

Decision No. C14-1166

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 14L-0932G

IN THE MATTER OF THE APPLICATION OF BLACK HILLS/COLORADO GAS UTILITY COMPANY, LP, FOR AUTHORITY TO CHANGE ITS GAS COST ADJUSTMENT TARIFF ON LESS THAN 30 DAYS' NOTICE AND WITHOUT FORMAL HEARING.

**COMMISSION DECISION AUTHORIZING
UPWARD REVISIONS OF GAS RATES**

Mailed Date: September 24, 2014

Adopted Date: September 24, 2014

I. BY THE COMMISSION

A. Statements

1. On September 15, 2014, Black Hills/Colorado Gas Utility Company, LP (Black Hills or Applicant) filed a verified application. Black Hills seeks a Commission decision authorizing it, without a formal hearing and on less-than-statutory notice, to place into effect on October 1, 2014, tariffs resulting in an increase to its existing natural gas rates on file with the Commission. The application contains all of the materials required by the applicable Commission Rules and therefore is deemed complete.

2. Black Hills amended its application on September 17, 2014 to correct Exhibit 12.

3. The proposed tariffs are attached to the application and affect the Applicant's customers in its Colorado service areas.

4. Black Hills acknowledges that it has read and agrees to abide by the provisions of Rules 4002(b)(IV) through (VI) and Rules 4002(b)(XI)(A) through (C) of the Rules Regulating Gas Utilities and Pipeline Operators, 4 *Code of Colorado Regulations* 723-4.

5. This application for authority to increase rates is made pursuant to § 40-3-104(2), C.R.S., and Rule 4109(b)(II).

B. Findings of Fact

6. The Applicant is an operating public utility subject to the jurisdiction of this Commission and is engaged in, *inter alia*, the purchase, distribution, transportation, and sale of natural gas for domestic, mechanical, or public uses in its Central and Northeast rate areas in the State of Colorado.

7. The Applicant obtains its natural gas supply at wholesale for its entire Colorado Service Area from third party spot market suppliers in conjunction with supply made available by Colorado Interstate Gas Company (CIG). CIG transports all of the gas supply.

8. Transportation rates of CIG are regulated by the Federal Energy Regulatory Commission. The Commission has no jurisdiction over the transportation rates of the interstate pipeline companies such as CIG and wholesale rates of suppliers, but we expect the Applicant to negotiate the lowest prices for supplies of natural gas that are consistent with the provisions of the Natural Gas Policy Act of 1978, 15 U.S.C. §§ 3301-3432 and applicable federal regulations.

9. Rule 4602(a) requires that Black Hills revise its gas cost adjustment (GCA) rates to be effective on October 1 of each year. The instant filing is intended to comply with this requirement.

10. The purpose of the upward revision of the Applicant's gas rates is to reflect a change in the projected price of gas and upstream services charged to the Applicant on or about October 1, 2014, and adjust for previous under-recovery in the Applicant's Deferred Gas Cost Account No. 191 as of June 30, 2014.

11. The commodity price of gas is projected to increase from the current price of \$3.7764/MMBTU in Decision No. C13-1192, Proceeding No. 13L-1001G issued September 27, 2013, effective October 1, 2013, to a forecasted price of \$4.1107/MMBTU. The forecasted price is based on information for October 2014 through September 2015, based on the current New York Mercantile Exchange gas future strip and a basis differential. The forecast also reflects financial hedges. The upstream pipeline costs will decrease from the current \$2.1084/MMBTU to \$2.1072/MMBTU. The deferred costs will increase from a (\$.1531) to a \$.3672 which results in a proposed GCA rate of \$6.5851 as compared to the current GCA rate of \$5.7317.

12. The effect of the above revisions is an increase of \$7,140,642 to the Applicant's customers in its Colorado service areas.

13. The proposed tariffs, attached as Appendix A, will increase total annual revenues by \$7,140,642, which is an increase of 15.19 percent.

14. The Applicant anticipates that the adjustment in the GCAs requested herein will bring future gas cost recovery amounts more closely in line with the predicted future price of gas.

15. The Applicant's last authorized rate of return on rate base was 8.41 percent and its last authorized rate of return on equity was 9.60 percent. If this increase is approved, the Applicant's rate of return on rate base will be 8.85 percent and its rate of return on equity will be 10.47 percent. Without the increase, the rate of return on rate base would be (2.10) percent and its rate of return on equity would be (2.86) percent.

16. Black Hills acknowledges its obligation under Rule 4604 to publish notice of the subject filing within three days after the filing of this application. The filing of this application

was or will be brought to the attention of Applicant's affected customers by publication in the *Colorado Springs Gazette*, a newspaper of general circulation in the areas affected.

17. The Commission finds good cause to allow the proposed increases on less-than-statutory notice.

II. ORDER

A. The Commission Orders That:

1. The application filed by Black Hills/Colorado Gas Utility Company, LP (Black Hills) is deemed complete.

2. The application filed by Black Hills for authority to change tariffs on less-than-statutory notice is granted.

3. Black Hills is authorized to file, on not less than two days' notice, the tariffs attached as Appendix A and made a part of this Decision. These tariffs shall be effective for actual gas sales on or after their effective date of October 1, 2014.

4. 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.

5. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
September 24, 2014.**

(S E A L)



ATTEST: A TRUE COPY



Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOSHUA B. EPEL

GLENN A. VAAD

Commissioners

COMMISSIONER PAMELA J. PATTON
ABSENT.