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August 30, 2024

Advice Letter No. 872

Public Utilities Commission of the State of Colorado
1560 Broadway
Suite 250
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The accompanying tariff sheet issued by Black Hills Colorado Electric, LLC d/b/a Black Hills Energy (“Black Hills” or the “Company”) is 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 Rule 1210, 4 *Colorado Code of Regulations* 723-1. The following tariff sheet is attached:

COLORADO P.U.C. NO. 11

Colorado P.U.C Sheet Number	Title of Sheet	Cancels Colorado P.U.C Sheet Number
Second Revised Sheet No. 62	ENERGY COST ADJUSTMENT (CONTINUED) ELECTRIC	First Revised Sheet No. 62
Twenty-First Revised Sheet No. 65	ENERGY COST ADJUSTMENT (CONTINUED) ELECTRIC	Twentieth Revised Sheet No. 65

The Energy Cost Adjustment (“ECA”) rate is updated to go in to effect quarterly (January, April, July, and October) and is applicable to all retail customers. The ECA is a pass-through charge. The ECA recovers energy related costs incurred, such as fuel and purchased power costs, to meet customers’ energy needs. These costs incurred by the Company are strictly pass-through in nature.

The principal purpose of this filing is to amend the ECA rate consistent with the Company’s tariff as approved by Commission Decision No. C13-0794 in Proceeding No. 12AL-1052E.

The proposed ECA rate is \$0.03540 per kWh which, if approved, is to be prorated to bills for all kilowatt-hour usage beginning October 1, 2024. The proposed ECA rate is a \$0.00209 per kWh decrease from the current ECA rate of \$0.03749 per kWh. Appendix A provides the applicable tariff sheet. Appendix B provides a redlined version of the applicable tariff sheet, and Appendix C provides the calculation support for the proposed ECA rate.

In Decision C23-0538, the Commission approved temporary rules that among other things, requires utilities that seek a new or rate increase to include a rate trend report. As this filing is requesting a rate decrease, no rate trend report is included with this Advice Letter.

The main driver behind the decrease in the ECA rate is the decrease in the Company's under-collected deferred balance. Quarter over quarter, the balance decreased by approximately \$4.2 million. The significant decrease in the deferred balance more than offset slight increases in estimated generation costs and estimated purchases for the system as well as a slight increase in the net RESA transfer.

The Company made both sales and purchases through the WEIS market. For the months of May, June and July, the Company purchased approximately \$500,000 and sold approximately \$1.3M of energy. These values also account for a small amount of credits and charges related to uninstructed resource deviation, revenue neutrality uplift, and out of merit energy dispatch. The Company is forecasting a small amount of revenues in the coming year but is continuing to refine its forecast as more data becomes available.

In proceeding 22AL-0155E the Commission approved a separate rider to recover the extraordinary gas costs associated with the Storm Uri event. The rider was designed to recover \$22,079,045. The Commission also gave its approval to recover any over/under collections resulting in the Extraordinary Gas Cost Rate Rider ("EGCRR") from the ECA. In the previous quarter's ECA filing, the Company included \$1,003,854 in under collections from the EGCRR. During the months of May, June & July, the Company collected a minimal amount of trailing revenues from the EGCRR totaling \$1,285. The Company has credited the currently proposed ECA to appropriately match the trailing revenues.

If permitted to go into effect on October 1, 2024, the tariff revisions will decrease annualized revenues by approximately \$3.5M. Based on this proposed decrease, the average residential customer monthly bill, under Rate Schedule RS-1 with an average usage of 600 kWh per month, will decrease \$1.32 from \$107.43 to \$106.11, or 1.23%. The average small commercial customer monthly bill, under Rate Schedule SGS-N with an average usage of 2,300 kWh per month, will decrease \$5.05 from \$352.22 to \$347.17, or 1.43%.

In this filing, the Company also proposes a modification to the net RESA transfer portion of the ECA. As a result of the Inflation Reduction Act of 2022 ("IRA"), the Company can sell production tax credits ("PTC") from qualifying renewable energy facilities to unrelated third parties for cash ("Transferability") If the PTCs are unable to reduce the Company's tax obligation in a current tax year, they are carried forward and recorded as a deferred tax asset ("DTA") on the Company's books. The Company currently passes 100% of the PTCs generated by its Peak View wind facility to customers as they are generated. When the Company passes through PTCs before it reduces its tax liability, the DTA is included in rate base until such time that it is monetized. Selling the PTCs using the Transferability provision of the IRA for cash

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avoids an increase to the current DTA in rate base. PTCs are sold to third parties at a slight discount.

The Company has modified the ECA to pass the cost of the sale discount for 2023 PTCs sold on June 28 2024. The customer benefit of not increasing the DTA exceeds the cost of the sale discount.

This filing will be noticed pursuant to the requirements of the Colorado Public Utilities Law. Concurrently with this filing, Black Hills is filing a Motion for Alternative Form of Notice (“Motion”), with an Attachment 1 – Customer Notice (“Customer Notice”). The Motion requests Commission approval for three methods of providing the Customer Notice to affected customers. First, the Company will file with the Commission and keep open for inspection, Advice Letter No. 872-Electric and will post the notice and filing information on its website for 30 days. Second, a bill message will be printed on each applicable customer’s bill providing the website URL for the Customer Notice, Advice Letter No. 872-Electric and its accompanying tariff sheet, and a toll-free phone number for assistance regarding the amendments. The bill messages will run for one full billing cycle. Third, newspaper legal notices providing the Customer Notice will be published in three newspapers of general circulation covering the Company’s service territory: *The Pueblo Chieftain*, the *Cañon City Daily Record*, and the *Rocky Ford Daily Gazette*. Black Hills requests that the tariff sheet accompanying this Advice Letter become effective on October 1, 2024. The Company’s newspaper and website notices will inform customers of resources that are available to help pay their bills. Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the following:

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And

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Sincerely,
Black Hills Colorado Electric, LLC

/s/ Dan Ahrens
Dan Ahrens
Manager, Regulatory