Decision No. R24-0122, Appendix A Settlement Agreement at ¶71 in Proceeding No. 23AL-0231G.

² See BHCG Compliance Advice Letter No. 41 in Proceeding No. 24AL-0026G.

The tariff revisions, if they were to go into effect on April 1, 2025, would result in annualized GCA recoveries of \$119,513,597 compared to the annualized GCA recoveries of \$135,301,740 recovered through current GCA rates. The proposed resulting aggregate change to the GCA rates are provided in the below table.

GCA Region	Current GCA \$/Therm	Proposed GCA \$/Therm	Increase / (Decrease)
Western	\$0.8145	\$0.7607	(\$0.0538)
Eastern (Former North/Southwest)	\$0.6014	\$0.3578	(\$0.2436)
Eastern (Former Central)	\$0.4000	\$0.3578	(\$0.0538)

If approved, the proposed GCA would supersede BHCG's currently effective GCA, implemented in Proceeding No. 24AL-0514G. The change in revenue resulting from the proposed GCA is an overall annual decrease of \$15,788,143 as compared to forecasted revenues with the current GCA rate in effect. In establishing the forecasted commodity GCA rate component, the Company has included three months of forecasted gas costs and usage from April 2025 through June 2025. The deferred and upstream cost components have been amortized over a 12-month period. The \$15,788,143 annual total gas cost decrease is demonstrated in the table below.

GCA Region	Increase / Decrease	Change in Revenue
Western	Decrease	\$5,132,095
Eastern	Decrease	\$110,666,048
Total Revenue Impact	Decrease	\$15,788,143
Total Gas Costs	Decrease	\$18,611,282
Total Deferred Gas Costs	Increase	\$2,823,139
Total Revenue Impact	Decrease	\$15,788,143

FACTORS FOR CHANGED RATES

The decreases are driven by a reduction in the gas commodity cost.

The deferred activity by GCA Region found at GCA Confidential Attachment No. 3 is as follows:

GCA Region	Beginning Deferred Balance – Period Beginning October 1, 2024	Total Deferred Gas Cost – October 1, 2024 – December 31, 2024	Ending Deferred Balance – Period Ending December 31, 2024
Western	(\$3,135,393)	\$2,581,555	(\$554,227)
Eastern	(\$18,851,694)	\$2,303,555	(\$16,548,139)

The resulting Deferred Gas Cost Rates per Dth as detailed on GCA Attachment No. 1 are as follows:

GCA Rate Area	Current Total Surcharge Rate per Dth	Proposed Total Surcharge Rate per Dth	Change in Surcharge Rate per Dth
Western	(\$0.7372)	(\$0.0581)	(\$0.6791)
Eastern – Former North/Southwest	(\$0.9854)	(\$1.2604)	(\$0.2750)
Eastern – Former Central	(\$0.9814)	(\$1.2504)	(\$0.2790)

The resulting total forecasted gas costs per Dth as detailed on GCA Attachment No. 1 are as follows:

GCA Rate Area	Current Total Gas Cost – per Dth	Proposed Total Gas Cost – per Dth	Change in Total Gas Cost – per Dth
Western	\$8.1448	\$7.6066	(\$0.5382)
Eastern – Former North/Southwest	\$6.0143	\$3.5782	(\$2.4361)
Eastern = Former Central	\$4.0000	\$3.5782	(\$0.4218)

In support of this advice letter, the Company submits and incorporates the following attachments:

- a. GCA Attachment No. 1 - GCA Summary. This attachment contains the summary of the GCA, including illustrations of impacts on present and proposed revenues and customers and the percentage change in the total bill for the average customer.
- b. Confidential GCA Attachment No. 2 - Current Gas Cost Calculation. This attachment contains the Current Gas Cost Calculation and provides both quarterly and annualized information with respect to Forecasted Gas Commodity Costs, Forecasted Gas Purchase Quantities, Forecasted Market Prices, Forecasted Upstream Service Cost and Forecasted Sales Gas Quantity.
- c. Confidential GCA Attachment No. 3 - Deferred Gas Cost Calculation. This attachment contains the Deferred Gas Cost Calculation and provides month-by-month information detailing the activity in Account No. 191, Interest on Under- or Over-Recovery for the period ending December 31, 2024.
- d. GCA Attachment No. 4 - Current Tariffs. This attachment provides the current Tariff Sheet Nos. 2, 5, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 30, 62, 63, 64, 65, 67, 68, and 69 which show the GCA components and the GT-1 Rate Adjustment currently in effect.
- e. Confidential GCA Attachment No. 5 – Forecasted Gas Transportation Demand. This attachment presents the current calculation of the rate applicable to the Eastern GCA Region Distribution Transportation Service Rate Schedule (Rate Schedule GT-1) for natural gas service, in an amount per therm sufficient to provide recovery of certain upstream capacity costs. The calculation includes a forecast of Transportation demand for the Eastern GCA Region for the months April, 2025 through June, 2025. This GCA Attachment No. 5 is not applicable to the Western GCA Region.
- f. GCA Attachment No. 6 – Current Gas Cost Allocations. BHCG provides gas service in multiple geographically distinct service areas. As the gas distributed in each service territory is sourced from different supply areas, and delivered through different pipeline transmission and storage facilities, BHCG separately accounts for, and calculates a separate Gas Cost Adjustment to recover the upstream gas supply costs and delivery costs incurred to provide service in each of the service territories. In accordance with its currently effective and approved tariff, BHCG calculates its projected and actual commodity costs within each service area on an area-wide basis, resulting in an equal Gas Cost Adjustment assessed on all volumes delivered to sales service customers within each service area, regardless of service classification. Therefore, the requirement for this attachment is not applicable to BHCG in accordance with Rule 4604(g) of the Commission’s Gas Rules.
- g. GCA Attachment No. 7 – Notice of Rate Change. This attachment provides a copy of BHCG’s customer notice regarding the rate change.

- h. GCA Attachment No. 8 – Components of Delivered Gas Cost. This attachment lists the Components of Delivered Gas Costs by rate class.
- i. GCA Attachment No. 9 – Proposed Tariffs. This attachment contains the proposed Tariff Sheet Nos. 2, 5, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 30, 62, 63, 64, 65, 67, 68, and 69 which reflect the proposed changes to the rates and tariffs.

This filing will be noticed pursuant to the requirements of the Colorado Public Utilities Law. Concurrently with this filing, the Company is filing a Motion for Alternative Form of Notice referencing the customer notice provided in Attachment 7 – Notice of Rate Change. The Motion requests Commission approval for four methods of providing the Customer Notice to all customers. First, the Company will file with the Commission and keep open for public inspection the new schedules. Second, the Customer Notice will be published in *The Denver Post*. Third, the Company will post the Customer Notice, this advice letter and accompanying tariff sheets on the Company's website. Fourth, a bill message will notify applicable customers of the website posting and provide both the URL link and a toll-free phone number for assistance. The bill message will run for one full cycle.

Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the undersigned.

Sincerely,

BLACK HILLS ENERGY

/s/ Dan Ahrens

Dan Ahrens
Manager - Regulatory