

# BHP 2025 Projected Net Revenue Requirement Meeting

October 2024

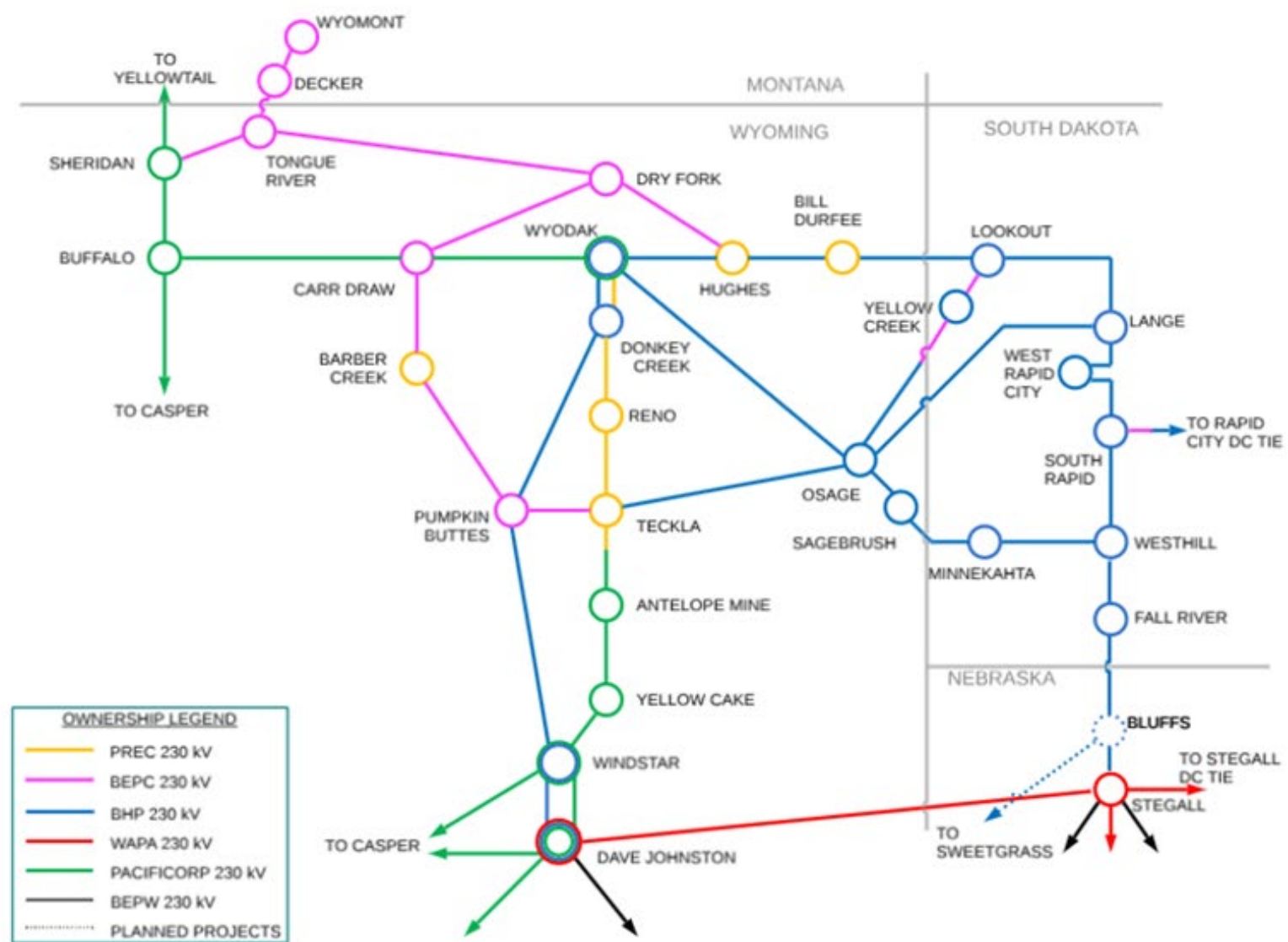




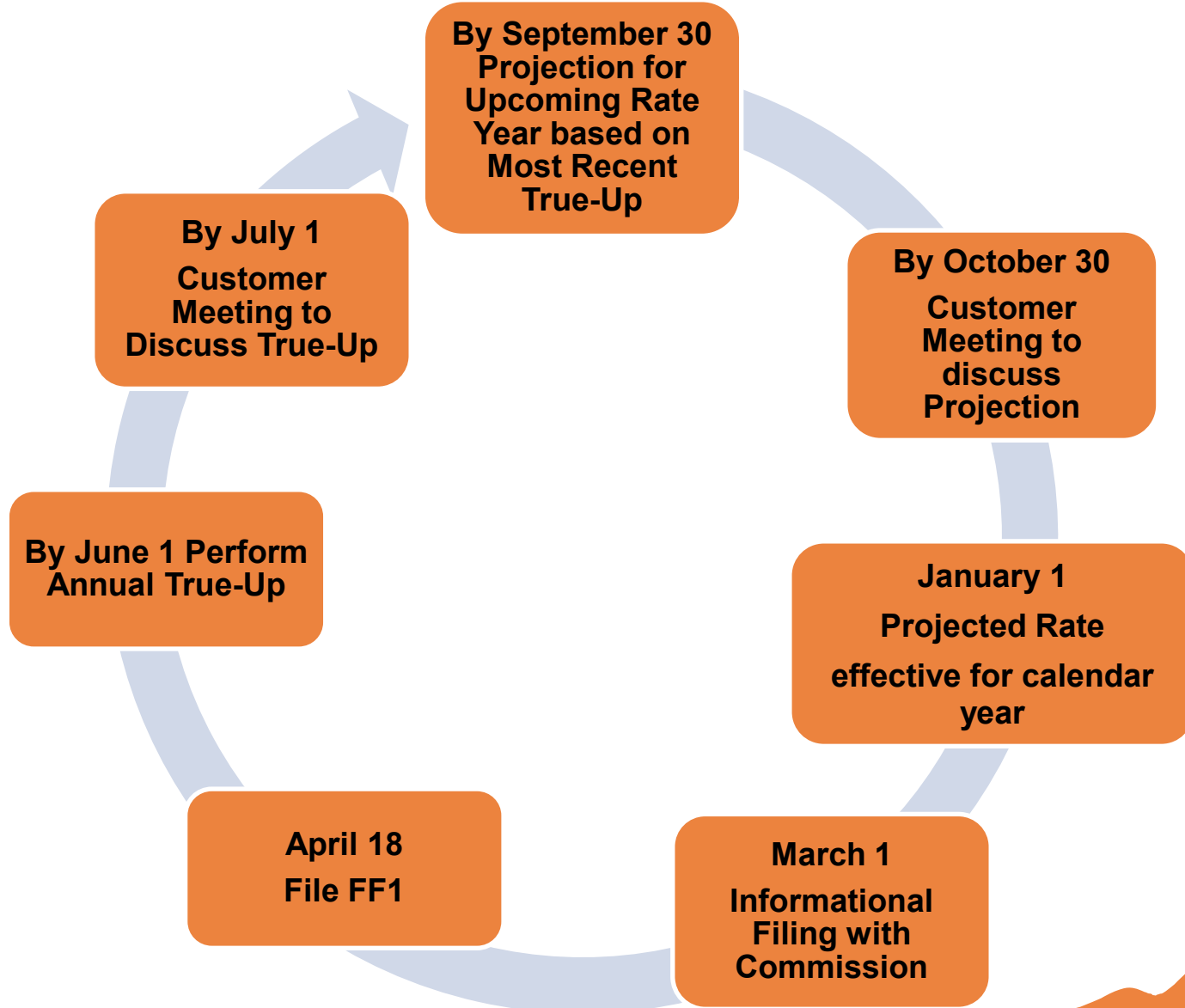
# Agenda

- Introductions
- CUS Transmission System Overview
- CUS Protocols
- Discuss the 2025 Projected Net Revenue Requirement
  - 2025 Projected Revenue Requirement
  - Adjustments to FERC Form 1 (FF1) Data
  - Accounting Changes
  - Changes to References in the Formula
  - Workpapers Provided for the Projection
- Where to Find Information and be Engaged
- Questions & Comments

# Common Use System 10-Year Transmission Projects



# Formula Rate Protocols



# 2025 Projected Revenue Requirement

				<u>2025 Projection</u>	
<b>Black Hills Power Attachment H</b>				<u>Variance from</u>	
				<u>Prior Year</u>	
		<u>2025 Projected</u>	<u>2024 Projected</u>	<u>2023 Actual</u>	
1	Average Transmission Rate Base	\$ 190,160,823	\$ 183,279,064	\$ 192,841,724	\$ 6,881,759
2	Weighted Rate of Return	8.76%	8.76%	8.76%	0.00%
3	<b>Return on Average Rate Base</b>	\$ 16,661,341	\$ 16,058,439	\$ 16,896,234	\$ 602,902
4	Operating Expenses				
5	Operations & Maintenance	5,011,989	5,097,876	4,997,717	(85,887)
6	Depreciation	6,617,316	6,640,048	6,472,380	(22,732)
7	Taxes Other than Income	1,568,764	1,710,373	1,561,538	(141,609)
8	<b>Total Operating Expenses</b>	13,198,069	13,448,297	13,031,634	(250,229)
9	Income Taxes	2,460,934	2,999,188	1,079,908	(538,254)
10	<b>Total Revenue Requirement</b>	32,320,344	32,505,925	31,007,776	(185,581)
Component Annual Revenue Requirements					
11	Black Hills	32,320,344	32,505,925	31,007,776	(185,581)
12	Basin Electric	16,482,130	16,482,130	16,482,130	-
13	PRECorp	2,123,466	2,123,466	2,123,466	-
14	<b>Total Annual Revenue Requirements</b>	50,925,940	51,111,521	49,613,372	(185,581)
15	<b>Revenue Credits</b>	(1,081,814)	(877,241)	(1,081,814)	(204,573)
16	<b>Net Annual Revenue Requirements</b>	\$ 49,844,126	\$ 50,234,280	\$ 48,531,558	\$ (390,154)
17	Network Load	993,500	1,003,778	966,972	(10,278)
18	Rate (\$/kW-Yr)	\$ 50.17	\$ 50.05	\$ 50.19	\$ 0.13

## Drivers

- No additions >\$1 million to plant expected in 2025
- Stable rate base allows for stable O&M expenses
- Amortization of EDIT/DDIT starting in 2023 reduces income taxes
- Higher planned load reduces rate per kWh

# Adjustments to FF1 data within the 2025 Projected Revenue Requirement

- Black Hills calculated the 2025 Projected Net Revenue Requirement with the following modifications to data from the FF1:
  - Plant in Service and associated Accumulated Depreciation balances by Functional categories were evaluated to ensure the following were excluded from rate base:
    - Horizon Point Company Headquarters
    - Asset Retirement Obligation
    - Right of Use Operating Lease
  - In prior true-ups, Black Hills Power manually calculated a workpaper to show a reconciliation between state approved and FERC approved depreciation rates in its determination of accumulated depreciation.
    - Black Hills Power has implemented a software solution that allows the Company to calculate FERC accumulated reserve at the utility account level.
      - As such, this information is now sourced directly from the FF1 on page 219, including the footnote in section B.
      - A reconciliation of accumulated depreciation to account for the difference between state depreciation rates and FERC depreciation rates can be found on WP13 in the supplemental supporting schedules.

## Identify any Accounting Changes including:

- i. The initial implementation of an accounting standard or policy,
- ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction,
- iii. Correction of errors and prior period adjustments that impact the True-up adjustment calculation
- iv. The implementation of new estimation methods or policies that change prior estimates, and
- v. Changed to income tax elections.

***There are no accounting changes included in the 2025 Projected Formula Rate.***



## Changes in Formula Rate References (changes in page and line numbers for FF1)

- ❑ Over the years FERC has changed pagination and display related to the FF1; this includes formatting changes in 2021 due to FERC's Conversion to XBRL.
- ❑ Any changes in the references between the template, as filed, and the FF1 can be seen in 2025 BHBE Attachment H Transmission Rate Estimate Supplemental Supporting Schedules file (Cost of Service References tab).
- ❑ Thus far, FERC has not taken the position that Transmission Providers need to make changes to their templates to accommodate the reference changes

# Workpapers Provided for Projected Revenue Requirement

- Supplemental Supporting Schedules
  - Cost of Service References - changes in FF1 references
  - BHP WP1 A&G – adjustments and details for specific A&G expenses
  - BHP WP4 Transmission Assets - excluded plant
  - BHP WP8 Adj to Rate Base – ADIT adjustments to rate base
  - BHP WP9 Accum Depr - General and Intangible accumulated depreciation
  - BHP WP10 Plant in Service - General and Intangible plant in service
  - BHP WP11 Property Tax Expense - property tax adjustment for Horizon Point
  - BHP WP12 ADIT - the ADIT adjustment for Horizon Point and depreciation
  - BHP WP13 Accumulated Reserve - the accumulated depreciation variance between state-approved and FERC-approved depreciation rates
  - EDIT-DDIT – the EDIT/DDIT Tracking and Amortization for the Tax Cuts and Jobs Act of 2017 (TCJA)
- EDIT-DDIT Remeasurement Detail – initial remeasurement of ADIT balance after the TCJA
- 2025 BHP Projection Tie Out to FF1 – reconciliation of plant and accumulated depreciation balances from the Projection to the FF1

# How to be Engaged

We invite our transmission customers to sign up to receive notices related to the Projected Net Revenue Requirement and Annual True-Up. A notification will be sent by email whenever there is an update. These notifications are also posted on our OASIS site. <https://www.oasis.oati.com/BHBE/index.html>

- To sign up for the notices go to our website [www.blackhillsenergy.com](http://www.blackhillsenergy.com). On the top left click on 3 orange lines then *Our company*. Next under *Transmission*, click *Learn More*. Then under FERC & Transmission Rates click on *Learn More*. Under *Black Hills Power* click on *Learn More*. At the top click on *Sign up for notices*. Key in your email address, name and click *Subscribe*.
- If you have any questions please contact us on our transmission line at 605-721-2220 or email [Transmissionservice@blackhillscorp.com](mailto:Transmissionservice@blackhillscorp.com).





# Questions





# Comments / Suggestions

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