



Michael Harrington
 Manager, Regulatory & Finance
 Michael.Harrington@blackhillscorp.com

1515 Arapahoe Street, Tower 1 – Suite 1200
 Denver, CO 80202
 P: 303.566.3539

May 31, 2019

Advice Letter No. 774

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. 10

Colorado P.U.C. Sheet Number	Title of Sheet	Cancels Colorado P.U.C. Sheet Number
Fourth Revised Sheet No. 65	ENERGY COST ADJUSTMENT (CONTINUED) ELECTRIC	Third Revised Sheet No. 65

The Energy Cost Adjustment (“ECA”) rate is updated quarterly (February, May, August, and November) and is applicable to all retail customers. The ECA is strictly a pass-through charge. The ECA recovers costs incurred by the Company for natural gas used in the production of electricity, for costs associated with renewable energy production, and/or for wholesale power purchased on the open market by the Company to meet customers’ energy needs. These costs incurred by the Company are strictly pass-through costs.

The principal purpose of this filing is to amend the ECA rate consistent with the Company’s tariff as approved by Commission Decision No. C13-0794 in Proceeding No. 12AL-1052E. Additionally, Advice Letter No. 774 continues the calculation of the ECA based on the annual forecast method that was approved in Advice Letter No. 770.

The proposed ECA rate is \$0.04099 per kWh which, if approved, is to be prorated to bills for all kilowatt-hour usage beginning July 1, 2019. The proposed ECA rate is a \$0.00289 increase from the current ECA rate of \$0.03810 per kWh. Appendix A provides the applicable tariff

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sheet. Appendix B provides a redlined version of the applicable tariff sheet and Appendix C provides calculation support for the proposed ECA rate.

The primary reasons for the increase in the ECA rate are described below:

1. Recovery True-up – The current ECA rate includes a \$3,638,173 under-recovery and the proposed rate reflects a \$4,749,611 under-recovery from the period January – April 2019. The continued under-recovery position was caused by actual period costs for the period January – April 2019 being approximately \$1.11M higher than the actual recoveries for the same period. The under-recovery is due in part to a delay in implementing the Q1 2019 rate. The Q1 2019 ECA rate became effective on February 15, 2019.
2. Estimated Purchases for System – Estimated Purchases for System for July 2019 – June 2020 increased \$3,624,750, or 6.16%, from \$58,809,141 for the period April 2019 – March 2020. The increase in Estimated Purchases for System is partly attributable to Busch Ranch II coming on-line by way of a Purchased Power Agreement (“PPA”) in November 2019. Approximately \$733k of additional Busch Ranch II PPA costs are being included in Estimated Purchases for System for this period, as compared to the previous period for forecasted costs in which they were not included. Additionally, it is forecasted that approximately 160,083 more MWh of energy will be purchased for the July 2019 – June 2020 time period as compared to the April 2019 – March 2020 forecast. This additional purchase load of 160,083 MWh further increases the Estimated Purchases for the period.
3. Estimated Sales (kWh) – Estimated Sales for the period July 2019 – June 2020 decreased 45,653,732 kWh, or 2.21%, from 2,064,439,126 kWh to 2,018,785,394 kWh. The reduction in kWh sales increases the ECA rate.

If permitted to go into effect on July 1, 2019, the tariff revision will increase annualized revenues by approximately \$4.09M, if the current rate was not changed. Based on this proposed increase, the average residential customer monthly bill, under Rate Schedule RS-1 with an average usage of 600 kWh per month, will increase \$1.80, from \$100.28 to \$102.08, or 1.79%. The average small commercial customer monthly bill, under Rate Schedule SGS-N with an average usage of 2,300 kWh per month, will increase \$6.90, from \$326.40 to \$333.30, or 2.11%.

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 Approval of Alternative Form of Notice (“Motion”) with an Attachment 1, Customer Notice. The Motion requests Commission approval for three methods of providing the Customer Notice to affected customers. First, the Company will post the Customer Notice as well as this advice letter and accompanying attachments on the Company’s website. Second, a bill message will notify affected 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. Third, newspaper legal notices providing the Customer Notice will be published in three newspapers of general circulation covering the

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Company's service territory: *The Pueblo Chieftain*, the *Cañon City Daily Record*, and the *Rocky Ford Daily Gazette*.

Black Hills requests that the tariff sheet accompanying this advice letter become effective on July 1, 2019. Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the undersigned.

Sincerely,

Black Hills Colorado Electric, LLC

/s/ Michael Harrington

Michael Harrington
Manager, Regulatory & Finance