

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23AL-0231G

IN THE MATTER OF ADVICE LETTER NO. 32 FILED BY BLACK HILLS COLORADO GAS, INC. TO INCREASE THE BASE RATES CHARGED FOR ALL NATURAL GAS SALES AND TRANSPORTATION SERVICES, TO BECOME EFFECTIVE JUNE 8, 2023.

**COMMISSION DECISION
SUSPENDING EFFECTIVE DATE OF TARIFF SHEETS,
ESTABLISHING NOTICE AND INTERVENTION PERIOD,
AND SETTING RESPONSE TIME TO UCA REQUEST FOR
REVENUE REQUIREMENT STUDIES**

Mailed Date: June 7, 2023
Adopted Date: May 31, 2023

IMPORTANT NOTICE: ANY PERSON DESIRING TO PARTICIPATE ONLY BY MAKING A STATEMENT MAY DO SO BY SUBMITTING A WRITTEN COMMENT THROUGH <https://puc.colorado.gov/> INDICATING PROCEEDING NO. 23AL-0231G. IF YOU DESIRE TO ASK QUESTIONS OF A WITNESS OR OTHERWISE PARTICIPATE AS A PARTY IN THIS MATTER, YOU MUST REQUEST PERMISSION FROM THE COMMISSION TO BE AN INTERVENOR (EVEN IF YOU HAVE ALREADY FILED AN OBJECTION). ANYONE DESIRING TO INTERVENE MUST CAREFULLY FOLLOW THE LAW AND COMMISSION RULES FOR BECOMING AN INTERVENOR. FOR FURTHER INFORMATION ON HOW TO INTERVENE, CALL (303) 894-2070 (PUC EXTERNAL AFFAIRS OFFICE).

I. BY THE COMMISSION

A. Statement

1. This Decision sets for hearing the tariffs filed by Black Hills Colorado Gas, Inc. (Black Hills or Company) with Advice Letter No. 32 and suspends their effective date to October 6, 2023.

2. A pleading to intervene in this matter may be filed by any person, firm, or corporation desiring to be a party and fully participate in this Proceeding no later than June 30, 2023.

3. Responses to the request of the request the Colorado Office of the Utility Consumer Advocate (UCA) that the Commission order Black Hills to produce and to provide the parties certain revenue requirement studies shall be filed no later than June 30, 2023.

B. Discussion

4. On May 8, 2023, Black Hills filed Advice Letter No. 32 to commence a Phase I and II rate case.

5. For the Phase I component of the rate case, Black Hills claims an overall net deficiency in annual base rate revenues of approximately \$26.7 million. The Company's selected test year ends December 31, 2023 (a current test year or CTY), reflecting pro forma adjustments to the per-book base period ending December 31, 2022. The claimed deficiency in base rate revenue stems from multiple sources. Black Hills calculates an increase in its rate base since its 2021 rate case of approximately \$84 million. The Company further seeks an increase in annual operations and maintenance expenses of approximately \$10 million on an annual basis. Black Hills is also requesting approval of a capital structure of 51 percent equity and 49 percent debt, a 4.42 percent cost of long-term debt, and an authorized return on equity of 10.49 percent, figures culminating in a weighted average cost of capital (WACC) equal to 7.52 percent.

6. For the Phase II portion of the rate case, Black Hills states it is not proposing a statewide consolidation of its base rates. Nevertheless, Black Hills seeks to maintain a uniform

monthly customer charge across all three base rate areas and is proposing volumetric base rates that are similar across all three base rate areas for customers within the same class of service.

7. Black Hills further seeks approval in this base rate proceeding a move to a statewide Gas Cost Adjustment (GCA) over a two-year period.

8. In terms of bill impacts, Black Hills explains that the average residential customer bill impacts range from an increase from 3 percent to 13.8 percent depending on base rate area, with a statewide average of 6 percent. The small commercial customer bill impacts range from 6.7 percent to 12.5 percent depending on base rate area, with the statewide average of 9.9 percent.

9. The effective date of the tariff sheets filed with Advice Letter No. 32 is June 8, 2023.

10. Black Hills filed the direct testimony and attachments of nine witnesses in support of Advice Letter No. 32.

11. On May 18, 2023, UCA filed a protest to Advice Letter No. 32. UCA raises several concerns with Black Hills' "numerous and aggressive proposals," questioning whether they will lead to just and reasonable rates. Notably, UCA requests in its protest that the Commission order Black Hills to provide historical test year (HTY) revenue requirement studies for the 12 months ending December 31, 2022, using both the 13-month average and the "at-year-end" approaches for valuing rate base.

C. Conclusions and Findings

12. We find good cause to suspend the tariff sheets submitted with Advice Letter No. 32 for 120 days through October 6, 2023 and set the matter for hearing pursuant to § 40-6-111(1), C.R.S.

13. A pleading to intervene may be filed by any person, firm, or corporation desiring to be a party and fully participate in this proceeding, as ordered below. The filing of any other document protesting the tariff sheets shall not allow participation as an intervenor in this matter.

14. Responses to the UCA's request that the Commission order Black Hills to produce and to provide to the parties certain revenue requirement studies may be included in intervention pleadings or submitted through separate pleadings to be filed no later than June 30, 2023.

15. Further procedures for this matter will be addressed by separate decision(s).

II. ORDER

A. The Commission Orders That:

1. The proposed June 8, 2023 effective date of the tariff sheets filed with Advice Letter No. 32 filed by Black Hills Colorado Gas, Inc. (Black Hills) on May 8, 2023, is suspended until October 6, 2023, or until further order of the Commission.

2. Any person, firm, or corporation, including any who have previously filed a document protesting the proposed tariff pages, who desire to intervene and participate as a party in this proceeding shall file a motion to intervene with the Commission no later than June 30, 2023 and shall serve a copy of the notice or motion on Public Service's attorney of record.

3. Consistent with the discussion above, responses to the request of the Colorado Office of the Utility Consumer Advocate that Black Hills produce and provide certain revenue requirement studies shall be filed no later than June 30, 2023.

4. The Commission will address further procedures by separate decision(s).

5. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
May 31, 2023.**

(S E A L)



ATTEST: A TRUE COPY

A handwritten signature in cursive script that reads 'Rebecca E. White'.

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ERIC BLANK

MEGAN M. GILMAN

TOM PLANT

Commissioners