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November 1, 2023

Advice Letter No. 857

Public Utilities Commission of the State of Colorado
1560 Broadway
Suite 250
Denver, Colorado 80202

The accompanying tariff sheet issued by Black Hills Colorado Electric, LLC, d/b/a Black Hills Energy (“Black Hills” or the “Company”), is sent to you for filing in compliance with the requirements of the Public Utilities Law and the applicable rules of the Public Utilities Commission of the State of Colorado, including Rule 1210, 4 *Colorado Code of Regulations* 723-1. The following tariff sheet is attached:

COLORADO P.U.C. NO. 11

Colorado P.U.C. Sheet Number	Title of Sheet	Cancels Colorado P.U.C. Sheet Number
First Revised Sheet No. 99	TRANSMISSION COST ADJUSTMENT (TCA) ELECTRIC	Original Sheet No. 99
Fifth Revised Sheet No. 101	TRANSMISSION COST ADJUSTMENT (TCA) (CONTINUED) ELECTRIC	Fourth Revised Sheet No. 101

The principal purpose of this annual filing is to amend the Company’s Transmission Cost Adjustment (“TCA”) tariff sheet to reflect incremental transmission-related costs.

The TCA recovers costs for transmission-related costs that are incremental to the transmission-related investments already being recovered in base rates. This TCA filing represents the incremental transmission-related cost for the period January 1, 2016 through December 31, 2023. This filing incorporates transmission capital expenditures that have occurred since the Company’s last TCA filing. If permitted to go into effect on January 1, 2023, the tariff revisions will result in an increased revenue requirement of \$2,794,030, from \$12,084,106 to \$14,878,136.

Commission Decision C23-0593 ordered the Company to “put into place the 2023 TCA for the remaining months of 2023”. The Company filed Compliance Advice Letter No. 852 in response to this decision, and rates went into effect on September 11, 2023. Due to protracted recovery of the 2023 TCA revenue requirement, the rate charged to customers was greater than it would have been had the rate gone into effect on January 1, 2023, as the Company initially proposed in Proceeding No. 22AL-0483E. While the proposed revenue requirement is increasing, the Company is proposing to decrease the TCA rate from \$0.008827 per kWh to \$0.008320 per kWh. The proposed rate is effective for all of the Company’s rate classes.

The primary driver of the increased revenue requirement is related to increased plant in service, which primarily consists of three projects. These three projects account for \$54.69M of the \$54.73M increase in Plant in Service.

The capital additions and are partially offset by updating the cost of debt in the Weighted Average Cost of Capital (“WACC”) calculation from what was approved in the Company’s most recent rate review. This adjustment resulted in a decrease to the Company’s WACC from 7.43% to 7.03%. The use of the updated WACC reduces the proposed revenue requirement by approximately \$500,000. The Company has also continued to refine its sales forecast, which has resulted in a decrease to forecasted 2024 energy sales. This reduction to forecasted kWh has the result of increasing the proposed rate.

In 2023, the Company incurred approximately \$14.3 million of incremental transmission-related investments; net plant in service increased by \$51 million is related to plant in service, while construction work in progress decreased by \$36.7 million. These projects were needed to maintain and enhance the reliability of the transmission system. The list of completed projects is shown on Appendix C, pages 11 and 12, while the list of projects not yet completed is shown in Appendix C, Page 7.

Based on this proposed increase, the average residential customer monthly bill, under Rate Schedule RS-1 with typical usage of 600 kWh per month, will decrease \$0.32 from \$117.45 to \$117.13, or 0.27%. The average small commercial customer monthly bill, under Rate Schedule SGS-N with typical usage of 2,300 kWh per month, will decrease \$0.94 from \$388.77 to \$387.80, or 0.25%.

Commission Decision C23-0593 ordered the Company to revise its tariff Sheet No. 99 for effect on January 1, 2024 to include a definition of TCA Qualified Projects. The proposed tariffs in Appendices A and B reflect this definition.

Attached hereto are Appendices A, B, C, and D. Appendix A provides the applicable tariff sheets. Appendix B provides a redlined version of the applicable tariff sheets. Appendix C provides support for the calculation of the TCA. Appendix D provides descriptions of certain projects as required by Commission Decision Nos. C22-0438 and C23-0593.

Commission Decision C21-0814 in Proceeding No. 21AL-0516E (the “TCA 2021 filing”), at Paragraph 12, states “In order to clarify future reporting obligations for TCA projects, a utility should report for each included project in either: (a) the specific Commission decision granting the CPCN; (b) the specific Commission decision that no CPCN is required; or (c) the specific source of authority, such as a Commission rule that the project’s scope does not require a CPCN or its inclusion in a Rule 3206, 4 CCR 723-3 Annual Filing with an approval order by the Commission.” [emphasis added]

In evaluating the above-reported information in Proceeding No. 22M-0005E, Paragraph 20 of Decision No. C22-0438 addressed Black Hills list of projects that are not extension or construction of transmission facilities (included in Appendix D). Because those projects were not appropriately included in the Rule 3206 Report, the Commission did not address them in that proceeding. Paragraph 22 of the Decision goes on to say:

To facilitate Commission Staff’s review of Black Hills’ and Public Service’s TCA filings this year, both utilities shall provide the following information for each project and project component that it seeks to include in next year’s TCA rider:

- the name(s), and function or purpose of the project;
- if one exists, the decision number that granted the utility a CPCN or determined that no CPCN is required;
- whether the project is for construction or expansion of facilities, or whether the project is for the replacement of existing facilities;
- the proposed location(s);
- for a substation or related facilities: the voltage level and the MVA rating of transformers and shunt capacitors;
- for transmission lines: the voltage, the length in miles, the continuous MVA, and the substation termination points;
- the estimated planning, development, construction, and total project costs; and
- the projected date for the start of construction, the estimated date of completion, and the estimated in-service date.

Commission Decision No. C23-0593 in Proceeding 22AL-0483E (the “TCA 2022 filing”), at paragraph 51, states “we order Black Hills to adjust its TCA tariff to reflect a narrower scope of eligible projects. Accordingly, we are proposing to modify Black Hills’ TCA tariff sheets for effect on January 1, 2024, so that transmission projects eligible for cost recovery through the TCA are those that result in a net increase in transmission capacity.”

Consistent with the above decisions, the Company has included the above information for all projects for which the Company requests cost recovery through the TCA in Appendix D. Of seven projects included for cost recovery through the TCA, five have been included in the

Company's annual rule 3206 filings. There were therefore two projects not included in the Company's rule 3206 filing. The Company requests that the Commission find these two projects in Appendix D are in the ordinary course of business and that no CPCN is required.

This filing will be noticed pursuant to the requirements of the Colorado Public Utilities Law. Concurrently with this filing, Black Hills is filing a Motion for Alternative Form of Notice ("Motion"), with an Attachment 1 – Placeholder Customer Notice ("Customer Notice"). The Motion requests Commission approval to provide one consolidated customer notice that reflects the filing of three cost adjustments: TCA, Purchased Capacity Cost Adjustment ("PCCA"), Energy Costs Adjustment ("ECA"), and Demand Side Management Cost Adjustment ("DSMCA"). These four cost adjustments are all effective on January 1, 2023. In order to provide customers with a complete and comprehensive notice of all the changes, Black Hills is proposing to provide one notice explaining the overall bill impact of the three cost adjustment changes. In addition, the Motion requests Commission approval for three methods of providing the consolidated customer notice. First, the Company will post this advice letter and accompanying tariff sheets on the Company's website on November 1st for 60 days for the public to view. Second, a bill message, beginning with the December billing cycle, will notify applicable customers of the amendments stated above, provide a URL link and a toll-free phone number for assistance regarding the amendments, and an overall customer impact inclusive of the TCA, PCCA, ECA, and DSMCA filings. The bill message will run for one full billing cycle. Third, a newspaper legal notice providing the Customer Notice will be published in three newspapers of general circulation covering the Company's service territory: *The Pueblo Chieftain*, the *Cañon City Daily Record*, and the *Rocky Ford Daily Gazette*. Given the number of rate adjustments in November 2023 and to avoid customer confusion, the Company is requesting to consolidate the four rate adjustments into the one Customer Notice. The Customer Notice will provide customers comprehensive notice of multiple adjustments and the impacts that will take effect January 1, 2024.

Black Hills requests that the tariff sheet accompanying this advice letter becomes effective on January 1, 2024. Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the following:

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And

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Sincerely,

Black Hills Colorado Electric, Inc.

/s/ Dan Ahrens

Dan Ahrens
Manager, Regulatory & Finance