

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 19AL-0075G

IN THE MATTER OF ADVICE LETTER NO. 1 FILED BY BLACK HILLS COLORADO GAS, INC. TO PLACE IN EFFECT ITS NEW P.U.C. VOLUME NO. 1 TARIFF ESTABLISHING NEW RATE SCHEDULES AND BASE RATES FOR ALL NATURAL GAS SALES AND TRANSPORTATION SERVICES, INCREASING JURISDICTIONAL BASE RATE REVENUES, COMBINING EXISTING GAS COST ADJUSTMENT (“GCA”) AREAS INTO NEW GCA REGIONS, IMPLEMENTING A DISTRIBUTION SYSTEM INTEGRITY RIDER, REVISING THE CONSTRUCTION ALLOWANCE CALCULATION METHOD, AND OTHER PROPOSED TARIFF CHANGES TO REPLACE AND SUPERSEDE ITS P.U.C. VOLUME NO. 3 TARIFF (FORMERLY BLACK HILLS/COLORADO GAS UTILITY COMPANY, INC.) AND P.U.C. VOLUME NO. 7 TARIFF (FORMERLY BLACK HILLS GAS DISTRIBUTION, LLC) IN THEIR ENTIRETY, TO BECOME EFFECTIVE ON MARCH 4, 2019.

**INTERIM DECISION OF
ADMINISTRATIVE LAW JUDGE
CONOR F. FARLEY
REQUIRING FILINGS AND
SCHEDULING TECHNICAL CONFERENCE**

Mailed Date: December 3, 2019

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I. STATEMENT**A. Background**

1. A more comprehensive summary of the background of this proceeding is included in Decision No. R19-0714-I and R19-0831-I that were issued in this proceeding on August 28, 2019 and October 9, 2019, respectively. The facts relevant to this Decision are stated below.

2. On February 1, 2019, Black Hills Colorado Gas, Inc. (BHCG) filed Advice Letter No. 1 with supporting attachments and pre-filed direct testimony. Advice Letter No. 1 proposes to effectuate the consolidation of Black Hills/Colorado Gas Utility Company, Inc. (BHGU) and Black Hills Gas Distribution, LLC (BHGD) into BHCG. BHGU held the legacy assets from Aquila, Inc., which BHCG acquired in 2008. BHGD held the legacy assets of SourceGas Distribution, LLC, Rocky Mountain Natural Gas, LLC, SourceGas, LLC, and SourceGas Holdings, LLC, which BHCG acquired in 2016. BHGD has two base rate areas and six gas cost adjustment areas (GCAs). BHGU has one rate area and one GCA. Advice Letter No. 1 proposes to consolidate the cumulative three base rate areas into a single base rate area for the purpose of establishing an overall revenue requirement for BHCG. Through rate design and for purposes of rate impact mitigation, BHCG proposes two new base rate areas. Advice Letter No. 1 further proposes to consolidate seven GCAs of BHGD and BHGU into four GCAs. BHCG filed a single statewide Class Cost of Service Study (CCOSS) in support of its proposal in Advice Letter No. 1.

3. In Decision No. R19-0714-I, the Administrative Law Judge (ALJ) approved a request from the parties to keep the evidentiary record open to allow BHCG to file four additional CCOSS's (one for each of the existing base rate areas, and one for the combination of

the BHGU Rate Area and BHGD Rate Area 2).¹ Decision No. R19-0714-I also approved BHCG's proposal to file a Fourth Amended Advice Letter and Tariff Sheets with a new effective date that would allow sufficient additional time for the development and filing of the new CCOSs's, review and response by the intervening parties, and an additional hearing day addressing the new CCOSs's, and the positions of the parties in light thereof. Specifically, Decision No. R19-0714-I ordered BHCG "to file a fourth amended advice letter and tariff sheets with an effective date of August 3, 2019 that will extend the end of the suspension period (after the 120-day and 90-additional-day suspensions entered in Decision Nos. C19-0194 and R19-0265-I that issued on February 22, 2019 and March 21, 2019, respectively) to February 29, 2020."² Decision No. R19-0714-I also established a procedural schedule that, among other things, set deadlines of September 27, 2019 for BHCG to file the four new CCOSs's and related testimony, and October 15, 2019 for the Intervenor to file revised CCOSs's and related testimony, and scheduled the additional hearing day for October 24, 2019.³

4. On September 27, 2019, BHCG filed its four new CCOSs's and supporting testimony.

5. On October 4, 2019, Trial Staff of the Commission (Staff) filed an Unopposed Motion to Extend Answer Testimony Deadline to October 17, 2019 (Unopposed Motion to Extend).

¹ Decision No. R19-0741-I at 9 (¶ 20), 10 (¶ 23).

² *Id.* at 11 (¶ 25).

³ *Id.* at 10 (¶ 23).

6. On October 9, 2019, Decision No. R19-0831-I issued that, among other things, granted an extension until October 17, 2019 for the Intervenor to file revised CCOSS's and related testimony.

7. On October 24, 2019, the additional hearing day took place. At the close of the hearing, the ALJ instructed the parties that a technical conference would likely be scheduled in advance of issuance of the Recommended Decision at which BHCG would present the results of several scenarios involving inputs provided by the ALJ. The results provided by BHCG would be revenue requirement studies, CCOSS's, and bill impacts that are revised based on the inputs provided by the ALJ. BHCG stated that it would need five business days in which to revise the revenue requirement studies, CCOSS's and bill impacts based on the inputs supplied by the ALJ.

B. Analysis

8. The calculations of BHCG's revenue requirement, the various Phase II proposals, and the proposed Distribution System Integrity Rider (DSIR), and their combined translation into just and reasonable rates, are complex. The ALJ finds that a technical conference will assist the ALJ in establishing final rates to be implemented on March 1, 2020. Prior to the technical conference, BHCG must model the revenue requirement studies, CCOSS's, and bill impacts for the following scenarios:

a. Three Separate Base Rate Areas + No Post-Base Period Capital Additions and Adjustments + No DSIR;

b. Three Separate Base Rate Areas + Post-Base Period Capital Additions and Adjustments + Separate DSIR for each Base Rate Area;

c. Consolidated Base Rate Areas (BHCG's proposal) + No Post-Base Period Capital Additions and Adjustments + Statewide DSIR (BHCG's proposal); and

d. Consolidated Base Rate Areas (BHCG's proposal) + No Post-Base Period Capital Additions and Adjustments + No DSIR.

9. In revising the revenue requirement studies to produce the modeled scenarios above, BHCG should use a ROE of 9.0 percent. Otherwise, BHCG should employ all of the inputs for which it is advocating in this proceeding. BHCG should file and serve the revised revenue requirements, CCOSS's, and bill impacts reflecting the foregoing four scenarios by noon on Monday, December 16, 2019.

10. The technical conference at which BHCG will present the results of the revised revenue requirements, CCOSS's, and bill impacts shall be scheduled for Wednesday, December 18, 2019 at 9:00 a.m. The parties are urged to meet and confer in advance of the technical conference to allow the Intervenor to ask any questions necessary to understand the modeled scenarios and the parties to discuss any disputes concerning the modeled scenarios. Such a meeting may allow the technical conference to operate as efficiently as possible.

II. ORDER

A. It Is Ordered That:

1. A technical conference regarding the issues described above shall be convened as follows:

DATE: December 18, 2019

TIME: 9:00 a.m.

PLACE: Commission Hearing Room
1560 Broadway, Second Floor
Denver, Colorado

2. Black Hills Colorado Gas, Inc. (BHCG) shall file the material to be presented at the technical conference not later than noon on December 16, 2019, consistent with the discussion above. BHCG shall provide to Commission Advisory Staff assigned to this proceeding the materials (including supporting worksheets) in electronic executable format, consistent with the discussion above.

3. This Decision is effective immediately.

(S E A L)



THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

CONOR F. FARLEY

Administrative Law Judge

ATTEST: A TRUE COPY

Doug Dean,
Director