

**NOTICE OF FILING OF AMENDED TARIFFS FOR
AN INCREASE IN RATES AND TO IMPLEMENT OTHER PROPOSED CHANGES TO
THE COLORADO PUC NO. 4 TARIFF
OF ROCKY MOUNTAIN NATURAL GAS LLC
D/B/A BLACK HILLS ENERGY**

You are hereby notified that Rocky Mountain Natural Gas LLC d/b/a Black Hills Energy (“RMNG”), 7060 Alegre Street, Fountain, Colorado 80817, has filed with the Public Utilities Commission of the State of Colorado (“Commission”), in accordance with the Public Utilities Law, an advice letter with revised tariffs to increase the rates for all rate schedules under the Company’s Colorado P.U.C. No. 4 Tariff for all services offered by the Company.

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. 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are also proposed that revise and update the Revenue Adjustment Mechanism, remove or modify tariff provisions that are no longer applicable, and correct certain outdated information.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 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.

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.

A summary of the current and proposed minimum and maximum standard rates that are being changed is shown below:

<u>FTS Rate</u>	<u>Current Max.</u> <u>(per Dth)</u>	<u>Proposed Max.</u> <u>(per Dth)</u>	<u>Current Min.</u> <u>(per Dth)</u>	<u>Proposed Min.</u> <u>(per Dth)</u>
Standard Rate Option	\$ 15.5744	\$ 27.8643	\$ -	\$ -
Seasonal Rate Option - Winter (Oct-Mar)	\$ 23.3616	\$ 41.7965	\$ -	\$ -
Seasonal Rate Option - Summer (Apr-Sept)	\$ 7.7872	\$ 13.9322	\$ -	\$ -
Usage Charge	\$ 0.0307	\$ 0.1233	\$ 0.0307	\$ 0.1233
Authorized Overrun Charge	\$ 0.5427	\$ 1.0394	\$ 0.0307	\$ 0.1233
Unauthorized Overrun Charge	\$ 0.5427	\$ 1.0394	N/A	N/A

<u>ITS Rates</u>	<u>Current Max.</u> <u>(per Dth)</u>	<u>Proposed Max.</u> <u>(per Dth)</u>	<u>Current Min.</u> <u>(per Dth)</u>	<u>Proposed Min.</u> <u>(per Dth)</u>
Usage Charge	\$ 0.5427	\$ 1.0394	\$ 0.0307	\$ 0.1233
Unauthorized Overrun Charge	\$ 0.5427	\$ 1.0394	N/A	N/A

<u>No-Notice Storage (NNS) Rate</u>	<u>Current Max.</u> <u>(per Dth)</u>	<u>Proposed Max.</u> <u>(per Dth)</u>	<u>Current Min.</u> <u>(per Dth)</u>	<u>Proposed Min.</u> <u>(per Dth)</u>
Standard Rate Option	\$ 12.5828	\$ 29.1434	\$ 12.5828	\$ 29.1434
Seasonal Rate Option - Winter (Oct-Mar)	\$ 18.8742	\$ 43.7151	\$ 18.8742	\$ 43.7151
Seasonal Rate Option - Summer (Apr-Sept)	\$ 6.2914	\$ 14.5717	\$ 6.2914	\$ 14.5717

<u>Interruptible Automatic Park and Loan (APAL) Rate</u>	<u>Current Max.</u> <u>(per Dth)</u>	<u>Proposed Max.</u> <u>(per Dth)</u>	<u>Current Min.</u> <u>(per Dth)</u>	<u>Proposed Min.</u> <u>(per Dth)</u>
Imbalance Quantity Charge	\$ 0.4137	\$ 0.9581	\$ 0.4137	\$ 0.9581

<u>Interruptible Market Center Service (MCS) Rate</u>	<u>Current Max.</u> <u>(per Dth)</u>	<u>Proposed Max.</u> <u>(per Dth)</u>	<u>Current Min.</u> <u>(per Dth)</u>	<u>Proposed Min.</u> <u>(per Dth)</u>
Parked or Loan Quantity Charge	\$ 0.4137	\$ 0.9581	\$ -	\$ -
Unparked or Loan Payback Quantity Charge	\$ 0.4137	\$ 0.9581	\$ -	\$ -
Accumulated Dially Park or Loan Quantity Charge	\$ 0.4137	\$ 0.9581	\$ -	\$ -
Title Tracking Transfer and/or Wheeling Quantity Charge	\$ 0.4137	\$ 0.9581	\$ -	\$ -

Copies of the proposed and present tariffs as filed with the Commission are available for inspection at the public offices of RMNG at 7060 Alegre Street, Fountain, Colorado 80817; or, at the office of the Commission, 1560 Broadway, Suite 250, Denver, Colorado 80202. Customers with questions concerning the proposed or present tariffs may call the Commission at (303) 894-2000; or, may contact RMNG by telephone at 303-566-3390. In addition, RMNG's proposed and present tariffs may be viewed at www.blackhillsenergy.com and the applicable Colorado statutes and Commission rules may be viewed at www.dora.colorado.gov/puc.

Any person may file written comments or objections concerning the filing, or may request written notice of any hearing, with the Commission, 1560 Broadway, Suite 250, Denver, Colorado, 80202 or at www.dora.state.co.us/pacific/PUC/puccomments. Requests for written notices can also be made to the Commission by telephone at (303) 894-2000 or, alternatively, by contacting the External Affairs section of the Commission at its local number (303) 894-2070 or toll free number (800) 456-0858. The Commission will consider all written comments and objections submitted prior to the evidentiary hearing on the application. Written objections (protests) must be filed at least ten (10) days before the proposed effective date of November 7, 2022. Filing a written

objection (protest) by itself will not allow you to participate as a party in any proceeding established in these matters. If you wish to participate as a party in this matter, you must file written intervention documents under Commission Rule 723-1-1401, 4 *Colorado Code of Regulations* 723-1.

The rates, rules, and regulations ultimately authorized by the Commission may or may not be the same as those proposed and may include rates higher or lower than those proposed or currently in effect.

The Commission may suspend the proposed tariffs, rates, rules, or regulations. The Commission may hold a hearing to determine which rates, rules, and regulations will be authorized. If a hearing is held, any member of the public may attend the hearing and may make a statement under oath about the proposed tariffs, whether or not he or she has filed an objection or intervention. If the filing is uncontested or unopposed, the Commission may determine the matter without a hearing and without further notice.

By: Michael J. Harrington
Director, Regulatory & Finance