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August 31, 2023

Advice Letter No. 35

Public Utilities Commission of the State of Colorado
Attn: Rebecca White, Director
1560 Broadway, Suite 250
Denver, CO 80202

The accompanying tariff sheets issued by Black Hills Colorado Gas, Inc. d/b/a Black Hills Energy (“BHCG” or “Company”) are 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 (“Commission”), including Rules 4110, 4602(a), 4603, and 4604. The following tariff sheets are attached:

COLORADO P.U.C. NO. 1

Colorado P.U.C Sheet Number	Title of Sheet	Cancels Colorado P.U.C. Sheet Number
17th Revised Sheet No. 13	Statement of Rates Rate Schedule Sheet Gas Sales Rates	16th Revised Sheet No. 13
19th Revised Sheet No. 14	Statement of Rates Rate Schedule Sheet Gas Sales Rates	18th Revised Sheet No. 14
18th Revised Sheet No. 15	Statement of Rates Rate Schedule Sheet Gas Sales Rates	17th Revised Sheet No. 15
17th Revised Sheet No. 16	Statement of Rates Rate Schedule Sheet Gas Sales Rates	16th Revised Sheet No. 16
18th Revised Sheet No. 17	Statement of Rates Rate Schedule Sheet Gas Sales Rates	17th Revised Sheet No. 17
18th Revised Sheet No. 18	Statement of Rates Rate Schedule Sheet Gas Sales Rates	17th Revised Sheet No. 18

Colorado P.U.C Sheet Number	Title of Sheet	Cancels Colorado P.U.C. Sheet Number
17th Revised Sheet No. 19	Statement of Rates Rate Schedule Sheet Gas Sales Rates	16th Revised Sheet No. 19
18th Revised Sheet No. 20	Statement of Rates Rate Schedule Sheet Gas Sales Rates	17th Revised Sheet No. 20
18th Revised Sheet No. 21	Statement of Rates Rate Schedule Sheet Gas Sales Rates	17th Revised Sheet No. 21
18th Revised Sheet No. 22	Statement of Rates Rate Schedule Sheet Gas Sales Rates	17th Revised Sheet No. 22
17th Revised Sheet No. 23	Statement of Rates Rate Schedule Sheet Gas Sales Rates	16th Revised Sheet No. 23
18th Revised Sheet No. 24	Statement of Rates Rate Schedule Sheet Gas Sales Rates	17th Revised Sheet No. 24
18th Revised Sheet No. 25	Statement of Rates Rate Schedule Sheet Gas Sales Rates	17th Revised Sheet No. 25
9th Revised Sheet No. 30	Statement of Rates Rate Schedule Sheet Gas Transportation Service Rates	8th Revised Sheet No. 30
7th Revised Sheet No. 65	Gas Rate Adjustments Gas Cost Adjustment (“GCA”) (Continued)	6th Revised Sheet No. 65
2nd Revised Sheet No. 67	Gas Rate Adjustments Gas Transportation Rate Adjustment (“GT-1”) Central GCA Region	1st Revised Sheet No. 67
2nd Revised Sheet No. R6	Rules and Regulations Applicable to All Gas Services (Continued)	1st Revised Sheet R6

The principal purpose of this filing is to modify the Company’s Gas Cost Adjustments (“GCA”) rate in order to recover deferred GCA costs and forecasted quarterly GCA costs effective October 1, 2023. The GCA rate will decrease for customers located in the Central GCA region, North/Southwest GCA region, Western Slope GCA region, and Western Slope with Storage GCA region and applies to all retail sales customers of the Company. Additionally, the GT-1 Rate Adjustment applicable to Central GCA region Distribution Transportation Service Rate Schedule will be modified to \$0.00261 per therm to provide sufficient recovery of certain upstream capacity

costs. Through this Advice Letter, BHCG requests authorization to reset the GCA rate to reflect the changes to the upstream demand and gas commodity costs and to adjust the deferred gas cost. Deferred costs through June 30, 2023 have been included in calculation of GCA rates.

Additionally, the definition of Fuel, Lost and Unaccounted for Gas (“FL&U”) on Sheet R6 of the Company’s Rules and Regulations Applicable to All Gas Services states that the FL&U will “be filed with the Commission in conjunction with the Company’s annual Gas Cost Adjustment filing to be effective November 1.” Due to the new quarterly filing cadences of the GCA, and FL&U is unable to become effective November 1. The Company proposes to instead change this to October 1 of each year, in correspondence with the fourth quarter GCA.

The tariff revisions, if they were to go into effect on October 1, 2023, would result in annualized GCA recoveries of \$155,887,055 compared to the annualized GCA recoveries of \$185,978,840 recovered through current GCA rates. The proposed resulting aggregate change to the GCA rates are:

GCA Region	Current GCA \$/Therm	Proposed GCA \$/Therm	Increase / (Decrease)
Central	\$0.50346	\$0.42679	(\$0.07667)
North/Southwest	\$1.02481	\$0.55918	(\$0.46563)
Western Slope (without storage)	\$1.09420	\$1.00058	(\$0.09362)
Western Slope (with storage)	\$1.14361	\$1.10205	(\$0.04156)

If approved, the proposed GCA would supersede BHCG’s currently effective GCA, implemented in Proceeding No. 23AL-0297G. The change in revenue resulting from the proposed GCA is an overall annual decrease of \$30,091,785 as compared to forecasted revenues with the current GCA rate in effect. In establishing the forecasted commodity and upstream GCA rate component, the Company has included three months of forecasted gas costs and usage from October 2023 to December 2023 to establish rates. In establishing the deferred cost GCA component, the deferred gas costs have been amortized over a 12-month period. Of the \$30,091,785 estimated annual decrease in revenues, approximately \$2.9 million is attributable to a decrease in current gas cost forecasts compared to those used for the currently effective GCA. Reductions in annual revenues is further driven by a \$27.2 million decrease in deferred gas costs compared to those used in the previous GCA filing, resulting in a \$30,091,784 decrease in annualized revenues.

GCA Region	Increase / Decrease	Change in Revenue
Central	Decrease	(\$7,825,064)
North/Southwest	Decrease	(\$15,625,722)
Western Slope (Without Storage)	Decrease	(\$5,535,361)

Western Slope (With Storage)	Decrease	(\$1,105,638)
Total Revenue Impact	Decrease	(\$30,091,785)
Total Gas Costs	Decrease	(\$2,875,595)
Total Deferred Gas Costs	Decrease	(\$27,216,190)
Total Revenue Impact	Decrease	(\$30,091,785)

FACTORS FOR CHANGED RATES

Generally speaking, all GCA regions are experiencing a decrease in rates due in part to a significant increase in anticipated throughput for the months of October through December, compared to those anticipated throughputs for the months of July through September in the currently effective GCA. The impacts of the significant increase in anticipated throughput results in a reduction in rates specific to upstream transportation costs, which are fixed in nature.

The Central GCA region's decrease in GCA rates and corresponding revenues recovered is primarily driven due to a decreased deferred balance in the instant filing compared to currently effective GCA rates. The Central GCA region's deferred balance decreased from an \$2.6 million under-recovery in March 2023 to a \$6.2 million over-recovery in June 2023.

The North/Southwest GCA region's decrease is primarily due to a decreased deferred balance in the instant filing compared to currently effective GCA rates. The deferred gas cost balance decreased from a \$1.4 million under-collection in March 2023 to a \$2.4 million over-collection in June 2023.

The Western Slope with and without Storage regions experienced a decrease in deferred gas costs which is the primary driver for decreases in GCA costs in those regions. The deferred gas cost balance decreased from a \$26.8 million under-collection in March 2023 to a \$12.3 million under-collection in June 2023.

As shown by each respective GCA Region on GCA Confidential Attachment No. 3, the deferred activity is as follows:

GCA Region	Beginning Deferred Balance – March 31, 2023	Total Deferred Gas Cost – April 1, 2023 – June 30, 2023	Ending Deferred Balance – Period Ending June 31, 2023
Central	\$2,590,785	(\$8,761,677)	(\$6,170,891)
North/Southwest	\$1,357,307	(\$3,738,566)	(\$2,381,259)
Western Slope (without storage)	\$26,784,107	(\$14,448,748)	\$12,335,359
Western Slope (with storage)	(\$209,012)	(\$264,258)	(\$473,270)

The resulting Deferred Gas Cost Rates per Dth as detailed on GCA Attachment No. 1 are as follows:

GCA Rate Area	Current Total Surcharge Rate per Dth	Proposed Total Surcharge Rate per Dth	Change in Surcharge Rate per Dth
Central	\$0.2530	(\$0.6014)	(\$0.8544)
North/Southwest	\$0.4113	(\$0.7318)	(\$1.1431)
Western Slope (without storage)	\$2.9575	\$1.3575	(\$1.6000)
Western Slope (with storage)	\$2.8860	\$1.1962	(\$1.6898)

The resulting total forecasted gas costs per Dth as detailed on GCA Attachment No. 1 are as follows:

GCA Rate Area	Current Total Gas Cost – per Dth	Proposed Total Gas Cost – per Dth	Change in Total Gas Cost – per Dth
Central	\$4.7816	\$4.8693	\$0.0877
North/Southwest	\$9.8368	\$6.3236	(\$3.5132)
Western Slope (without storage)	\$7.9845	\$8.6483	\$0.6638
Western Slope (with storage)	\$8.5501	\$9.8243	\$1.2742

BHCG proposes to pass on the proposed GCA rate changes effective with volumes taken on and after October 1, 2023.

In support of this advice letter, the Company submits and incorporates the following Appendices:

- a. GCA Attachment No. 1 - GCA Summary. This attachment contains the summary of the GCA, including illustrations of impacts on present and proposed revenues and customers and the percentage change in the total bill for the average customer.
- b. Confidential GCA Attachment No. 2 - Current Gas Cost Calculation. This attachment contains the Current Gas Cost Calculation and provides month-by-month information with respect to Forecasted Gas Commodity Costs, Forecasted Gas Purchase Quantities, Forecasted Market Prices, Forecasted Upstream Service Cost and Forecasted Sales Gas Quantity.
- c. Confidential GCA Attachment No. 3 - Deferred Gas Cost Calculation. This attachment contains the Deferred Gas Cost Calculation and provides month-by-month information detailing the activity in Account No. 191, Interest on Under- or Over-Recovery for the period ending June 30, 2023.
- d. GCA Attachment No. 4 - Current Tariffs. This attachment provides the current tariff sheet nos. 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 30, 65, 67, and R6 which show the GCA components, the GT-1 Rate Adjustment, and the FL&U rate currently effective in of BHCG's tariffs.
- e. Confidential GCA Attachment No. 5 – Forecasted Gas Transportation Demand. This attachment presents the current calculation of the rate applicable to the Central GCA Region Distribution Transportation Service Rate Schedule (Rate Schedule GT-1) for natural gas service, in an amount per therm sufficient to provide recovery of certain upstream capacity costs. The calculation includes a forecast of Transportation demand for the Central GCA Region for the months October 2023 through December 2023. This GCA Attachment No. 5 is not applicable for North/Southwest, and Western Slope GCA Regions.
- f. GCA Attachment No. 6 - Current Gas Cost Allocations. BHCG provides gas service in multiple geographically distinct service areas. As the gas distributed in each service territory is sourced from different supply areas, and delivered through different pipeline transmission and storage facilities, BHCG separately accounts for, and calculates a separate Gas Cost Adjustment to recover the upstream gas supply costs and delivery costs incurred to provide service in each of the service territories. In accordance with its currently effective and approved tariff, BHCG calculates its projected and actual commodity costs within each service area on an area-wide basis, resulting in an equal Gas Cost Adjustment assessed on all volumes delivered to sales service customers within each service area, regardless of service classification. Therefore, the requirement for this attachment is not applicable to BHCG in accordance with Rule 4604(g) of the Commission's Gas Rules.

- g. GCA Attachment No. 7 - Notice of Rate Change. This attachment provides a copy of BHCG's customer notice regarding the rate change.
- h. GCA Attachment No. 8 - Components of Delivered Gas Cost. This attachment lists the Components of Delivered Gas Costs by rate class, in accordance with Rule 4604(i) of the Commission's Gas Rules.
- i. GCA Attachment No. 9 – Proposed Tariffs. This attachment contains the proposed tariff sheet nos. 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 30, 65, 67 and R6 which reflect the proposed changes to the rates and tariffs.
- j. Attachment No. 10 – Storm Uri Deferred Balances. This attachment provides the Account 191 Balances for Storm Uri by Region, and was previously included in the Company's quarterly Account 191 balance filing in Proceeding No. 98M-346G.

This filing will be noticed pursuant to the requirements of the Colorado Public Utilities Law. Concurrently with this filing, the Company is filing a Motion for Alternative Form of Notice referencing the customer notice provided in Attachment 7 – Notice of Rate Change. The Motion requests Commission approval for four methods of providing the Customer Notice to all customers. First, the Company will file with the Commission and keep open for public inspection the new schedules. Second, the Customer Notice will be published in *The Denver Post*. Third, the Company will post the Customer Notice, this advice letter and accompanying tariff sheets on the Company's website. Fourth, a bill message will notify applicable customers of the website posting, and provide both the URL link and a toll-free phone number for assistance. The bill message will run for one full cycle.

Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the undersigned.

Sincerely,

BLACK HILLS ENERGY

/s/ Matthew J. Christofferson

Matthew J. Christofferson
Manager - Regulatory