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November 1, 2022

Advice Letter No. 834

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
Fourth Revised Sheet No. 101	TRANSMISSION COST ADJUSTMENT (TCA) (CONTINUED) ELECTRIC	Third 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, 2022. 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 \$0.005072 per kWh to \$0.006361 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 four projects. These four projects account for \$17.8M of the \$18.5M increase in Plant in Service. The second driver is related to increased end of year

CWIP balance for 2022 as compared to 2021, and primarily consists of seven projects. These projects account for \$52.2M of the \$53.7M CWIP balance.

The capital additions and CWIP 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 6.78%. The use of the updated WACC reduces the proposed revenue requirement by approximately \$800,000. The Company has also continued to refine its sales forecast, which has resulted in a decrease to forecasted 2022 energy sales. This reduction to forecasted kWh has the result of increasing the proposed rate.

In 2022, the Company incurred approximately \$26.2 million of incremental transmission-related investments; \$18.5 million is related to plant in service, and \$7.9 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, pages 11 and 12.

If permitted to go into effect on January 1, 2022, the tariff revisions will result in an increased revenue requirement of \$2,304,690. 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 \$0.81 from \$121.58 to \$122.39, or 0.67%. The average small commercial customer monthly bill, under Rate Schedule SGS-N with typical usage of 2,300 kWh per month, will increase \$3.12 from \$405.79 to \$408.91, or 0.77%.

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 No. C22-0438.

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.

Consistent with the above decisions, the Company has included projects that were found to be outside the scope of Rule 3206 in Appendix D. The Company requests that the Commission find the TCA projects in Appendix D are in the ordinary course of business and 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

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service territory: *The Pueblo Chieftain*, the *Cañon City Daily Record*, and the *Rocky Ford Daily Gazette*. Given the number of rate adjustments in November 2022 and to avoid customer confusion, the Company is requesting to consolidate the four rates 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, 2023.

Black Hills requests that the tariff sheet accompanying this advice letter becomes effective on January 1, 2023. 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