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November 30, 2023

Advice Letter No. 861

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. 11**

<b>Colorado P.U.C. Sheet Number</b>	<b>Title of Sheet</b>	<b>Cancels Colorado P.U.C. Sheet Number</b>
Fifth Revised Sheet No. R36	SECTION 20 – CO-GENERATION AND SMALL POWER PRODUCTION FACILITIES (CONTINUED)	Fourth Revised Sheet No. R36

The principal purpose of this filing is to update the Energy Payment rate in the Company’s Colorado Rules Tariff, P.U.C. No. 11, Sheet No. R36. The Energy Payment rate is also referred to as the Average Hourly Incremental Cost of Electricity. The Energy Payment rate is applicable to co-generation and small power production facilities as well as some net metered customers. However, there are currently no co-generation or small power production facilities on the Company’s system. The Energy Payment rate is the rate paid to net metered customers for any accrued excess energy production produced during the most recent calendar year if they elect the annual “cash-out” method rather than rolling the excess kWh over as a usage bill credit to the next year. This net metering payment methodology is consistent with Commission Rule 3664(b). This amended Energy Payment rate is proposed to become effective January 1, 2024.

The proposed Energy Payment rate is \$0.04217 per kWh, which if approved, will become effective January 1, 2024. The proposed Energy Payment rate is a \$0.01291 per kWh, or a 23.4%, decrease from the current Energy Payment rate of \$0.05508 per kWh currently in effect.

Based on previous net metering “cash-out” payments, the Company anticipates incurring approximately \$50k less due to the increased Energy Payment rate. The “cash-out” payments are funded through the Company’s Renewable Energy Standard Account (“RESA”). The proposed tariff amendment has no effect on the Company’s annual revenues, if approved.

In deriving the Energy Payment rate, it is notable that October 2022 – September 2023 historical costs decreased by \$22.3M, as compared to the prior year. At the same time, the MWh production and purchases decreased by 42,042 MWh, as compared to the prior year. The decrease in costs decreases the Energy Payment rate from \$0.05508 per kWh to \$0.04217 per kWh.

Attached hereto are Appendices A, B, and C. Appendix A provides the applicable tariff sheet in clean format. Appendix B provides a redlined version of the applicable tariff sheet, and Appendix C provides calculation support for the Energy Payment rate.

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 Alternative Form of Notice (“Motion”), with an Attachment 1 – Customer Notice (“Customer Notice”). The Motion requests Commission approval for three methods of providing the Customer Notice to affected customers. First, the Company will file with the Commission and keep open for inspection, Advice Letter No. 861-Electric and will post the notice and filing information on its website. Second, a bill message will be printed on each applicable customer’s bill providing the website URL for the Customer Notice and Advice Letter No. 861-Electric and its accompanying tariff sheet, and a toll-free phone number for assistance, beginning within one week after the filing of Advice Letter No. 861-Electric. The bill message will run for one full billing cycle. Third, newspaper legal notices providing the Customer Notice will be published in three newspapers of general circulation covering the 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 January 1, 2024. Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the following:

Black Hills requests that the tariff sheet accompanying this advice letter become effective on January 1, 2024. Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to the following:

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And

Public Utilities Commission  
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Sincerely,

Black Hills Colorado Electric, LLC

*/s/ Dan Ahrens*

Dan Ahrens  
Manager, Regulatory