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November 22, 2019

Advice Letter No. 782

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 (“Commission”), 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. R36	SECTION 20 – CO-GENERATION AND SMALL POWER PRODUCTION FACILITIES (CONTINUED)	Original Sheet No. R36

The principal purpose of this filing is to update the Energy Payment rate in the Company’s Colorado Rules Tariff, P.U.C. No. 11, Sheet No. R36. The Energy Payment rate is also referred to as the Avoided Cost rate or the Average Hourly Incremental Cost of Electricity. The Avoided Cost rate is applicable to co-generation and small power production facilities as well as some net metered customers. However, there are currently no co-generation or small power production facilities on the Company’s system. The Avoided Cost rate is the rate paid to net metered customers for any accrued excess energy production produced during the most recent calendar year if they elect the annual “cash-out” method rather than rolling the excess kWh over as a usage bill credit to the next year. This net metering payment methodology is consistent with Commission Rule 3664(b). This amended Avoided Cost rate is proposed to become effective January 1, 2020.

The proposed Avoided Cost rate is \$0.02810 per kWh, which if approved, will become effective January 1, 2020. The proposed Avoided Cost rate is a \$0.00728 per kWh, or 34.96%, increase

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from the current Avoided Cost rate of \$0.02082 per kWh currently in effect. Based on previous net metering “cash-out” payments, the Company anticipates incurring approximately an additional \$10k due to the increased Avoided Cost rate. The “cash-out” payments are funded through the Company’s Renewable Energy Standard Account (“RESA”). The proposed tariff amendment has no effect on the Company’s annual revenues, if approved.

In preparing this Avoided Cost calculation, the Company conducted a review of all the costs incurred by each generating unit to determine if the costs are variable or fixed. The Company determined that the Fired Hour Charges (“FHC”) and the Variable Operations and Maintenance (“VOM”) expenses incurred by Pueblo Airport Generating Station (“PAGS”) Units 4 & 5 are variable. These costs were not previously included in the Avoided Cost calculation. Additionally, the Company is now including variable gas transportation costs, as these costs vary dependent upon dispatchability of the units.

As a result of the inclusion of FHC, VOM, and transportation charges in this calculation, historical year-over-year costs increased from \$38.42M to \$51.50M. Specifically, the Company has now included approximately \$9.77M of FHC and VOM charges in the Avoided Cost calculation, as they were incurred for the 12-month period October 2018 through September 2019. Additionally, the Company included approximately \$3.81M in gas transportation charges in the calculation for the same time period, that were previously not included in the calculation.

Attached hereto are Appendices A, B, and C. Appendix A provides the applicable tariff sheet in clean format. Appendix B provides a redlined version of the applicable tariff sheet, and Appendix C provides calculation support for the Avoided Cost rate.

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 – Customer Notice (“Customer Notice”). The Motion requests Commission approval to provide one consolidated customer notice that reflects the filing of two adjustments: the Community Solar Garden (“CSG”) Fixed Bill Credits filed through Advice Letter No. 781 and the Avoided Cost rate filed herein. These two adjustments are effective on January 1, 2020. 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 applicable impacts of the two amendments. In addition, the Motion requests Commission approval for three methods of providing the consolidated Customer Notice to affected customers. First, the Company will file with the Commission and keep open for inspection, Advice Letter No. 782-Electric and will post the notice and filing information on its website for 30 days. Second, a bill message inclusive of the CSG Fixed Bill Credits and the Avoided Cost rate filed herein, beginning with the

December 2019 billing cycle following the filing of the Avoided Cost rate, will provide the website URL for the Customer Notice, Advice Letter No. 782-Electric and its accompanying tariff sheet, and a toll-free phone number for assistance regarding the amendments. The bill messages will run for one full billing cycle. Third, newspaper legal notices providing the

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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 and amendments in November 2019 and to avoid customer confusion, the Company is requesting to consolidate the CSG Fixed Bill Credits and Avoided Cost rate into the one Customer Notice. The Customer Notice will grant customers comprehensive notice of multiple adjustments and impacts that will take effect January 1, 2020.

Black Hills requests that the tariff sheet accompanying this advice letter become effective on January 1, 2020. 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, LLC

/s/ Michael Harrington

Michael Harrington
Manager, Regulatory & Finance