

Decision No. C25-0288

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 24AL-0481E

IN THE MATTER OF ADVICE LETTER NO. 876 FILED BY BLACK HILLS COLORADO ELECTRIC, LLC DOING BUSINESS AS BLACK HILLS ENERGY COLORADO P.U.C. NO. 11 TO INCREASE THE TRANSMISSION COST ADJUSTMENT, TO BECOME EFFECTIVE JANUARY 1, 2025.

**COMMISSION DECISION ALLOWING
AMENDED ADVICE LETTER AND TARIFF
TO BECOME EFFECTIVE BY OPERATION OF LAW,
AND CLOSING PROCEEDING**

Issued Date: April 15, 2025

Adopted Date: April 9, 2025

I. BY THE COMMISSION

A. Statement

1. On November 1, 2024, Black Hills Colorado Electric, LLC doing business as Black Hills Energy, (“Black Hills” or the “Company”) filed Advice Letter No. 876 (“AL 876”) to adjust its Transmission Cost Adjustment (“TCA”) effective January 1, 2025.

2. By Decision No. C24-0955 (“Suspension Decision”), issued on December 31, 2024, the Commission set for hearing the Tariff Sheets filed under AL 876 and suspended their effective date to May 1, 2025.

3. On March 31, 2025, Black Hills filed an amended AL 876, updating the amounts to be collected through the 2025 TCA due to the new electric base rates for Black Hills in established in Proceeding No. 24AL-0275E and after conferring with Trial Staff of the Colorado Public Utilities Commission (“Staff”).

4. By this Decision, we allow the amended AL 876 and the amended tariff sheets for the 2025 TCA to take effect by operation of law on May 1, 2025, and close this Proceeding.

B. Discussion

5. Black Hills explains in AL 876 that the 2025 TCA recovers transmission-related costs that are incremental to the transmission-related investments already being recovered in the Company's base rates. Relative to the 2024 TCA in effect when the Company filed AL 876, the 2025 TCA incorporates transmission capital expenditures that have occurred since the Company's last TCA filing. If permitted to go into effect on January 1, 2025, the tariff revisions would have resulted in an increase of approximately \$4 million in the revenue requirement, from \$14.9 million to \$18.9 million. Black Hills states in AL 876 it made approximately \$30.9 million of incremental transmission-related investments in 2024, increasing net plant in service by \$17.4 million, while construction work in progress increased by \$13.9 million. Black Hills states that the investments were needed to maintain and enhance the reliability of its transmission system.

6. Black Hills further explains in AL 876 that when new base rates are established in the Company's electric rate case, Proceeding No. 24AL-0275E, certain past transmission projects will be included in base rates such that the associated costs will no longer be recovered through the TCA.

7. As explained in the Suspension Decision, Staff filed a protest to AL 876, asking the Commission to suspend the effective date of the 2025 TCA because "the Commission may well seek to adjust or modify Black Hills transmission asset cost recovery and methods to be used" in the Company's ongoing electric base rate case in Proceeding No. 24AL-0275E.¹ The Suspension Decision goes on to explain that it is necessary to examine the spending contained in Black Hills'

¹ Staff Protest, p. 2.

2025 TCA filing to ensure that it is indeed consistent with applicable statutory requirements and the recent narrowing of project eligibility for TCA cost recovery pursuant to recent changes to Black Hills' TCA tariff sheets in Proceeding No. 22AL-0483E.² The Commission further requested that the parties to this Proceeding take a closer look at what spending should be eligible for recovering through the 2025 TCA.

8. In accordance with the filing deadline in the Suspension Decision, Staff timely filed its notice of intervention as of right and request for hearing on January 31, 2025. Staff sought to examine whether the 2025 TCA is reasonable and appropriate given the findings and conclusions in the then-forthcoming Rate Case Decision. Staff also intended to explore whether the Company's 2025 TCA filing complies with the statutory provisions for as provided in § 40-5-101(4), C.R.S., or other applicable statutory requirements, and whether it complies with Commission Rules. Staff further questioned whether the Company has provided sufficient detail to the Commission regarding the individual transmission projects in this filing. More generally, Staff sought to examine whether the Company's recent transmission expenditures, planned expenditures, and expected transmission system expenditures are in the public interest.

9. By Decision No. C25-0183 ("Rate Case Decision"), issued on March 17, 2025, the Commission established new electric base rates for Black Hills in Proceeding No. 24AL-0275E. The Rate Case Decision explains that the new base rates reflect the roll-in to base rates the investment costs previously recovered through the Company's TCA.³ The Rate Case Decision further explains that the new electric base rates are established using a test year ending December 31, 2023, with the associated rate base calculated using a 13-month average

² Decision No. C23-0593, Proceeding No. 22AL-0483E, issued on September 6, 2023, ¶¶ 45-47.

³ Decision No. C25-0183, issued March 17, 2025, Proceeding No. 25AL-0275E, ¶ 7, p. 5.

convention.⁴ Notably, the Rate Case Decision requires Black Hills to make a tariff compliance filing to put in place new base rates and a modified TCA for effect on March 22, 2025.⁵

10. By Decision No. C25-0218-I, issued on March 25, 2025, the Commission explained that it had recently examined the tariff sheets implementing Black Hills' TCA in Proceeding No. 22AL-0483E. The Commission clarified that the issues raised in Staff's protest and referenced in its intervention relating to § 40-5-101(4), C.R.S., other applicable statutory requirements, and Commission Rules were fully addressed in Proceeding No. 22AL-0483E—specifically in Decision No. C23-0593—and that this Proceeding should move forward through adjudication only if Staff reasonably suspects that the revenue requirement sought by Black Hills for 2025 TCA recovery is calculated contrary to the Company's currently effective TCA tariff sheets.

11. The Commission further directed Staff to confer with Black Hills now that the Commission has issued the Rate Case Decision. The Commission instructed Staff to file, no later than April 1, 2025, to withdraw its intervention in this Proceeding or to make a joint filing with Black Hills which either proposes a procedural schedule to resolve this matter or provides notice of a forthcoming amended AL 876 that resolves any potential disputes between Staff and the Company.

12. On March 31, 2025, Black Hills filed an amended AL 876 after meeting with Staff, in accordance with Decision No. C25-0281-I. The amended tariff sheets implement modified 2025 TCA rates reflecting only the incremental transmission projects that add transmission capacity since the test year used to establish new electric base rates in Proceeding No. 24AL-0275E and are designed to recover such costs from May 1, 2025, through December 31, 2025.

⁴ Decision No. C25-0183, issued March 17, 2025, Proceeding No. 25AL-0275E, ¶ 79, p. 26.

⁵ Decision No. C25-0183, issued March 17, 2025, Proceeding No. 25AL-0275E, ¶ 337, p. 108.

13. On April 1, 2025, Staff filed a notice of a conditional withdraw of its intervention. In the notice, Staff states that it met with Black Hills on March 25, 2025, and the Company agreed to provide Staff with additional information relevant to the then-anticipated amended advice letter filing. Staff reports that it received the information on March 31, 2025, the date of the amended advice letter filing, and was still reviewing the information. Staff notes that the withdrawal of its intervention is conditioned on the Company's sufficient documentation and accurate data calculations supporting the amended advice letter. Staff further states that it reserves its right to renew its intervention in the event the conditions of its withdrawal are not met.

C. Findings and Conclusions

14. We acknowledge the withdrawal of Staff's intervention in this matter. More than a week had passed between the Company's amended advice letter filing on March 31, 2025, and our weekly business meeting on April 9, 2025, and Staff has not renewed its intervention based on its review of the materials supporting provided by Black Hills.

15. We find good cause to allow the 2025 TCA, as amended on March 31, 2025, to take effect on May 1, 2025. We note that the workpapers filed with the amended advice letter develop an annual 2025 TCA revenue requirement of \$1.38 million, an amount is significantly less than the incremental annual revenue requirement of approximately \$4 million initially filed last November. It therefore appears that the conferral between Black Hills and Staff has resolved the issues to the extent that TCA cost recovery can commence and recovered costs can be subsequently reviewed in a future base rate proceeding.

II. ORDER**A. The Commission Orders That:**

1. Advice Letter No. 876 and accompanying tariff sheets filed by Black Hill Colorado Electric, LLC, doing business as Black Hills Energy, on November 1, 2024, and later amended on March 31, 2025, shall be allowed to go into effect, as amended, by operation of law on May 1, 2025.

2. This Proceeding is closed.

3. The 20-day time period provided by § 40-6-114(1), C.R.S., to file an Application for Rehearing, Reargument, or Reconsideration shall begin on the first day after the Commission mails this Decision.

4. This Decision is effective upon its Issued Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
April 9, 2025.**

(S E A L)



ATTEST: A TRUE COPY

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ERIC BLANK

MEGAN M. GILMAN

TOM PLANT

Commissioners

Rebecca E. White,
Director