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October 7, 2022

ADVICE LETTER NO. 126

Public Utilities Commission of the State of Colorado  
 1560 Broadway, Suite 250  
 Denver, CO 80202

The accompanying tariff sheets issued by Rocky Mountain Natural Gas LLC d/b/a Black Hills Energy (“RMNG” or the “Company”) are being filed 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 sheets are attached as Attachment 1:

**Colorado PUC Tariff No. 4**

| <b>Colorado P.U.C. Sheet No.</b> | <b>Title of Sheet</b>                                     | <b>Cancels Colorado P.U.C. Sheet No.</b> |
|----------------------------------|---|--|
| Third Revised Sheet No. 1        | Table of Contents   | Second Revised Sheet No. 1               |
| Third Revised Sheet No. 3        | Table of Contents (Continued)                             | Second Revised Sheet No. 3               |
| Twenty-sixth Revised Sheet No. 8 | Statement of Rates  | Twenty-fifth Revised Sheet No. 8         |
| Eighteenth Revised Sheet No. 9   | Statement of Rates (Continued)                            | Seventeenth Revised Sheet No. 9          |
| Nineteenth Revised Sheet No. 9A  | Statement of Rates (Continued)                            | Eighteenth Revised Sheet No. 9A          |
| Twelfth Revised Sheet No. 10     | Statement of Rates (Continued)                            | Eleventh Revised Sheet No. 10            |
| Third Revised Sheet No. 11       | Firm Transportation Service Rate Schedule FTS             | Second Revised Sheet No. 11              |
| Third Revised Sheet No. 12       | Firm Transportation Service Rate Schedule FTS (Continued) | Second Revised Sheet No. 12              |
| Fourth Revised Sheet No. 16      | Firm Transportation Service Rate Schedule FTS (Continued) | Third Revised Sheet No. 16               |
| Fourth Revised Sheet No. 17      | Firm Transportation Service Rate Schedule FTS (Continued) | Third Revised Sheet No. 17               |

**Colorado PUC E-Filings System**

|                                 |  |                                 |
|---------------------------------|--|---------------------------------|
| Third Revised Sheet<br>No. 19   | Firm Transportation Service Rate<br>Schedule FTS (Continued)                                       | Second Revised Sheet<br>No. 19  |
| Fourth Revised Sheet<br>No. 20  | Firm Transportation Service Rate<br>Schedule FTS (Continued)                                       | Third Revised Sheet<br>No. 20   |
| Third Revised Sheet<br>No. 21   | Firm Transportation Service Rate<br>Schedule FTS (Continued)                                       | Second Revised Sheet<br>No. 21  |
| Second Revised Sheet<br>No. 24  | Firm Transportation Service Rate<br>Schedule FTS (Continued)                                       | First Revised Sheet<br>No. 24   |
| Fourth Revised Sheet<br>No. 28  | Firm Transportation Service Rate<br>Schedule FTS (Continued)                                       | Third Revised Sheet<br>No. 28   |
| Third Revised Sheet<br>No. 39   | Interruptible Transportation Service Rate<br>Schedule ITS (Continued)                              | Second Revised Sheet<br>No. 39  |
| Third Revised Sheet<br>No. 41   | Rate Schedule NNS Firm No Notice<br>Storage Service  | Second Revised Sheet<br>No. 41  |
| Third Revised Sheet<br>No. 52   | Rate Schedule NNS Firm No Notice<br>Storage Service (Continued)                                    | Second Revised Sheet<br>No. 52  |
| Third Revised Sheet<br>No. 61   | Rate Schedule APAL Interruptible<br>Automatic Park and Loan Load-<br>Following Service (Continued) | Second Revised Sheet<br>No. 61  |
| Third Revised Sheet<br>No. 87   | General Terms and Conditions<br>(Continued)  | Second Revised Sheet<br>No. 87  |
| Fourth Revised Sheet<br>No. 138 | General Terms and Conditions<br>(Continued)  | Third Revised Sheet<br>No. 138  |
| Fourth Revised Sheet<br>No. 141 | General Terms and Conditions<br>(Continued)  | Third Revised Sheet<br>No. 141  |
| Third Revised Sheet<br>No. 142  | General Terms and Conditions<br>(Continued)  | Second Revised Sheet<br>No. 142 |
| Third Revised Sheet<br>No. 143  | General Terms and Conditions<br>(Continued)  | Second Revised Sheet<br>No. 143 |
| Fourth Revised Sheet<br>No. 144 | General Terms and Conditions<br>(Continued)  | Third Revised Sheet<br>No. 144  |
| Fourth Revised Sheet<br>No. 145 | General Terms and Conditions<br>(Continued)  | Third Revised Sheet<br>No. 145  |
| Fourth Revised Sheet<br>No. 146 | General Terms and Conditions<br>(Continued)  | Third Revised Sheet<br>No. 146  |
| Third Revised Sheet<br>No. 147  | General Terms and Conditions<br>(Continued)  | Second Revised Sheet<br>No. 147 |
| Fourth Revised Sheet<br>No. 148 | General Terms and Conditions<br>(Continued)  | Third Revised Sheet<br>No. 148  |
| Fourth Revised Sheet<br>No. 149 | General Terms and Conditions<br>(Continued)  | Third Revised Sheet<br>No. 149  |
| Third Revised Sheet<br>No. 159  | General Terms and Conditions<br>(Continued)  | Second Revised Sheet<br>No. 159 |
| Fourth Revised Sheet<br>No. 160 | General Terms and Conditions<br>(Continued)  | Third Revised Sheet<br>No. 160  |

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|----------------------------------|---|----------------------------------|
| Fourth Revised Sheet<br>No. 179  | Form of Credit Application<br>Transportation and Market Center<br>Services (Continued)  | Third Revised Sheet<br>No. 179   |
| Third Revised Sheet<br>No. 184   | Form of Transportation Service<br>Agreement (Applicable to Firm and<br>Interruptible Transportation Service Rate<br>Schedule) (Continued)                         | Second Revised Sheet<br>No. 184  |
| Fifth Revised Sheet No.<br>189   | Form of No-Notice Storage Agreement<br>(NNS) (Applicable to Rate Schedule<br>NNS) (Continued)   | Fourth Revised Sheet No.<br>189  |
| Second Revised Sheet<br>No. 189A | Form of No-Notice Storage Agreement<br>(NNS) (Applicable to Rate Schedule<br>NNS) (Continued)   | First Revised Sheet<br>No. 189A  |
| Fifth Revised Sheet<br>No. 190   | Form of No-Notice Storage Agreement<br>Exhibit A  | Fourth Revised Sheet<br>No. 190  |
| Third Revised Sheet<br>No. 191   | Form of No-Notice Storage Agreement<br>Exhibit A (Continued)  | Second Revised Sheet<br>No. 191  |
| Third Revised Sheet<br>No. 194   | Form of Automatic Parking and Loaning<br>Agreement (Applicable to Rate Schedule<br>APAL) (Continued)  | Second Revised Sheet<br>No. 194  |
| Fifth Revised Sheet<br>No. 195   | Form of Automatic Parking and Loaning<br>Agreement Exhibit A  | Fourth Revised Sheet<br>No. 195  |
| Third Revised Sheet<br>No. 196   | Form of Automatic Parking and Loaning<br>Agreement Exhibit A (Continued)  | Second Revised Sheet<br>No. 196  |
| Third Revised Sheet<br>No. 199A  | Form of Rate Schedule Market Center<br>Services (MCS) Master Service<br>Agreement (“MCS Master Agreement”)<br>(Applicable to Rate Schedules MCS)<br>(Continued)   | Second Revised Sheet<br>No. 199A |
| Third Revised Sheet<br>No. 201A  | Form of Rate Schedule Market Center<br>Services (MCS) Master Service<br>Agreement (“MCS Master Agreement”)<br>Transaction Request Exhibit No. ____<br>(Continued) | Second Revised Sheet<br>No. 201A |
| Third Revised Sheet<br>No. 205   | Form of Agency Agreement (Continued)  | Second Revised Sheet<br>No. 205  |

The principal purpose of this filing is to increase the rates for all rate schedules under the Company’s Colorado P.U.C. No. 4 Tariff for all gas transportation and storage services offered by the Company. The proposed tariff changes affect the rates and terms of service provided to all customers (shippers) under the following rate schedules: Rate Schedule FTS - Firm Transportation Service; Rate Schedule FTS-1 – Firm Transportation Service (Grandfathered Contracts); Rate Schedule ITS - Interruptible Transportation Service; Rate Schedule ITS-1 - Interruptible Transportation Service (Grandfathered Contracts); Rate Schedule NNS - Firm No-Notice Storage Service; Rate Schedule APAL - Interruptible Automatic Park and Loan Service; and Rate Schedule

MCS - Interruptible Market Center Services. Tariff changes are also proposed that revise and update the Revenue Adjustment Mechanism, remove or modify tariff provisions that are no longer applicable, and correct certain outdated information.

The proposed rate increase, if approved, would result in a net increase of \$12,302,874, or 39.1%, over *pro forma* annual base rate revenues under currently effective base rates, including revenues collected through the System Safety and Integrity Rider (“SSIR”) which is scheduled to terminate upon the effective date of the revised base rates. As part of this filing, the Company is proposing to roll in the costs of investments currently being recovered through the SSIR into base rates. The roll-in of these SSIR costs into base rates accounts for additional base rate revenues of \$7,702,655, which will be completely offset by the elimination of the SSIR Surcharge. Accordingly, customers are revenue neutral to this change.

The revised base rates are designed to recover the Company’s overall cost of providing service based on a total revenue requirement of \$43,754,207. This revenue requirement was developed through a future test year (“FTY”) revenue requirement study based on the Company’s investments, expenses and revenues for the 12-month period, July 1, 2023 through June 30, 2024, including a return on equity of 12.25%, a cost of long-term debt of 4.03%, and a capital structure of 52% equity, 48% debt. As shown in the table below, the FTY revenue requirement reflects an overall revenue deficiency of \$20,245,939 and the portion of that deficiency that is attributable to costs currently being recovered through the SSIR.

|   |                     |
|---|---------------------|
| Revenue Requirement Calculated by RRS                     | \$43,738,120        |
| Less:   |                     |
| Revenues Under Present Base Rates                         | \$23,492,181        |
| <b>Gross Base Rate Increase</b>                           | <b>\$20,245,939</b> |
| Less:   |                     |
| Shift in SSIR Investment Recovery from SSIR to Base Rates | \$7,702,655         |
| Other Pro Forma Revenue Adjustments                       | \$240,410           |
| <b>Net Increase</b>                                       | <b>\$12,302,874</b> |

The primary drivers creating the need for the Company to increase its base rate revenues are: (1) the significant capital investments made since the Company’s last rate review in 2017, and the exclusion from recovery under the SSIR of safety and integrity projects placed in service after December 31, 2021; (2) increases in operating expenses since the last rate review; and (3) increased financing costs resulting from changes in the cost of long-term debt and a capital structure that has gradually been deleveraged since the last rate review.

The FTY revenue requirement is proposed to be incorporated into all demand and commodity components of the Company’s rates through the use of the Straight Fixed-Variable (“SFV”) method. The SFV method was used to develop and design the Company’s currently effective rates, as approved by the Commission in Decision No. R18-0263, issued April 16, 2018, in RMNG’s last rate review in Proceeding No. 17AL-0654G.

By this tariff filing, the Company is also requesting the Commission approve the Company's request to track and defer Commission fees pursuant to Senate Bill 21-272.

Consistent with Commission rules and Colorado statutes, the proposed effective date for the changed tariffs accompanying this advice letter is November 7, 2022.

Contemporaneously filed with this advice letter are the testimony and attachments of seven witnesses in support of this filing.

This filing will be noticed pursuant to the requirements of the Colorado Public Utilities Law. The customer notice will be separately mailed to all shippers receiving gas transportation or storage service as of the date of this filing pursuant to Colo. Rev. Stat. § 40-3-104(1)(c)(I)(B). A copy of the notice is also attached hereto as Attachment 2. This notice will also be available through the Company's Electronic Bulletin Board. Shippers may call RMNG at 1-800-232-1850 to obtain information concerning how requested rate and tariff amendments may affect them.

Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the undersigned, and to:

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Sincerely,

BLACK HILLS ENERGY

/s/ Michael J. Harrington

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