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February 27, 2025

Ms. Debbie-Anne A. Reese
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington DC, 20246

RE: *Black Hills Power, Inc.*
Docket No. ER25-____-000
2025 Annual Formula Rate Update Informational Filing

Dear Secretary Reese:

Black Hills Power, Inc. (“Black Hills Power”) hereby submits the annual informational filing (“Informational Filing”) required by Section V of its formula rate protocols (“Protocols”), which are set forth in Attachment H of the Joint Open Access Transmission Tariff (“JOATT”), that Black Hills Power administers on its own behalf and on behalf of Basin Electric Power Cooperative and Powder River Energy Corporation. This Informational Filing includes information relating to Black Hills Power’s Projected Net Revenue Requirement, which set transmission rates effective January 1, 2025. Black Hills Power’s Projected Net Revenue Requirement for 2025 is based on actual data for 2023 and estimated data for 2025. In addition, this Informational Filing includes data and information relating to Black Hills Power’s most recent Annual True-Up. The most recent Annual True-Up covered Rate Year 2023.

I. INFORMATIONAL FILING REQUIREMENTS

Section V of Black Hills Power’s Protocols provide that, by March 1 of each year, Black Hills Power shall submit, to the Commission, an Informational Filing relating to its Projected Net Revenue Requirement and Annual True-Up. Section V further provides that the Informational Filing is to include information reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Black Hills Power has properly applied the formula rate and its Protocols; (3) the accuracy of data and the consistency with the formula rate of the Projected Net Revenue Requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Protocols also require Black Hills Power to submit, in its Informational Filing, the formula rate template and underlying

workpapers in native format, fully populated, and with formulas intact. Black Hills Power is fulfilling these tariff obligations by providing the attachments, narrative descriptions, and files described in this transmittal letter.

A. Attachments

In accordance with the requirements under Section V of the Protocols, Black Hills Power provides the following attachments with its Informational Filing.

- This Transmittal Letter;
- 2025 BHBE Attachment H Transmission Rate Estimate.xlsx;
- 2025 BHBE Attachment H Transmission Rate Estimate Supplemental Supporting Schedules.xlsx¹;
- 2023 BHP Attachment H Transmission Rate True-Up.xlsx;
- 2023 BHP Attachment H True-Up Supplemental Supporting Schedules.xlsx²;

¹ The 2025 BHBE Attachment H Transmission Rate Estimate Supplemental Supporting Schedules.xlsx includes the following individual supporting workpapers:

- Cost of Service References: provides a cross-reference between the template's original FF1 source/references and revised FF1 pagination issues that have occurred since approval of the transmission formula rate;
- BHP WP1 A&G: details Administrative and General Expenses including Actual PBOP expense;
- BHP WP4 Transmission Assets: identifies included and excluded transmission and distribution plant for purposes of the transmission formula rate;
- BHP WP8 Adj to Rate Base: details the ADIT activity related to transmission for the year;
- BHP WP9 Accum Depr: provides the breakout of Accumulated Depreciation for General Plant by plant account;
- BHP WP10 Plant in Service provides the breakout of General Plant in service by plant account;
- BHP WP11 Property Tax Expense: calculates the total BHP property expense less that attributable to the corporate headquarters (see discussion on page 3);
- BHP WP12 ADIT: details the reconciling items related to other rate base items;
- BHP WP13 Accumulated Reserve: this workpaper shows the reconciliation between Commission approved depreciation rates and state depreciation rates and impacts accumulated depreciation as set forth herein at page 3; and
- EDIT-DDIT: details the EDIT and DDIT tracking and amortization relating to the Tax Cuts and Jobs Act of 2017 (TCJA) which was approved by FERC in association with Black Hills Power's Order 864 Compliance Filing in Docket No. ER-20-1128-001. EDIT-DDIT is a worksheet that is part of the Formula Rate Template on file with FERC. It is not a supplemental workpaper.

² The 2023 BHP Attachment H True-Up Supplemental Supporting Schedules.xlsx includes the same workpapers as noted in footnote 1 above (other than BHP WP8), but also includes the following workpaper: Capital True Up References provides the processes surrounding the True-Up Adjustment.

- 2023 BHP True-Up Tie Out to FF1.xlsx; and
- EDIT-DDIT Remeasurement Detail.xlsx³

B. Corrections, Adjustments, Accounting Changes and Challenges

Through the Informational Filing, Black Hills Power describes any corrections, adjustments, or accounting changes made during the relevant reporting period.

1. Corrections and Adjustments

Black Hills Power made one adjustment as part of its 2023 Annual True-Up to address the plant and associated costs related to the Black Hills Corporation corporate headquarters. The Black Hills Corporation corporate headquarters resides on Black Hills Power's books from an ownership perspective but is utilized to support all Black Hills Corporation subsidiaries. For this reason, Black Hills Power excludes all the plant in service, accumulated depreciation and associated accumulated deferred income taxes ("ADIT") related to the corporate headquarters from its FERC Form 1 balances before inputting those balances into the formula rate template. Removal of the plant in service and accumulated depreciation can be seen within Workpaper 6, which is located in the attachment labeled "2023 BHP Attachment H Transmission Rate True-Up.xlsx."⁴ The adjustment to ADIT is shown on Workpaper 12, which is located in the attachment labeled "2023 BHP Attachment H True-Up Supplemental Supporting Schedules.xlsx." After these items are excluded from the transmission formula rate, Black Hills Power pays a proportionate rent cost that is allocated to it by Black Hills Service Company, LLC ("BHSC") (a centralized service company providing centralized services to BHC subsidiaries) through the BHSC Cost Allocation Manual. This rent cost, after allocation to transmission, is collected through the transmission formula rate.

Black Hills Power has some instances where its state approved depreciation rates differ from its FERC approved depreciation rates. Differences of this type can impact depreciation expense, accumulated reserve, and ADIT. However, Black Hills Power has a software solution that allows the company to track state depreciation expense and FERC depreciation expense as well as the impact this difference had on accumulated reserve.

³ The EDIT-DDIT Remeasurement Detail.xlsx was developed as part of Black Hills Power's FERC Order 864 compliance and shows the initial remeasurement of ADIT after a tax rate change. The enclosed EDIT-DDIT Remeasurement Detail.xlsx relates to the 2017 Tax Cuts and Jobs Act ("TCJA") and will continue to be posted until there is a tax rate change.

⁴ This adjustment can also be seen in the attachment labeled 2023 BHP True-Up Tie Out to FF1.xlsx as one of the reconciling items.

The Commission approved depreciation rates can be found on Workpaper 5 within the attachment labeled 2023 BHP Attachment H Transmission Rate True-Up.xlsx (“Workpaper 5”). The depreciation expense included within the 2023 Annual True-Up correctly utilized the FERC approved depreciation rates as depreciation expense is calculated in Attachment H from the composite depreciation rate set forth on Workpaper 5. This will differ from the information on the FERC Form 1 page 336-337, Section (a) footnote, due to the FERC Formula rate template utilizing the composite rate to calculate depreciation expense instead of individual utility accounts that are used to calculate the FERC Form 1 page 336-337, Section (a) footnote.

By way of comparison, the accumulated reserve is sourced from the FERC Form 1 page 219, Section (a) footnote. BHP Workpaper 13 “Accumulated Reserve” within the attachment labeled 2023 BHP Attachment H True-Up Supplemental Supporting Schedules shows the reconciliation between state commission approved depreciation rates and the FERC approved depreciation rates. The ADIT amount relating to FERC approved depreciation rates is sourced directly from the FERC Form 1 page 274-275, Section (a) footnote. Both accumulated reserve and ADIT from the respective footnotes are then adjusted for the Corporate Headquarters as discussed above.

Other miscellaneous adjustments to the FERC Form 1 values, such as reconciliation for right of use operating lease assets and asset retirement obligations, are shown on the attachment labeled 2023 BHP True-Up Tie Out to FF1.xlsx.

While not an adjustment or correction, it is notable that Black Hills Power’s Order 864 Compliance Filing adding two new worksheets within the Formula Rate template was approved on May 10, 2024, shortly before the true-up of the 2023 Rate Year.⁵ In the same order, the Commission approved Black Hills Power’s proposed amortization plan for excess accumulated deferred income tax related to the Tax Cuts and Jobs Act (“TCJA”). Consistent with its commitments within its Order 864 Compliance Filing, amortization attributable to prior rate years (those years between the TCJA and the Commission’s approval order) were returned via a one-time refund through the 2023 Annual True-Up which was the first Annual True-Up after receipt of Commission approval. The refund is described in notes K and L on the EDIT-DDIT Worksheet and can be seen at line 203.

2. Accounting Changes

Black Hills Power has not identified any accounting changes that would have impacted the 2023 FERC Form 1 information. The 2023 FERC Form 1 provided the basis for the most recent Annual True-Up and constitutes part of the data set used for the 2025 Projected Net Revenue Requirement.

⁵ See *Black Hills Power, Inc.* Docket No. ER20-1128-001 (May 10, 2024).

3. FERC Form 1 References

Black Hills Power's Supplemental Supporting Schedules, which are published on OASIS as part of its Projected Net Revenue Requirement and Annual True-Up contain a tab which provides a cross reference between its Actual Attachment H and updated FERC Form 1 references

4. Formal and Informal Challenges

Finally, Section V of the Protocols requires Black Hills Power to describe any aspect of the formula rate, or its inputs that is the subject of dispute under the informal or formal challenge procedures available under its Protocols. At the time of this filing, no aspect of Black Hills Power's formula rate, its 2025 Projected Net Revenue Requirement, or the Annual True-Up of 2023 is the subject of a dispute under the informal or formal challenge procedures set forth in Section V of the Protocols.

II. DEADLINES AND ADMINISTRATIVE REQUIREMENTS

The Protocols require that Black Hills Power's Annual True-Up for the preceding Rate Year and Projected Net Revenue Requirement for the following Rate Year be posted on its website and OASIS by June 1 and September 30 of each year, respectively. Further, within ten (10) days of posting the Annual True-Up and Projected Net Revenue Requirement, Black Hills Power is required to provide notice of such postings to interested parties via an email exploder list for which interested parties may subscribe on its website.

Following the posting of the Annual True-Up and Projected Net Revenue Requirement, Black Hills Power is to hold open meetings with interested parties to permit Black Hills Power to explain and clarify its Annual True-Up and Projected Net Revenue Requirement, and to provide interested parties an opportunity to seek information and/or clarification regarding the same. The open meeting on the Annual True-Up is to be held by July 1 each year, and the open meeting on the Projected Net Revenue Requirement is to be held by October 30 each year.

The following table summarizes Black Hills Power's compliance with the specific deadlines and administrative requirements set forth in the Protocols:

Activity	Due Date	Date Activity Completed
Determine Annual True-Up for Rate Year 2023 and Post on Website and OASIS	06/01/2024	06/03/2024 ⁶
Send notice by email exploder list of the posting of the True-Up calculation	06/11/2024	06/10/2024
Send notice by email exploder list and post notice of meeting on website and OASIS of Annual True-Up meeting	06/17/2024	06/13/2024
Hold Annual True-Up Meeting	07/01/2024	06/24/2024
Determine Projected Net Revenue Requirement for Rate Year 2025 and Post on Website and OASIS	9/30/2024	09/30/2024
Send notice by email exploder list of the posting of Attachment H Projected Rates	10/10/2024	10/10/2024
Send notice by email exploder list and post notice of meeting on website and OASIS of Annual Projected Rate Meeting	10/18/2024	10/18/2024
Hold Annual Projected Rate Meeting	10/30/2024	10/25/2024

III. COMMUNICATIONS

Please direct all communications and correspondence in this proceeding to the individual listed below:

Catherine M. Sabers
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Black Hills Service Company, LLC
PO Box 1400
Rapid City, SD 57709-1400
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⁶ Because June 1, 2024, was a Saturday, the Annual True-Up for Rate Year 2023 was posted on June 3, 2024, which was the first business day after June 1, 2024.

IV. SERVICE

In accordance with Section V.1 of the Protocols, Black Hills Power will provide notice of this Informational Filing via an email exploder list and by posting the docket number assigned to this Informational Filing on its website and OASIS within five (5) days.

Thank you for your attention to this matter. Please contact the undersigned if you have any questions concerning this Informational Filing.

Respectfully Submitted,

/s/ Catherine M. Sabers

Catherine M. Sabers
Associate General Counsel