



**Michael J. Harrington**  
Director, Regulatory Affairs & Finance

1515 Arapahoe Street  
Tower 1- Suite 1200  
Denver, Colorado 80202  
P: 303.566.3539

May 8, 2023

**ADVICE LETTER NO. 32**

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

The accompanying tariff sheets issued by Black Hills Colorado Gas, Inc. d/b/a Black Hills Energy (“BHCG” or the “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 Rule 1210, 4 *Colorado Code of Regulations* 723-1. The following tariff sheets are attached as Attachment 1:

**COLORADO P.U.C. NO. 1**

<b>Colorado P.U.C. Sheet Number</b>	<b>Title of Sheet</b>	<b>Cancels Colorado P.U.C. Sheet Number</b>
Eighth Revised Sheet No. 2	Table of Contents	Seventh Revised Sheet No. 2
Fourteenth Revised Sheet No. 13	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Thirteenth Revised Sheet No. 13
Sixteenth Revised Sheet No. 14	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fifteenth Revised Sheet No. 14
Fifteenth Revised Sheet No. 15	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fourteenth Revised Sheet No. 15
Fourteenth Revised Sheet No. 16	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Thirteenth Revised Sheet No. 16
Fifteenth Revised Sheet No. 17	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fourteenth Revised Sheet No. 17
Fifteenth Revised Sheet No. 18	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fourteenth Revised Sheet No. 18
Fourteenth Revised Sheet No. 19	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Thirteenth Revised Sheet No. 19
Fifteenth Revised Sheet No. 20	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fourteenth Revised Sheet No. 20
Fifteenth Revised Sheet No. 21	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fourteenth Revised Sheet No. 21
Fifteenth Revised Sheet No. 22	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fourteenth Revised Sheet No. 22
Fourteenth Revised Sheet No. 23	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Thirteenth Revised Sheet No. 23

**Colorado PUC E-Filings System**

Advice Letter No. 32

<b>Colorado P.U.C. Sheet Number</b>	<b>Title of Sheet</b>	<b>Cancels Colorado P.U.C. Sheet Number</b>
Fifteenth Revised Sheet No. 24	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fourteenth Revised Sheet No. 24
Fifteenth Revised Sheet No. 25	Statement of Rates Rate Schedule Sheet, Gas Sales Rates	Fourteenth Revised Sheet No. 25
Ninth Revised Sheet No. 27	Statement of Rates Rate Schedule Sheet Gas Transportation Service Rates	Eighth Revised Sheet No. 27
Ninth Revised Sheet No. 28	Statement of Rates Rate Schedule Sheet Gas Transportation Service Rates	Eighth Revised Sheet No. 28
Seventh Revised Sheet No. 29	Statement of Rates Rate Schedule Sheet Gas Transportation Service Rates	Sixth Revised Sheet No. 29
Third Revised Sheet No. 35	Retail Sales Service Rates Residential Gas Service Rate Schedules R	Second Revised Sheet No. 35
Third Revised Sheet No. 36	Retail Sales Service Rates Small Commercial Gas Service (5,000 Therms or Less Per Year) Rate Schedules SC	Second Revised Sheet No. 36
Fourth Revised Sheet No. 37	Retail Sales Service Rates Large Commercial Gas Service (Greater than 5,000 Therms Per Year) Rate Schedule LC and LCI	Third Revised Sheet No. 37
Third Revised Sheet No. 38	Retail Sales Service Rates Irrigation and Seasonal Gas Service Rate Schedule I/S	Second Revised Sheet No. 38
Fifth Revised Sheet No. 58	Gas Rate Adjustments System Safety and Integrity Rider (“SSIR”)	Fourth Revised Sheet No. 58
Fourth Revised Sheet No. 59	Reserved for Future Use	Third Revised Sheet No. 59
Third Revised Sheet No. 60	Reserved for Future Use	Second Revised Sheet No. 60
Third Revised Sheet No. 62	Gas Rate Adjustments Gas Cost Adjustment (“GCA”)	Second Revised Sheet No. 62
Original Sheet No. 63A	Gas Rate Adjustments Gas Cost Adjustment (“GCA”)	-

The primary purpose of the proposed tariff changes is to revise the base rates charged by BHCG for all natural gas sales and transportation services to reflect its current cost of providing service. BHCG is seeking an increase in annual revenues of \$26,688,607, as compared to present revenues under currently approved rates of \$80,920,331, using a test year ending December 31, 2023. The annual revenue increase reflects the increase to base rates, including the roll-in of investments currently being recovered through the System Safety and Integrity Rider (“SSIR”), and the proposed recovery of rate case expenses. Table 1 below

Advice Letter No. 32

provides the revenue requirement increase by base rate area resulting from the Company’s proposed base rates and the percent increase over annual test year revenues.

**Table 1 –Revenue Requirement and Percent Increase Under Proposed Base Rates**

<b>Base Rate Area</b>	<b>Revenue Requirement Increase Under Proposed Base Rates</b>	<b>Percent Increase over Annual Revenues</b>
1	\$11,339,406	29.0%
2	\$1,723,932	13.6%
3	\$13,753,650	48.0%
Statewide	\$26,688,607	33.0%

These annual base rate revenues are based upon revenue requirement studies analyzing the Company’s investments, revenues, and expenses for the 12-month period ending December 31, 2023, as adjusted through the Company’s Class Cost of Service Study and proposed rate design. Such revenue requirement reflects an overall revenue requirement of \$107,608,937, including a total rate base of \$387,236,667, a capital structure of 51% equity, 49% debt, a cost of long-term debt of 4.42%, and a return on equity of 10.49%, for a composite weighted-average cost of capital of 7.52%.

The proposed change in base rates will allow the Company to recover its cost of investing in and operating the Company’s gas distribution system. From December 31, 2020, the end of the historical test year approved by the Commission in the Company’s last rate review, and through the current test year ending December 31, 2023, the Company will have invested \$133.9 million in its Colorado natural gas system.

Consistent with the Company’s long-term vision of statewide base rates, the Company is proposing a logical step towards statewide base rates by retaining an equivalent monthly customer charge across all three base rate areas and proposing to implement volumetric base rates that are very similar for customers within the same class of service. Additionally, the Company is proposing to eliminate the Western Slope with Storage Gas Cost Adjustment (“GCA”) area and a statewide GCA through a gradual implementation over a two-year period.

The Company is also proposing to:

- (1) Update its depreciation rates for its natural gas assets; and
- (2) Provide additional textual changes within the tariff of a conforming and clarifying nature.

Advice Letter No. 32

Tables 2 and 3 summarize the impact on the Company’s Residential and Small Commercial Customer classes by base rate area, showing monthly bills for average customers at present and proposed rates.

**Table 2: Average Customer Monthly Bill Impacts - Residential Customers**

Base Rate Area	GCA Region and Communities Served	Current Average Monthly Bill	Proposed Average Customer Monthly Bill	Monthly Change	Percent Change
1	<b><u>Western Slope Without Storage GCA Region</u></b> communities located in Delta, Eagle, Garfield, Montrose, Ouray, Pitkin and San Miguel Counties, including the towns of Delta, Glenwood Springs, Hotchkiss, Montrose, Olathe, Paonia, and Telluride	\$109.50	\$115.99	\$6.49	5.9%
1	<b><u>Western Slope With Storage GCA Region</u></b> communities located in Eagle, Garfield, and Pitkin Counties, including the towns of Aspen, Carbondale and Eagle,	\$113.64	\$120.13	\$6.49	5.7%
1	<b><u>North/Southwest GCA Region</u></b> communities in Larimer and Weld Counties, including the towns of Dacono, Erie, Firestone, Frederick, and Wellington	\$116.37	\$122.86	6.49%	5.6%
2	<b><u>Central GCA Region</u></b> communities in Bent, Crowley, and Otero Counties, including the towns of Fowler, La Junta, Las Animas, Rocky Ford, and Swink	\$81.92	\$84.92	\$3.00	3.7%
2	<b><u>North/Southwest GCA Region</u></b> communities in Cheyenne, Logan, Morgan, Phillips, Sedgwick, Washington, Weld, Archuleta, La Plata, Mineral and Yuma Counties, including the towns of Akron, Wray Pagosa Springs, Bayfield and Yuma	\$99.96	\$102.96	\$3.00	3.0%
3	<b><u>Central GCA Region</u></b> Castle Rock south to Monument, Fountain, Woodland Park, east to Kiowa, Limon and Burlington, and the surrounding areas to these communities	\$76.90	\$87.53	\$10.63	13.8%

Advice Letter No. 32

**Table 3: Average Customer Monthly Bill Impacts - Small Commercial Customers**

Base Rate Area	GCA Region and Communities Served	Current Average Monthly Bill	Proposed Average Customer Monthly Bill	Monthly Change	Percent Change
1	<b><u>Western Slope Without Storage GCA Region</u></b> communities located in Delta, Eagle, Garfield, Montrose, Ouray, Pitkin and San Miguel Counties, including the towns of Delta, Glenwood Springs, Hotchkiss, Montrose, Olathe, Paonia, and Telluride	\$235.89	\$262.06	\$26.17	11.10%
1	<b><u>Western Slope With Storage GCA Region</u></b> communities located in Eagle, Garfield, and Pitkin Counties, including the towns of Aspen, Carbondale and Eagle,	\$245.29	\$271.46	\$26.17	10.70%
1	<b><u>North/Southwest GCA Region</u></b> communities in Larimer and Weld Counties, including the towns of Dacono, Erie, Firestone, Frederick, and Wellington	\$251.52	\$277.69	\$26.71	10.40%
2	<b><u>Central GCA Region</u></b> communities in Bent, Crowley, and Otero Counties, including the towns of Fowler, La Junta, Las Animas, Rocky Ford, and Swink	\$178.05	\$192.96	\$14.91	8.40%
2	<b><u>North/Southwest GCA Region</u></b> communities in Cheyenne, Logan, Morgan, Phillips, Sedgwick, Washington, Weld, Archuleta, La Plata, Mineral and Yuma Counties, including the towns of Akron, Wray Pagosa Springs, Bayfield and Yuma	\$221.23	\$236.14	\$14.91	6.70%
3	<b><u>Central GCA Region</u></b> Castle Rock south to Monument, Fountain, Woodland Park, east to Kiowa, Limon and Burlington, and the surrounding areas to these communities	\$136.83	\$153.95	\$17.12	12.50%

BHCG has filed the testimony and attachments of the following Company witnesses in support of the rate increase and tariff changes requested by the Company in this filing: Mr. Michael J. Harrington, Mr. Christopher L. Downey, Ms. Samantha K. Johnson, Mr. Justin W. Klapperich, Mr. Adrien M. McKenzie, Mr. John J. Spanos, Mr. Douglas N. Hyatt, Mr. Ethan J. Fritel, and Mr. Matthew J. Christofferson.

Consistent with Commission rules and Colorado statutes, the proposed effective date is June 8, 2023.

This filing will be noticed pursuant to the requirements of the Colorado Public Utilities Law. Individual customer notice will be separately mailed or e-mailed to all customers receiving gas service pursuant to C.R.S. § 40-3-104(1)(c)(I)(B). A copy of the customer notice is also attached hereto as Attachment 2.

Public Utilities Commission  
May 8, 2023  
Page 6

Advice Letter No. 32

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

Mr. Michael J. Harrington  
Director, Regulatory & Finance  
Black Hills Corporation  
1515 Arapahoe Street  
Tower 1- Suite 1200  
Denver, Colorado 80202  
Telephone: (303) 566-3539  
Email: Michael.Harrington@blackhillscorp.com

Mr. Matthew J. Christofferson  
Manager - Regulatory & Finance  
Black Hills Corporation  
1515 Arapahoe Street  
Tower 1- Suite 1200  
Denver, Colorado 80202  
Telephone: (303) 566-3409  
Email: Matt.Christofferson@blackhillscorp.com

Mr. Emanuel T. Cocian  
Associate General Counsel  
Black Hills Corporation  
1515 Arapahoe Street  
Tower 1 - Suite 1200  
Denver, Colorado 80202  
Telephone: (303) 566-3474  
Email: Emanuel.Cocian@blackhillscorp.com

Respectfully,

*/s/ Michael J. Harrington*

Michael J. Harrington  
Black Hills Colorado Gas, Inc.

Attachments