BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

Proceeding No. 19L - ______G

IN THE MATTER OF THE VERIFIED APPLICATION OF BLACK HILLS COLORADO GAS, INC. D/B/A BLACK HILLS ENERGY, FOR AUTHORITY TO REFLECT AN INCREASE IN THE BLACK HILLS/COLORADO GAS UTILITY COMPANY, INC. GAS COST ADJUSTMENT TARIFF ON LESS THAN 30 DAYS’ NOTICE AND WITHOUT FORMAL HEARING AND MOTION FOR PARTIAL VARIANCE FROM RULE 4604(d).

VERIFIED APPLICATION AND MOTION FOR PARTIAL VARIANCE FROM RULE 4604(d)

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 and Pipeline Operators (“Gas Rules”), 4 Code of Colorado Regulations 723-4, Black Hills Colorado Gas, Inc. d/b/a Black Hills Energy (successor in interest Black Hills/Colorado Gas Utility Company, Inc. (“BHCOG”)) (“BH Colorado Gas” or the “Company”) hereby submits this Verified Application and Motion for Partial Variance from Rule 4604(d) (collectively referred to as the “Verified Application”) respectfully requesting an order from the Commission authorizing the Company, on less than statutory notice, to revise its currently effective gas cost adjustment (“GCA”) rates to reflect an increase to the GCA effective April 1, 2019. Additionally, the Company respectfully requests a partial variance from Rule 4604(d), allowing the Company to reflect deferred costs for the 12 month period ending February 28, 2019.

In accordance with Rules 4603(a) and 4109(b)(II) of the Commission’s Gas Rules and C.R.S. §40-3-104(2), BH Colorado Gas 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. BH Colorado Gas 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, BH Colorado Gas is also filing under seal portions of Confidential GCA Attachment Nos. 2 and 3, 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, BH Colorado Gas states as follows:

I. Requested Partial Variance from Rule 4604(d)

1. Under Rule 4604(d) of the Commission’s Gas Rules, deferred gas costs included in the GCA calculation are to cover “the most recent period ending June 30, or as otherwise approved by the Commission.” (emphasis added). BH Colorado Gas is requesting a partial variance from the June 30 requirement (which the rule specifically allows to be changed by the Commission). BH Colorado Gas is proposing, through the GCA submitted with this Verified Application, to use a 12-month period ending February 28, 2019, consisting of 11 months of actuals and 1 month of estimates, for the determination of the deferred gas cost component of the GCA.

2. Using the February 2019 balance as compared to the August 2018 balance as approved in the annual GCA filing (Proceeding No. 18L-0708G) results in the Company using an up to date deferred balance. In addition, by updating the GCA to include the February 2019 balance, the Company is attempting to work off the deferred balances as mentioned in the Company’s rate review filing (Proceeding No. 19AL-0075G, Direct Testimony of Eric J. Gillen, page 15, lines 7-8) prior to any GCA area consolidation. If the requested variance is not granted, and the Company is required instead to use the August 2018 deferred GCA balance as approved in the annual GCA filing (Proceeding No. 18L-0708G), the Company will not be appropriately
passing on the deferred balance to the customers responsible for the deferred balance before the proposed rate review is finalized. BH Colorado Gas requests that the Commission grant a partial variance from the referenced rule in connection with this Verified Application in order to permit calculation of the GCA as proposed herein.

3. Rule 1003(a) provides that “[t]he Commission may, for good cause shown, grant waivers or variances from tariffs, Commission rules, and substantive requirements contained in Commission decisions.” Based on the foregoing, good cause exists for the Commission to grant BH Colorado Gas’s requested partial variance from Rule 4604(d).

II. GCA Application

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

5. **Name Under Which Applicant Is, or Will Be 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.

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

   **Fredric C. Stoffel**  
   Director - Regulatory  
   Black Hills Corporation  
   1515 Arapahoe Street, Suite 1200  
   Denver, CO 80202  
   Phone: (303) 566-3386  
   Email: Fred.Stoffel@blackhillscorp.com

   **Eric J. Gillen**  
   Manager, Regulatory  
   Black Hills Corporation  
   1515 Arapahoe Street, Suite 1200  
   Denver, CO 80202  
   Phone: (303) 566-3390  
   Email: Eric.Gillen@blackhillscorp.com
7. **Acknowledgement.** BH Colorado Gas has read, and agrees to abide by, the provisions of subparagraphs (b)(IV)-(VI) and (b)(XI)(A)-(C) of Commission Rule 4002.

8. **Description of Existing Operations and General Colorado Service Area.** BH Colorado Gas provides natural gas service to approximately 80,100 residential customers and 4,400 commercial or other nonresidential customers in the Colorado service area served under the BHCOR tariffs. Gas utility service areas include Castle Rock, south of Castle Rock to Fountain, Woodland Park, Elizabeth, Limon and east of Limon to the Colorado/Kansas state border, and the surrounding areas to these cities/towns.

9. **Location of Hearing.** If a hearing is held on this application, BH Colorado Gas 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, BH Colorado Gas 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.

10. **Statement Under Oath.** An affidavit signed by an agent of the Company verifying that the contents of the 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.

11. **Information Required by Rules 1310(a) and 4002(c).** BH Colorado Gas hereby incorporates by reference the information maintained in Repository Proceeding No. 06M-525EG. The most current information was filed with the Commission on August 17, 2018 and is on file.
III. Information Required By Rule 4604

12. BH Colorado Gas obtains its natural gas supply at wholesale for the entire BH COG Colorado service area from third party suppliers. All gas supply is transported by Colorado Interstate Gas Company. Pricing information for gas purchases is explained in the Company's Gas Purchase Plan (“GPP”) for the Gas Purchase Year of July 1, 2018, to June 30, 2019 filed pursuant to Commission Rule 4606 on June 1, 2018 in Proceeding No. 18P-0369G.

13. As further detailed in this Verified Application and its attached GCA Attachments, the proposed resulting aggregate change to the GCA rates, that include changes to pipeline costs, commodity costs and the deferred account, are:

<table>
<thead>
<tr>
<th>Tariff Sheet</th>
<th>Rate Schedule</th>
<th>Current GCA $/Therm</th>
<th>Proposed GCA $/Therm</th>
<th>Change $/Therm</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Residential</td>
<td>0.34391</td>
<td>0.42529</td>
<td>0.08138</td>
</tr>
<tr>
<td>7</td>
<td>Sm Commercial</td>
<td>0.34391</td>
<td>0.42529</td>
<td>0.08138</td>
</tr>
<tr>
<td>8</td>
<td>Sm Vol Firm</td>
<td>0.34391</td>
<td>0.42529</td>
<td>0.08138</td>
</tr>
<tr>
<td>9</td>
<td>Sm Vol Interrupt</td>
<td>0.13479</td>
<td>0.26635</td>
<td>0.13156</td>
</tr>
<tr>
<td>10</td>
<td>Lg Vol Firm</td>
<td>0.34391</td>
<td>0.42529</td>
<td>0.08138</td>
</tr>
<tr>
<td>11</td>
<td>Lg Vol Interrupt</td>
<td>0.13479</td>
<td>0.26635</td>
<td>0.13156</td>
</tr>
<tr>
<td>12</td>
<td>Irrigation</td>
<td>0.13479</td>
<td>0.26635</td>
<td>0.13156</td>
</tr>
</tbody>
</table>

14. BH Colorado Gas, by this Verified Application, requests authorization to reset the GCA factor to reflect (a) an increase in current upstream demand costs (approximately 0.41%); (b) an increase in current gas commodity costs (approximately 11.48%); (c) a decrease in the deferred upstream demand GCA costs; and (d) an increase in the deferred commodity GCA costs.

If approved, the proposed GCA would supersede BHCOG’s currently effective GCA, as authorized by the Commission in Decision No. C18-0941 issued in Proceeding No. 18L-0708G. The change in revenue resulting from the proposed GCA is an increase of $7,387,475 as compared to forecasted revenues with the current GCA rate in effect. Nearly all of the increase is a result of
higher than forecasted actual commodity costs during the 2018-2019 winter heating season and higher forecasted commodity costs for the remainder of 2019 compared to the forecast used for the GCA currently in effect.

15. As shown on GCA Confidential Attachment No. 3, Page 1 of 2, the deferred commodity activity for the year is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Deferred 191 account balance as of August 31, 2018 – Line 11, column 7</td>
<td>($7,139,595)</td>
</tr>
<tr>
<td>Total Deferred Gas Cost from September 1, 2018 – February 28, 2019 (sum of Line 9, columns 8–13)</td>
<td>$9,737,962</td>
</tr>
<tr>
<td>Ending Deferred 191 account balance as of February 28, 2019 – Line 11</td>
<td>$2,598,367</td>
</tr>
</tbody>
</table>

As shown on GCA Confidential Attachment No. 3, Page 2 of 2, the deferred upstream activity for the year is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Deferred 191 account balance as of August 31, 2018 – Line 6, column 7</td>
<td>$2,689,049</td>
</tr>
<tr>
<td>Total Deferred Gas Cost from September 1, 2018 – February 28, 2019 (sum of Line 4, columns 8–13)</td>
<td>($4,493,984)</td>
</tr>
<tr>
<td>Ending Deferred 191 account balance as of February 28, 2019 – Line 6</td>
<td>($1,804,935)</td>
</tr>
</tbody>
</table>

The resulting combined Demand and Commodity Deferred Gas Cost Rates per Dth, as detailed on GCA Attachment No. 1, are as follows:

- $0.0815 per Dth for residential, commercial and firm customers, as compared to the current combined Demand and Commodity Deferred Gas Cost Rate of ($0.4801) per Dth.
$0.2865 per Dth for interruptible and irrigation customers, as compared to the current combined Demand and Commodity Deferred Gas Cost Rate of ($0.7843) per Dth.

16. BH Colorado Gas proposes to change the BHCOG commodity price of gas from a current price of $2.1322/Dth to $2.3770/Dth, as shown on Confidential GCA Attachment No. 2, Line 18. The change in commodity price 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 NYMEX gas prices as of February 27, 2019 and a basis differential. Confidential GCA Attachment No. 2, Line 11 also reflects financial hedges.

17. BH Colorado Gas proposes to change the BHCOG cost for upstream services from the current $1.7870/Dth to $1.7944/Dth as shown on Confidential GCA Attachment No. 2, Line 22.
18. The net effect of the proposed rate change on an annual basis is:

- The average residential customer, using 86 Dth of gas per year, will be an approximate annual increase of $70.31 or 12.46%;
- The average small commercial customer using 136 Dth of gas per year will experience an approximate annual increase of $110.35 or 11.92%;
- The average small volume firm and large volume firm customers, annually consuming 1,153 Dth and 9,809 Dth respectively, will experience an approximate annual increase of $938.48 or 14.11% and $7,982.40 or 16.44% respectively.

19. As distinguished from the other customer classes, small volume interruptible, large volume interruptible, and irrigation customers do not pay upstream demand costs. Gas consumption varies greatly among these customer classes, but customers in these classes can expect their bills to increase roughly 38.31% annually for small volume interruptible, 49.90% annually for large volume interruptible, and 48.16% annually for irrigation.

20. BH Colorado Gas proposes to pass on the proposed GCA rate change effective with volumes taken on and after April 1, 2019, and to prorate the change as of the April 1, 2019 effective date, as stated on Sheet No. 58 of the BHCOG GCA Tariff.

21. Pursuant to Rule 4604(b) through (m), the following GCA Attachments Nos. 1 through 4 and 6 through 12, are attached hereto and incorporated herein by reference.

GCA Attachment Nos. 1 and 1A – 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 in accordance with Rule 4604(b) of the Commission’s Gas Rules.

Confidential GCA Attachment No. 2 – Current Gas Cost Calculation. Attached Confidential GCA Attachment No. 2 contains confidential information and is filed under seal pursuant to Rule 1100 governing confidentiality. On the confidential
version filed under seal; the confidential portions are highlighted in yellow. A public version of this attachment is being filed in compliance with Rule 1101. 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 in accordance with Rule 4604(c) of the Commission’s Gas Rules.

Confidential GCA Attachment No. 3 – Deferred Gas Cost Calculation. Attached Confidential GCA Attachment No. 3 contains confidential information and is filed under seal pursuant to Rule 1100 governing confidentiality. On the confidential version filed under seal, the confidential portions are highlighted in yellow. A public version of this attachment is being filed in compliance with Rule 1101. This attachment contains the Deferred Commodity Gas Cost Calculation, the Deferred Upstream 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 February 28, 2019 as described previously and in accordance with Rule 4604(d) of the Commission’s Gas Rules.

GCA No. Attachment No. 4 – Current GCA Tariffs. This attachment provides the current tariff sheet nos. 5 and 5.1, which show the GCA components of BHCOG’s currently-effective rates in accordance with Rule 4604(e) of the Commission’s Gas Rules.

GCA Attachment No. 5 – Forecasted Gas Transportation Demand. The requirement for this attachment is not applicable to BHCOG. BHCOG does not have a GCA component for gas transportation service.

GCA Attachment Nos. 6 and 6A – Current Gas Cost Allocations. This attachment provides the Current Gas Cost Allocators used to calculate the current gas cost by class by dekatherm in accordance with Rule 4604(g) of the Commission’s Gas Rules.

GCA Attachment No. 7 – Notice of Rate Change. This attachment provides a copy of BHCOG’s “Notice of Filing for Rate Decrease in the Gas Cost Adjustment on Less than Thirty Days’ Notice” in accordance with Rule 4604(h) of the Commission’s Gas Rules.

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.

GCA Attachment No. 9 – Proposed GCA Tariffs. This attachment contains the proposed tariff sheet nos. 5 and 5.1, which reflect the proposed changes to the GCA rates in accordance with Rule 4604(j) of the Commission’s Gas Rules.

GCA Work-papers. Pursuant to Rules 4604(a)(III) and Rule 1100 (governing confidentiality), the confidential work-papers for Confidential GCA Attachment No. 2 are also being submitted under seal. On the confidential version filed under seal, the confidential portions are highlighted in yellow. A public version of this work-paper is being filed in compliance with Rule 1101.
22. Good cause exists to grant BH Colorado Gas’s request for an order authorizing it to revise its GCA on less than statutory notice to the Commission and public, based upon the supporting data and explanations contained herein.

IV. Notice of Verified Application

23. The affected customers of BHCOS will be notified of the filing of this Verified Application, pursuant to the requirements of the Public Utilities Law, by publication of a notice in The Denver Post, a newspaper of general circulation in the affected service areas. The Notice, attached as GCA Attachment No. 7, includes the information required by the Public Utilities Law and the applicable rules of the Commission. The Notice will be published once, and will be published within three days after the filing of this Verified Application.
WHEREFORE, BH Colorado Gas respectfully requests an order from the Commission: 1) granting the requested partial variance from Rule 4604(d); 2) authorizing BH Colorado Gas, on less than statutory notice, to adjust BHCOG’s GCA rates as detailed in the tariff sheets contained in GCA Attachment No. 9, attached hereto; 3) authorizing that such rates become effective April 1, 2019; and 4) granting such waivers of the Commission’s rules as may be necessary in order for the relief requested herein to be granted.

Date: March 15, 2019

Respectfully submitted,

/s/ Emanuel T. Cocian
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1515 Arapahoe Street, Suite 1200
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