

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 20AL-0380G

IN THE MATTER OF ADVICE LETTER NO. 3 FILED BY BLACK HILLS COLORADO GAS, INC. DOING BUSINESS AS BLACK HILLS ENERGY TO REVISE THE GENERAL RATE SCHEDULE ADJUSTMENT ("GRSA") THAT WILL INCREASE THE BASE RATES FOR ALL RATE SCHEDULES TO BECOME EFFECTIVE OCTOBER 12, 2020.

**DECISION SETTING THIS MATTER FOR HEARING,
SUSPENDING EFFECTIVE DATE OF TARIFFS, AND
SETTING NOTICE AND INTERVENTION PERIOD**

Mailed Date: October 9, 2020
Adopted Date: October 7, 2020

IMPORTANT NOTICE: ANY PERSON DESIRING TO PARTICIPATE ONLY BY MAKING A STATEMENT MAY DO SO BY APPEARING AT THE HEARING. 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 the Company) with Advice Letter No. 3 and suspends their effective date for 120 days pursuant to § 40-6-111(1), C.R.S.

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 November 6, 2020.

B. Discussion

3. On September 11, 2020, Black Hills filed Advice Letter No. 3 with tariff sheets to implement a General Rate Schedule Adjustment for each of its three base rate areas to increase annual revenues for the Company in total by \$13.5 million, or approximately 18.6 percent. The proposed effective date of the tariffs filed with Advice Letter No. 3 (Attachment A to this Decision) is October 12, 2020.

4. Black Hills states that the primary driver of the proposed rate increase is the Company's investments to improve the safety and reliability of its gas distribution system. Black Hills explains that the decision to file this "Phase I" rate case was driven by the Commission's recent order in Proceeding No. 19AL-0075G denying the Company's requests: (1) to recover through the base rates some \$35.3 million in capital additions placed in service from July 1, 2018 through December 31, 2018; and (2) to implement a Distribution System Integrity Rider.¹

5. The Company's requested increase in rates and revenues is based on a 12-month test period ending December 31, 2020. This "Current Test Year" (CTY) uses historical costs for the 12 months ended June 30, 2020, adjusted for known and measurable and other changes to certain operations and maintenance expenses and revenues through December 31, 2020. The CTY also includes capital additions expected to be placed in service by December 31, 2020. The cost of capital used in the cost of service for the CTY reflects: a capital structure of 50 percent equity and 50 percent debt; a cost of long-term debt of 3.91 percent; and a return on equity (ROE) of 9.95 percent.

6. Black Hills states that the CTY will be a "completely historical test year" by the time new rates from this Proceeding go into effect and will be reflective of the Company's cost

¹ See Decision No. R19-1033 issued December 27, 2020.

of providing natural gas service within its three base rate areas upon the effective date of those rates. Black Hills commits to providing updated cost information to the parties during the course of this Proceeding, replacing projections with actual book amounts as they become available.

7. If the full amount of Black Hills' requested rate increase is approved by the Commission:

- Residential customers in Base Rate Area 1 (Delta, Eagle, Garfield, Montrose, Ouray, Pitkin and San Miguel Counties-including Aspen, Basalt, Delta, Glenwood Springs, Hotchkiss, Montrose, Olathe, Paonia, and Telluride-and communities in Larimer and Weld Counties, including Dacono, Erie, Firestone, Frederick, and Wellington) will experience a monthly increase in bills of nearly \$4.00, or approximately 5 percent;
- Residential customers in Base Rate Area 2 (Bent, Crowley, and Otero Counties-including Fowler, La Junta, Las Animas, Rocky Ford, and Swink-and Archuleta, Cheyenne, La Plata, Logan, Mineral, Morgan, Phillips, Sedgwick, Washington, Weld and Yuma Counties-including Akron, Bayfield, Pagosa Springs, Wray and Yuma) will experience a monthly increase in bills of \$11.57, or approximately 21 to 25 percent; and
- Residential customers in Base Rate Area 3 (Castle Rock south to Monument, Fountain, Woodland Park, east to Kiowa, Limon and Burlington) will experience a monthly bill increase of approximately \$3.43, or approximately 7 percent.

8. Black Hills proposes to file a "Phase II" proceeding in six months following the conclusion of new rates taking effect in this Proceeding. Black Hills argues that while the Company was ordered to file a Phase II rate case within six months of the final Commission decision in Proceeding No. 19AL-0075G, the revenue requirement approved by the Commission in this separate Phase I proceeding should be incorporated into the development of final rates in such Phase II proceeding instead. Black Hills states that it will seek a waiver from the Commission shortly after the filing of Advice Letter No. 3 to seek an extension and allow the Phase II to be filed six months after the completion of this Proceeding.

9. Also on September 11, 2020, Black Hills filed a separate application for approval of a System Safety and Integrity Rider (SSIR) in Proceeding No. 20A-0379G. The Commission issued a Notice of Application Filed in that application proceeding on the same day, establishing a 30-day notice and intervention period that ends on October 12, 2020. The Commission will determine whether to set the SSIR application for hearing at a future weekly business meeting.

10. On September 17, 2020, the Colorado Office of Consumer Counsel (OCC) filed a protest in this Proceeding requesting that the Commission set the tariffs filed with Advice Letter No. 3 for hearing. Among its various initial queries regarding Black Hills' rate case filing, the OCC questions the reasonableness of a proposed ROE of 9.95 percent when the Commission recently approved an ROE of 9.2 percent "less than four months ago" in Proceeding No. 19AL-0075G. The OCC also questions the \$1.3 million of rate case expenses sought by the Company, which may include the collection of expenses anticipated for the future Phase II rate case filing and some \$515,000 of remaining unrecovered rate case expenses.

11. The OCC further argues that this rate case is "inextricably linked with elements of the Company's SSIR application"² and suggests that there is an issue of whether the two proceedings should be consolidated and placed on the same procedural schedule.

C. Conclusions and Findings

12. Pursuant to § 40-6-111(1), C.R.S., the Commission may, in its discretion, set the tariff pages filed with Advice Letter No. 3 for hearing, which will suspend the effective date of the tariff pages for 120 days from the proposed effective date. If the Commission does not establish new tariffs before the expiration of the suspension period of 120 days, or does not issue

² OCC Protest at p. 3.

a separate decision further suspending the effective date of the tariff pages pursuant to § 40-6-111(1), C.R.S., the tariff pages filed by Black Hills may become effective.

13. We find good cause to set for hearing the tariff sheets submitted with Advice Letter No. 3 filed by Black Hills on September 11, 2020. Pursuant to § 40-6-111(1), C.R.S., the initial 120-day suspension period for the tariff pages submitted with Advice Letter No. 3 shall extend through February 9, 2021.

14. 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 pages shall not allow participation as an intervenor in this matter. Intervention filings shall be submitted no later than November 6, 2020.

II. ORDER

A. The Commission Orders That:

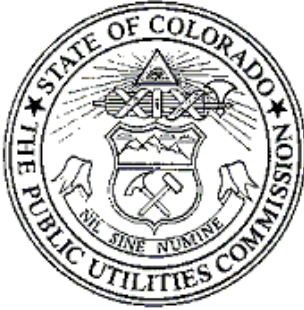
1. The proposed effective date, October 12, 2020, of the tariff pages filed by Black Hills Colorado Gas, Inc. (Black Hills) on September 11, 2020, with Advice Letter No. 3 in Proceeding No. 20AL-0380G is suspended for 120 days until February 9, 2021, or until further order of the Commission.

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 November 6, 2020 and shall serve a copy of the notice or motion on Black Hills' attorney of record.

3. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
October 7, 2020.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOHN GAVAN

MEGAN M. GILMAN

Commissioners

CHAIRMAN JEFFREY P. ACKERMANN
ABSENT.