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November 1, 2021

Advice Letter No. 813

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
Third Revised Sheet No. 101	TRANSMISSION COST ADJUSTMENT (TCA) (CONTINUED) ELECTRIC	Second 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, 2021. This filing incorporates transmission capital expenditures that have occurred since the Company’s last TCA filing. The Company is proposing to increase the TCA rate from \$0.003655 per kWh to \$0.005072 per kWh. The proposed rate is effective for all of the Company’s rate classes.

There are two primary drivers of this increase. The first driver is related to increased plant in service, which primarily consists of five projects. These five projects account for \$10.8M of the \$11.1M increase in Plant in Service. The second driver is related to increased end of year CWIP balance for 2021 as compared to 2020, and primarily consists of two projects. The first

project is the continued development of the West Station – Hogback 115 kV project, approved in Decision No. C17-0539-E, which incurred an additional \$14.8 million of expenses during 2021 as compared to 2020. The second project is Boone – South Fowler 69 kV to 115 kV Conversion, approved in Decision No. C19-0638, which incurred an additional \$10.2 million of expenses during 2021 as compared to 2020.

The capital additions and CWIP are partially offset by updating the cost of debt in the Weighted Average Cost of Capital (“WACC”) calculation. This adjustment resulted in a decrease to the Company’s WACC from 7.43% to 6.82%. The use of the updated WACC reduces the proposed revenue requirement by approximately \$600,000. The Company has also continued to refine its sales forecast, which has resulted in a decrease to forecasted 2021 energy sales. This reduction to forecasted kWh has the result of increasing the proposed rate.

In 2021, the Company incurred approximately \$41.1 million of incremental transmission-related investments, \$11.1 million is related to plant in service, and \$30 million is related to construction work in progress. These projects were needed to maintain and enhance the reliability of the transmission system. The list of completed projects is shown on Appendix C, page 11.

If permitted to go into effect on January 1, 2022, the tariff revisions will result in an increased revenue requirement of \$2,715,423. 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 increase \$0.89 from \$104.78 to \$105.67, or 0.85%. The average small commercial customer monthly bill, under Rate Schedule SGS-N with typical usage of 2,300 kWh per month, will increase \$3.42 from \$341.48 to \$344.90, or 1.00%.

Attached hereto are Appendices A, B, and C. 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.

This filing will be notice 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”), and Energy Costs Adjustment (“ECA”). These three cost adjustments are all effective on January 1, 2022. 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, and ECA 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 2021 and to avoid customer confusion, the Company is requesting to consolidate the three rates adjustments into the one Customer Notice. The Customer Notice will grant customers comprehensive notice of multiple adjustments and impacts that will take effect January 1, 2022.

Black Hills requests that the tariff sheet accompanying this advice letter becomes effective on January 1, 2022. Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the following:

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Sincerely,

Black Hills Colorado Electric, Inc.

/s/ Dan Ahrens

Dan Ahrens
Manager, Regulatory & Finance