

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

Proceeding No. 21L - _____G

IN THE MATTER OF THE VERIFIED APPLICATION OF BLACK HILLS COLORADO GAS, INC. D/B/A BLACK HILLS ENERGY FOR AUTHORITY TO REVISE ITS GAS COST ADJUSTMENT TO BE EFFECTIVE NOVEMBER 1, 2021, ON LESS THAN STATUTORY NOTICE.

VERIFIED APPLICATION

Pursuant to Rules 4002(a), 4602(b), 4603-4604 and 4609(b) of the Public Utilities Commission of the State of Colorado (“Commission”) Rules Regulating Gas Utilities (“Gas Rules”), 4 Code of Colorado Regulations 723-4, Black Hills Colorado Gas, Inc. d/b/a Black Hills Energy (“BHCG” or the “Company”) hereby submits this Verified Application respectfully requesting an order from the Commission authorizing BHCG, on less than statutory notice, to:

- Reflect an increase to the BHCG Gas Cost Adjustment (“GCA”) for all GCA Regions to be effective November 1, 2021;
- Remove the Transportation Rate Adjustment (“TRA”) component surcharge rate applicable to the North/Southwest GCA Region Distribution Transportation Service Rate Schedules for natural gas service from the Company’s tariffs;
- Increase the GT-1 Rate Adjustment applicable to the Central GCA Region Distribution Transportation Service Rate Schedule for natural gas service, effective November 1, 2021, from \$0.00255 per therm to \$0.00276 per therm to provide sufficient recovery of certain upstream capacity costs; and
- Decrease the Fuel Reimbursement Quantities applicable to all distribution transportation service from 1.64% to 0.35% as calculated under the Fuel, Lost and

Unaccounted For Gas in the Rules and Regulations Applicable To All Gas Services of the Company's Tariff.

In accordance with Rules 4603(a) and 4109(b)(II) of the Commission's Gas Rules and C.R.S. §40-3-104(2), BHCG is filing this Verified Application on less than statutory notice, not less than two weeks in advance of the proposed effective date of the GCA rate changes proposed herein. BHCG requests that the Commission deem the Verified Application complete and grant the relief sought herein through its modified procedures, without a hearing, as provided in Section 40-6-109(5), C.R.S., and Commission Rule 1403.

Pursuant to Rule 1101(a) of the Commission Rules of Practice and Procedure, BHCG is also filing under seal portions of Confidential GCA Attachment Nos. 2, 3, and 5, which contain material that is confidential, proprietary, and market-sensitive. Public versions of the confidential attachments have been filed with this Verified Application in compliance with Commission Rule 4609(a). In support of the relief requested, BHCG states as follows:

I. GCA Application

1. **Name and Address of Applicant.** The Applicant is Black Hills Colorado Gas, Inc. d/b/a Black Hills Energy. BHCG's principal office for natural gas operations in Colorado is located at 7060 Alegre Street, Fountain, CO 80817.

2. **Name Under Which Applicant Is Providing Service in Colorado.** Applicant provides service under Black Hills Energy. Black Hills Energy is its trade name on file with the Colorado Secretary of State's office.

3. **Representatives to Whom Inquiries Should Be Made.** Copies of all notices, other correspondence, and all inquiries concerning this Verified Application should be sent to:

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4. **Acknowledgement.** BHCG has read, and agrees to abide by, the provisions of subparagraphs (b)(IV)-(VI) and (b)(XI)(A)-(C) of Commission Rule 4002.

5. **Existing Operations and General Colorado Service Area.** The Company provides natural gas public utility services in numerous areas throughout the State of Colorado. The Company has approximately 178,000 residential customers and 15,000 commercial or other nonresidential customers in its Colorado service area. BHCG has operations that are divided into three Base Rate Areas in Colorado. A full listing of the Company’s existing operations and service areas are set forth in BHCG’s tariffs on file with the Commission.

6. **Location of Hearing.** If a hearing is held on this Verified Application, BHCG prefers that the hearing be held at the Commission’s offices in Denver, Colorado. If there are no interventions, insubstantial interventions, or protests or interventions that are later withdrawn, BHCG requests that the Commission decide this matter without a hearing, and in accordance with the Commission’s modified procedures, pursuant to Section 40-6-109(5), C.R.S., and Commission Rule 1403.

7. **Statement Under Oath.** An affidavit signed by an agent of the Company verifying that the contents of the Verified Application are true, accurate, and correct is attached hereto as Attachment A. The Verification contains the name, title, and the complete address of the affiant, as required by Commission rules.

8. **Information Required by Rules 1310(a) and 4002(c).** BHCG hereby incorporates by reference the information maintained in Repository Proceeding No. 06M-525EG. BHCG states that the most current information was filed with the Commission on February 2, 2021 and officer and director information was updated on August 10, 2021. The information on file in that docket is correct as of the date of this Application.

A. Information Required By Rule 4604

9. Pursuant to Rule 4604(a), the following GCA Attachment Nos. 1 through 12, are attached hereto and incorporated herein by reference.¹ As applicable, the GCA attachments include a break down by BHCG rate area.

- 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, 2021 in accordance with Rule 4604(d) of the Commission's Gas Rules.
- 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, 62, 65, 68, and 69 which show the GCA components, fuel reimbursement quantity, TRA and the GT-1 Rate Adjustment of BHCG's currently effective rates.
- 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

¹ Confidential attachments for this Verified Application are also being submitted under seal with the confidential portions highlighted in yellow. A public version of the confidential attachments are filed in compliance with Rule 4609(a) and Rule 1100.

upstream capacity costs. The calculation includes a forecast of Transportation demand for the Central GCA Region for the months November 2021 through October 2022. 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 “Notice of Filing for Rate Changes in the Gas Cost Adjustments on Less than Thirty Days’ Notice.”
- 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, 62, 65, 68, and 69 which reflect the proposed changes to the rates and tariffs.
- j. GCA Attachment No. 10 – Rate Base. This attachment calculates the used and useful rate base assets employed by BHCG for Commission-regulated gas operations for the 13-month period ending June 30, 2021.
- k. GCA Attachment No. 11 – Net Operating Earnings. This attachment calculates BHCG’s net operating earnings for jurisdictional gas operations during the 12-month period ending June 30, 2021.
- l. GCA Attachment No. 12 – Capital Structure and Cost of Capital. This attachment calculates the following information for the 12-month period ending June 30, 2021:
 - (i) BHCG’s capital structure for jurisdictional gas operations;
 - (ii) BHCG’s cost of long-term debt and preferred equity;
 - (iii) BHCG’s cost of common equity; and

(iv) BHCG's weighted average cost of capital.

m. GCA Attachment No. 13 – Fuel and Lost and Unaccounted For Gas Percentage Calculations. Pursuant to the General Terms and Conditions of the Company's Tariff, BHCG is including the information used to determine the statewide Fuel Reimbursement Quantity.

10. **Acknowledgement Regarding Publication of Notice**. BHCG acknowledges its obligation under Commission Rule 4604(h) to provide notice to customers and the public concerning the utility's proposed GCA change. BHCG is seeking GCA revisions on less than thirty-days' notice pursuant to Commission Rule 4603(a) with notice in compliance with § 40-3-104(2), C.R.S. and Commission Rule 1207(a) and 4002(d). The form of this notice is provided as GCA Attachment No. 7. BHCG will make the required publication of notice in *The Denver Post*, a newspaper of general circulation in the affected service areas within three days after the filing of this Verified Application.

B. Requirements in Support of Verified Application

11. BHCG obtains its natural gas supply at wholesale for its entire BHCG Colorado service area from third party suppliers. Shown below are BHCG's Colorado GCA Regions and each region's respective upstream transporter:

Central – Colorado Interstate Gas Company;

North/Southwest – Colorado Interstate Gas Company, Public Service Company of Colorado, Tallgrass Interstate Gas Transmission LLC, Red Cedar Gathering Company; and

Western Slope² – Rocky Mountain Natural Gas LLC, Colorado Interstate Gas Company, TransColorado Gas Transmission Company LLC, Northwest Pipeline.

² Western Slope comprises both the Western Slope GCA Region and Western Slope with Storage GCA Region.

12. On June 1, 2021, pursuant to Rule 4606, BHCG filed its Submittal for Determination of Completeness of Gas Purchase Plans for Gas Purchase Year July 1, 2021 through June 30, 2022 explaining pricing information for gas purchases. That filing was assigned Proceeding No. 21P-0234G by the Commission and was deemed complete by minute entry on July 14, 2021.

13. Contemporaneously with this Verified Application, BHCG is filing its Gas Purchase Reports in Proceeding No. 20P-0232G, in accordance with Commission Rules 4602(b) and 4607(a) to begin the initial prudence review evaluation process for the prior gas purchase year of July 1, 2020 to June 30, 2021.

14. **Change in Proposed Gas Cost.** As further detailed in this Verified Application and its attached GCA Attachments, the proposed resulting aggregate change to the GCA rates are:

GCA Region	Current GCA \$/Therm	Proposed GCA \$/Therm	Increase / (Decrease)
Central	\$0.35642	\$0.64622	\$0.28980
North/Southwest	\$0.51754	\$0.84767	\$0.33013
Western Slope (without storage)	\$0.58355	\$0.91806	\$0.33451
Western Slope (with storage)	\$0.63391	\$0.95997	\$0.32606

15. BHCG, by this Verified Application, requests authorization to reset the BHCG GCA factor to reflect the changes to the upstream demand and gas commodity costs and to adjust the deferred gas cost.

16. If approved, the proposed GCA would supersede BHCG’s currently effective GCA, implemented in Proceeding No. 20L-0428G. As detailed in the table below, the change in revenue resulting from the proposed GCA is an overall annual increase of \$73,707,088 as compared to forecasted revenues with the current GCA rate in effect. The net result represents an increase to the overall gas costs to be collected in the GCA period beginning November 1, 2021. Of the

\$73.7M estimated annual increase in revenues, approximately \$1.0M is attributable to an increase in deferred gas costs compared to those used in the previous GCA filing, and \$72.7M is attributable to an increase in current gas cost forecasts compared to those used for the currently effective GCA.

GCA Region	Increase / Decrease	Change in Revenue
Central	Increase	\$32,118,702
North/Southwest	Increase	\$11,148,621
Western Slope (Without Storage)	Increase	\$20,730,894
Western Slope (With Storage)	Increase	\$9,708,871
Total Revenue Impact	Increase	\$73,707,088
Total Gas Costs	Increase	\$72,703,946
Total Deferred Gas Costs	Increase	\$1,003,142
Total Revenue Impact	Increase	\$73,707,088

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

GCA Region	Beginning Deferred Balance – July 1, 2020	Total Deferred Gas Cost – July 1, 2020 – June 30, 2021	Ending Deferred Balance – Period Ending June 30, 2021
Central	(\$272,074)	\$102,898	(\$169,176)
North/Southwest	\$322,216	(\$174,819)	\$147,397
Western Slope (without storage)	(\$351,973)	\$1,293,606	\$941,633
Western Slope (with storage)	(\$55,857)	(\$219,788)	(\$275,645)

18. 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	(\$0.0249)	(\$0.0154)	\$0.0095
North/Southwest	\$0.1032	\$0.0459	(\$0.0573)
Western Slope (without storage)	(\$0.0410)	\$0.1070	\$0.1480
Western Slope (with storage)	(\$0.0611)	\$0.0102	\$0.0713

19. The resulting total 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	\$3.5891	\$6.4776	\$2.8885
North/Southwest	\$5.0722	\$8.4308	\$3.3586
Western Slope (without storage)	\$5.8765	\$9.0736	\$3.1971
Western Slope (with storage)	\$6.4002	\$9.5895	\$3.1893

The change in gas prices reflects the current projected price of gas in the market. The prices reflected on Confidential GCA Attachment No. 2 are based on the current future New York Mercantile Exchange (“NYMEX”) gas prices as of October 5, 2021 and a basis differential. Confidential GCA Attachment No. 2 also reflects financial hedges.

20. As found on GCA Attachment No. 1A, the effect of the proposed rate changes on a customer are as follows:

Rate Schedule	Average Monthly Usage	Proposed Change in Average Monthly Bill
Base Rate Area 1, North/Southwest GCA Region		
Residential	86	\$28.39
Small Commercial	177	\$58.44
Large Commercial	1,763	\$582.02
Base Rate Area 1, Western Slope - Without Storage GCA Region		
Residential	86	\$28.77
Small Commercial	177	\$59.21
Large Commercial	1,763	\$589.74
Base Rate Area 1, Western Slope - With Storage GCA Region		
Residential	86	\$28.03
Small Commercial	177	\$57.72
Large Commercial	1,763	\$574.83
Base Rate Area 2, Central GCA Region		
Residential	59	\$17.10
Small Commercial	143	\$41.44
Large Commercial	2,312	\$670.01
Base Rate Area 2, North/Southwest GCA Region		
Residential	59	\$19.48
Small Commercial	143	\$47.21
Large Commercial	2,312	\$763.26
Base Rate Area 3, Central GCA Region		
Residential	86	\$24.93
Small Commercial	132	\$38.25
Large Commercial	7,956	\$2,305.66

21. Additionally, BHCG proposes to remove the TRA component surcharge rate applicable to the North/Southwest GCA Region Distribution Transportation Service Rate Schedules for natural gas service from the Company's tariffs. This change impacts Tariff Sheet

Nos. 30, 62, 65, 68, and 69. The TRA surcharge was established to provide sufficient recovery of the amortization of Colorado's portion of costs associated with the buyout of a life-of-field gas purchase contract as authorized in Commission Decision No. C16-0067, however the amount has been fully amortized.

22. BHCG proposes to pass on the proposed GCA rate changes effective with volumes taken on and after November 1, 2021, and to prorate the change as of the November 1, 2021 effective date, as stated on Sheet No. 65 of the BHCG GCA Tariff.

II. Good Cause Exists to Approve Application on Less than Statutory Notice

23. Pursuant to C.R.S. §§ 40-3-104(1)(C)(III), 40-3-104(2), and Commission Rule 4109(b)(II), the Commission, for good cause shown, may allow changes to the gas utility adjustment clauses on less than thirty days' notice. Good cause exists to grant BHCG's request for an order authorizing it to revise the BHCG GCA on less than statutory notice to the Commission and public, based upon the supporting data and explanations contained herein.

24. As the GCA is a forward-looking adjustment clause, obtaining pricing as close to the effective date is most beneficial to the customer. BHCG based the proposed GCA on current future NYMEX gas prices as of October 5, 2021. Due to the current volatile gas prices, filing an application at least 30 days prior to November 1, 2021 can result in a significant impact to customers (positive or negative) due to constant changes of the future NYMEX gas pricing.

25. As the Commission is aware, the GCA is the fuel adjustment clause mechanism by which BHCG reflects increases or decreases in gas costs and refunds or collects the difference between what customers were billed for the natural gas commodity and what was actually paid for the gas. The cost of gas is passed from BHCG to customers without markup. As a result, the GCA

may either increase or decrease, depending on actual gas supply costs and the amount billed for the period reviewed.

26. Delaying approval of this Verified Application would not provide timely price signals to customers that accurately reflect the costs of service addressed by the GCA, leading customers to potentially increase their natural gas consumption.

27. BHCG respectfully requests that the Commission approve the revisions to the GCA and allow the Company to place its proposed GCA into effect on less than thirty days' notice, and to allow said revisions to become effective November 1, 2021, without hearing.

III. Request for Waiver Relating to the Extreme Weather Event.

28. BHCG seeks Commission approval to defer amounts from February of 2021 to enable the Commission to review the prudence of the incremental costs incurred in response to the extreme weather event. While gas costs incurred in February would ordinarily be addressed in this GCA filing, the Commission is currently reviewing these costs in Proceeding No 21A-0196G. BHCG has incorporated the deferred gas component of the GCA net of the costs associated with the extreme weather event.

29. Accordingly, BHCG respectfully requests a waiver of any tariffs, Commission rule, or decision requiring that the incremental gas costs associated with the February extreme weather event be incorporated into this GCA filing.

WHEREFORE, Black Hills Colorado Gas, Inc. respectfully requests an order from the Commission: (1) authorizing BHCG on less than statutory notice, to adjust the BHCG rates as detailed in the tariff sheets contained in GCA Attachment No. 9, attached hereto; (2) authorizing that such rates become effective November 1, 2021; (3) granting its requested waiver to allow BHCG to continue deferring gas costs incurred in response to the February extreme weather event

as the Commission reviews such costs in Proceeding No. 21A-0196G; and (4) granting such waivers of the Commission's rules as may be necessary in order for the relief requested herein to be granted. In addition, BHCG requests that it be allowed to file revised tariff sheets implementing said GCA rates on less than one day's notice, should the need arise.

Date: October 15, 2021

Respectfully submitted,

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