

Decision No. C23-0866

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23A-0540G

IN THE MATTER OF THE APPLICATION OF BLACK HILLS COLORADO GAS, INC FOR APPROVAL OF A GAS PRICE RISK MANAGEMENT PLAN.

COMMISSION DECISION DEEMING APPLICATION COMPLETE AND GRANTING APPLICATION

Mailed Date: December 27, 2023
Adopted Date: December 13, 2023

I. BY THE COMMISSION

A. Statement

1. This Decision grants the Application for Approval of a Gas Price Risk Management (GPRM) Plan (Application) filed by Black Hills Colorado Gas, Inc. (Black Hills or the Company) on November 1, 2023 and later amended by the Company on December 4, 2023.

B. Discussion

2. Senate Bill (SB) 23-291, which was introduced in this most recent legislative session, requires Black Hills to file a GPRM Plan by November 1, 2023, pursuant to § 40-3-120(1)(a), C.R.S. The GPRM Plan must include a maximum per-month fuel cost that accounts for price fluctuations based on seasonality and can be automatically recovered through the Company's Gas Cost Adjustment (GCA). The plan may include other elements such as physical hedging, financial hedging, fuel storage, or long-term contracting. In addition, the Commission must allow any prudently incurred costs above the maximum to be recorded in a

deferred balance that is recoverable and amortized over an appropriate timeline of no more than five years with financing costs, as determined by the Commission.

3. As explained in the testimony filed by Black Hills to support its Application, the proposed GPRM Plan incorporates two central features. The first is a maximum cap of the GCA equal to 180 percent of the most recent three-year historical average of the Company's GCAs for each of its three GCA areas. Based on this data, the current maximum cap is \$0.85 per therm for the Central GCA Area, \$1.15 per therm for the North/Southwest GCA Area, and \$1.40 per therm for the Western Slope GCA Area. If the calculated GCA amount is greater than the established GCA maximum, Black Hills will assess customers the GCA maximum, and any incurred costs in excess of the maximum will be accounted for in an Extreme Gas Cost Recovery Rider - Gas Price Risk Mitigation Rider (EGCRR-GPRM) deferral account.

4. The second main feature of the GPRM Plan is a minimum threshold of the GCA equal to 80 percent of the three-year historical average of the Company's GCAs. Based on this data, the current minimum threshold is \$0.40 per therm for the Central GCA Area, \$0.50 per therm for the North/Southwest GCA Area, and \$0.60 per therm for the Western Slope GCA Area. If the otherwise calculated GCA amount is less than the GCA minimum, Black Hills will assess customers the GCA minimum and GCA revenues collected from customers the difference between the GCA minimum less the GCA amount will be charged to customers through the EGCRR-GPRMR.

5. Black Hills explains that, within these parameters, the EGCRR-GPRM deferral account will serve as a deferred cost and recovery balancing mechanism similar to the operation of the traditional GCA deferral tracker. Black Hills could build up a reserve fund, not to exceed \$10 million for the Central GCA Area, \$5 million for the North/Southwest GCA Area, and \$4

million for the Western Slope GCA Area, during times when natural gas prices are low to help moderate customers' natural gas costs when market prices are historically high. Likewise, when an under-collected balance exists, the GPRM Plan establishes tiers of recovery periods and financing costs for any deferred balances for each of the three GCA divisions using the EGCRG-GPRMR.

6. Black Hills also presents necessary changes to its tariffs to implement the GPRM Plan in the testimony accompanying the Application. The Company requests that the Commission approve these tariff revisions.

7. On November 2, 2023, the Commission established a standard 30-day intervention period ending December 4, 2023.

8. On December 4, 2023, Black Hills filed an amendment to the Application. Black Hills explains in the amendment that after further consultation with Staff of the Colorado Public Utilities Commission (Staff) and the Colorado Office of the Utility Consumer Advocate (UCA), the Company agreed to confer with Staff and UCA on or before February 1, 2025 regarding the continued nomenclature of the EGCRG-GPRM. Black Hills states that the contents of the original application, the proposed tariff changes, and the mechanics of the GPRM Plan remain the same as initially filed. Black Hills therefore concludes that its amendment is not substantive such that no additional Commission notice is required.

9. No interventions were filed on or before December 4, 2023.

C. Findings and Conclusions

10. No intervention pleading was timely filed, and this proceeding is therefore uncontested. Pursuant to § 40-6-109(5), C.R.S., this matter may be determined without a hearing.

11. We find good cause to grant Black Hills' Application, as amended. The proposed GPRM Plan satisfies the statutory requirements in SB 23-291 in that the plan (1) sets a maximum per-month GCA that accounts for fluctuations in gas commodity prices, including seasonal fluctuations and (2) includes the required cost recovery features for uncollected amounts. As required by SB 23-291, unrecovered GCA costs above the maximum value will be recorded in a deferred balance that is recoverable and amortized over an appropriate timeline of no more than five years. We further find that the statute does not preclude the adoption of the minimum for the purpose of establishing a reserve for leveling or reducing the volatility of fuel costs that are recovered pursuant to the Company's GCA. We conclude that the Application filing sufficiently supports a Commission determination that the proposed GPRM Plan is in the best interests of Black Hills' ratepayers and is in the public interest.

12. We further authorize Black Hills to implement the changes to its tariffs as set forth in the testimony accompanying the Application in order to implement the proposed GPRM Plan.

13. In accordance with SB 23-291 and its response to last winter's high gas commodity prices, the Company's GPRM Plan is intended to reduce end-use customer hardship through a "smoothing" those prices. Yet it is important to note that the Commission has no reach into the gas commodity markets that set the prices the utilities must pay and ultimately charge their end-use customers. There will continue to be volatility in gas commodity prices due to extreme weather events, certain local and seasonal impacts, and global factors affecting the markets. Nevertheless, the GPRM Plan offers some predictability in consumers' gas bills.

II. ORDER

A. The Commission Orders That:

1. The Application for Approval of a Gas Price Risk Management Plan (Application), filed on November 1, 2023, by Black Hills Colorado Gas, Inc (Black Hills), is granted consistent with the discussion above.

2. Black Hills is authorized to implement the revisions to its Colorado PUC No. 1 Gas Tariff as set forth in the attachments to the Direct Testimony of Matthew J. Christofferson submitted with the Application. Black Hills shall file compliance tariff sheets in a separate proceeding and on not less than two business 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. The advice letter and tariff must comply in all substantive respects to this Decision in order to be filed as a compliance tariff filing on shorted notice.

3. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration, begins on the first day following the effective date of this Decision.

4. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
December 13, 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

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Commissioners