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February 25, 2022

The Honorable Kimberly Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington DC, 20246

RE: *Black Hills Power, Inc.*
Docket No. ER-22-____000
2022 Annual Formula Rate Update Informational Filing

Dear Secretary Bose:

Black Hills Power, Inc. (“Black Hills Power” or the “Company”) hereby submits the annual informational filing (“Informational Filing”) required by Section V of its formula rate protocols, which are set forth in Attachment H of the Joint Open Access Transmission Tariff (“JOATT”), that it 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 will be used to recover its Annual Transmission Revenue Requirement (“ATRR”), effective January 1, 2022. Black Hills Power’s projected net revenue requirement for 2022 is based on actual cost data for 2020 and estimated cost data for 2022. In addition, this Informational Filing includes data and information relating to Black Hills Power’s most recent annual true-up of its ATRR and resulting transmission rates. The annual true-up was posted to OASIS in May of 2021 and covered rate year 2020.

I. COMMUNICATIONS

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

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II. INFORMATIONAL FILING REQUIREMENTS

Section V of Black Hills Power's formula rate 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 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 its Attachment H protocols, Black Hills Power provides the following attachments with its Informational Filing.

- This Transmittal Letter;
- 2022 BHP Att H Trans Rate Estimate.xlsx;
- 2022 BHP Att H Trans Rate Est Supp Supporting Schedules.xlsx
- 2020 BHP Att H Trans Rate True Up.xls;
- 2020 BHP Att H True Up Supp Supporting Schedules.xlsx

B. Corrections, Adjustments, Accounting Changes and Challenges

Through the Informational Filing, Black Hills Power describes any corrections, adjustments, or accounting changes made during the periods relevant to the information reported.

Black Hills Power has identified two accounting changes that would have impacted its 2020 FERC Form 1, which constitutes part of the data set that it used for the formula rate true up it performed in May of 2021 (covering rate year 2020) and its projected net revenue requirement (for rates effective January 1, 2022).

The first of these changes involved a change in the method the Company accounts for pension benefits and particularly the net periodic benefit cost for pension. Prior to the change, the Company used a calculated value for determining market-related value of plan assets which amortized the effects of gains and losses over a five-year period. Effective with the accounting change, the Company continued to use a calculated value for the return-seeking assets (equities) in the portfolio but changed to a fair value calculation for the

liability-hedging assets (fixed income). The business unit impact for Black Hills Power was an increase of roughly \$87,895 in net income. Because this was the net income impact prior to any allocation through the formula rate allocators to isolate the impact on the transmission function, the impact on the transmission formula rate function would have been much smaller.

The second accounting change involved classification of certain assets and particularly the classification of generator step up units (“GSUs”). In July of 2020, the Company went through an effort to review and reclassify assets (where appropriate) between its transmission and distribution function. The purpose of this effort was to ensure that assets were being appropriately accounted for consistent with the Uniform System of Accounts and that affiliated electric public utility operating companies within the Black Hills Corporation corporate family were acting consistently when it came to the classification of certain types of assets. During the effort, a decision was made that it was appropriate to clarify internally that GSUs should be classified as transmission, but then should be excluded from the transmission formula rate. Black Hills Power recently realized that it failed to execute on the exclusion and thus in some instances GSUs were inadvertently included in the transmission plant in the true-up performed in May of 2021 and covering rate year 2020. If it determines that its inadvertent inclusion of this plant negatively impacted customers, Black Hills Power will make appropriate refunds to customers through its upcoming true-up process.

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 Attachment H formula rate protocols. At the time of this filing, no aspect of Black Hills Power’s formula rate, its 2022 projected net revenue requirement, or its 2021 annual true-up is the subject of a dispute under the informal or formal challenge procedures set forth in Section V of the Protocols.

III. DEADLINES AND ADMINISTRATIVE REQUIREMENTS

The Attachment H formula rate protocols require that Black Hills Power’s annual true-up for the preceding service year and projected net revenue requirement for the following service 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.¹

Following the posting of the annual true-up and projected net revenue requirement, Sections II. 6-7 of the formula rate protocols require that Black Hills Power 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

¹ Joint Tariff, Attachment H §§ II.1-2.

opportunity to seek information and clarifications from Black Hills Power 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.²

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 2020 and Post on Website and OASIS	June 1, 2021	May 28, 2021
Send notice by email exploder list of the posting of the True-Up calculation	June 9, 2021	June 2, 2021
Send notice by email exploder list and post on website and OASIS of Annual True-Up meeting	June 7, 2021	June 2, 2021
Hold Annual True-Up Meeting	July 1, 2021	June 11, 2021
Determine Projected Net Revenue Requirement for Rate Year 2022 and Post on Website and OASIS	September 30, 2021	September 28, 2021
Send Notice by email exploder list of the posting of Attachment H Projected Rates	October 8, 2021	October 5, 2021
Send notice by email exploder list and post on website and OASIS of Annual Projected Rate Meeting	October 19, 2021	October 12, 2021
Hold Annual Projected Rate Meeting	October 30, 2021	October 27, 2021

² *Id.* §§ II.6-7.

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IV. SERVICE

In accordance with Section V.1 of the Attachment H formula rate 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