

# BHP 2022 Formula Rate True-Up Meeting

June 2023





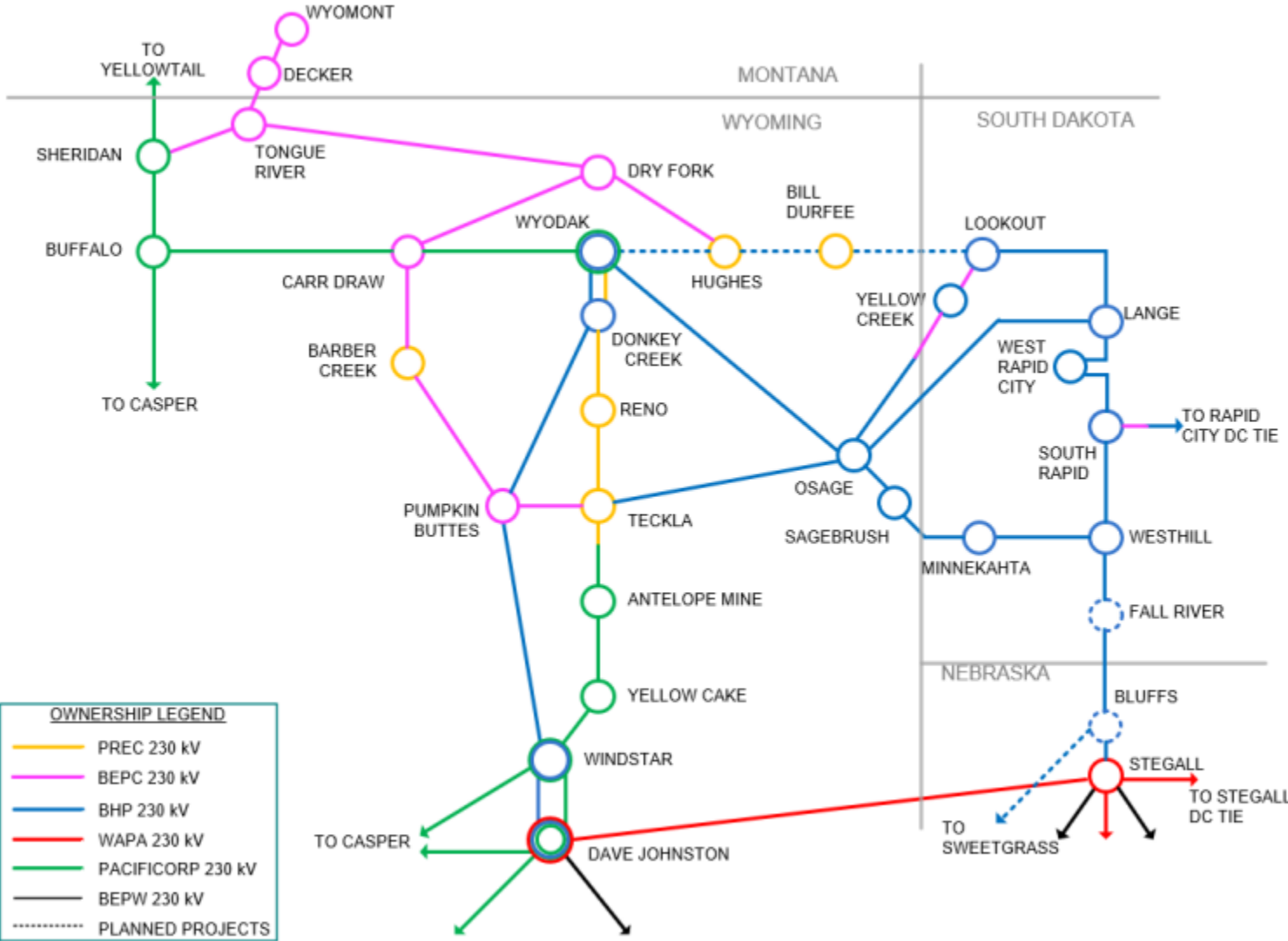
# Agenda

- Introductions
- CUS Transmission System Overview
- CUS Protocols
- Discuss the 2022 Annual True-Up
  - Summary of Key Drivers
  - 2022 Actual vs Estimated
  - Modifications to FERC Form 1 Data
  - Changes to References in the Formula
  - Workpapers Provided for the True-Up
- Where to Find Information and be Engaged
- Questions & Comments

# CUS Transmission System

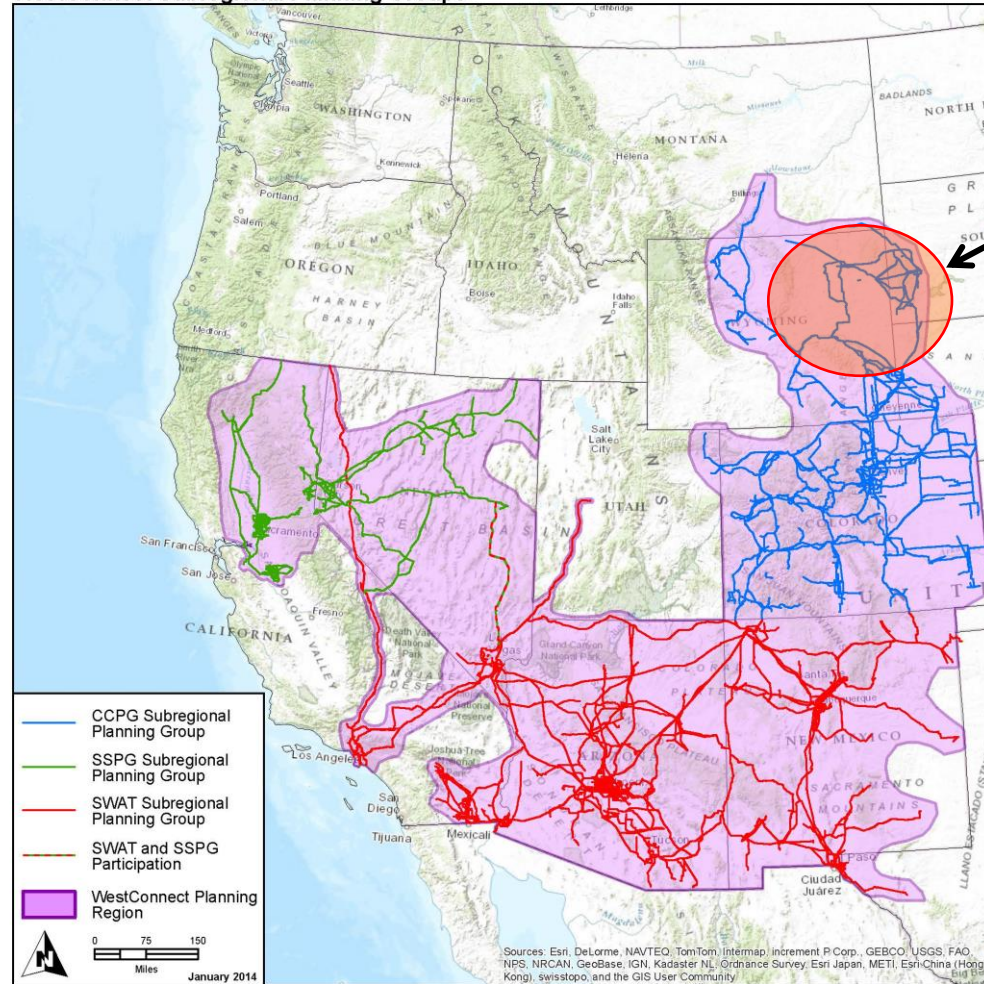
- The Common Use System (CUS) is a jointly operated transmission system. The CUS participants include Basin Electric Power Cooperative, Black Hills Power Inc. and Powder River Energy Corporation.
- The CUS has filed with the FERC a joint open-access transmission tariff that provides transmission service over these combined assets that consist of 230 kV and limited 69 kV transmission facilities within areas of Southwestern South Dakota and Northeastern Wyoming.

# Common Use System



# Where We Are in the West

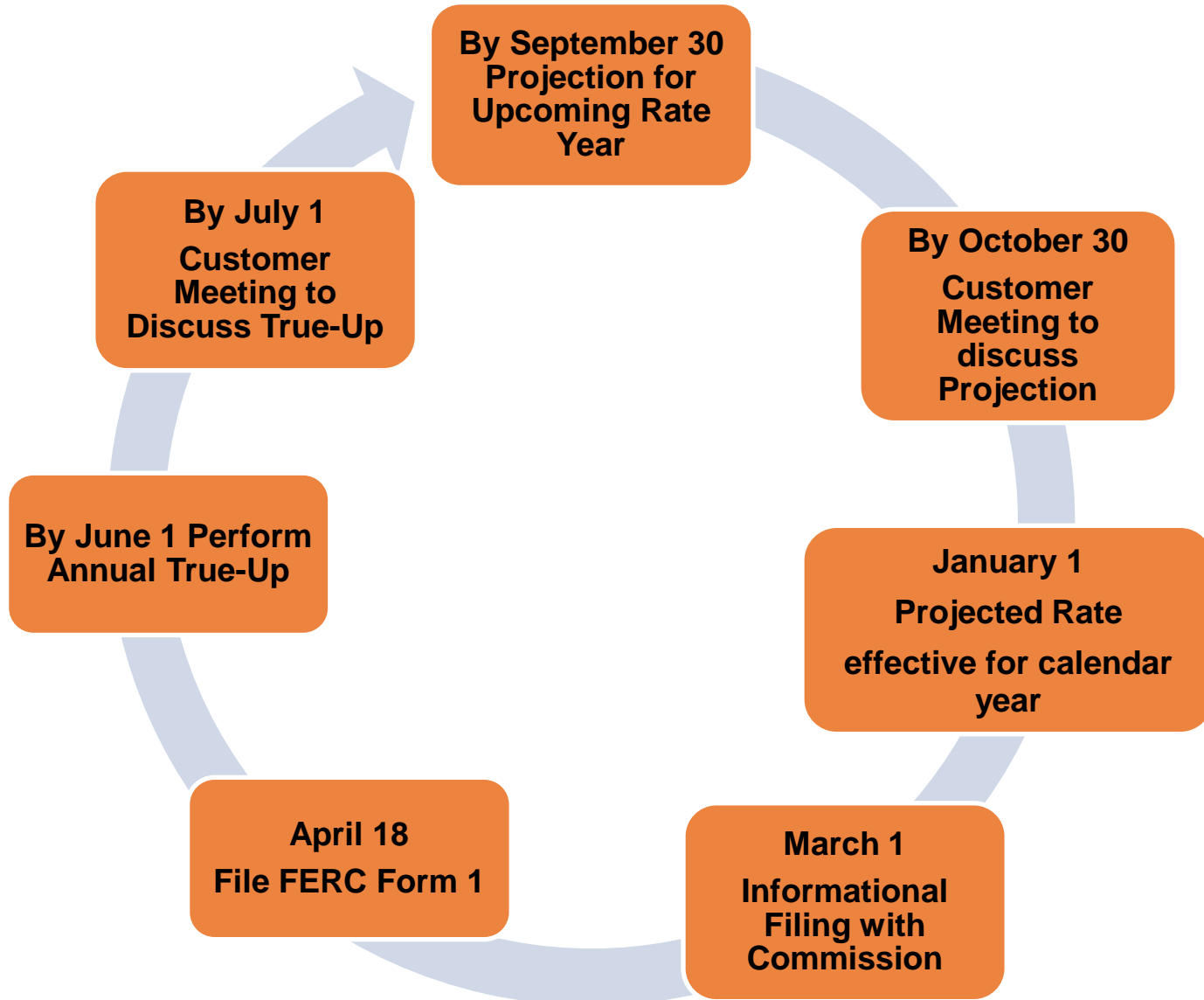
WestConnect Subregional Planning Groups



BHBE / Common Use System

CCPG—Colorado Coordinated Planning Group  
SSPG—Sierra Subregional Planning Group  
SWAT—Southwest Area Transmission

# Formula Rate Protocols



# Summary of Key Drivers

Decrease in total annual revenue requirement of \$132k from the 2022 estimate.

## Primary Drivers of Decrease:

- O&M Expenses decrease of (\$690k)
  - The reduction for actual 2022 FERC Annual Fees were higher than projected which reduced the expense (\$305k).
  - Slight decrease in W/S allocation percentage.
- Return on Average Rate Base and the associated Income Taxes increase over the estimate leading to an increase of \$540k due to plant retirements.



# 2022 Projected Revenue Requirement Compared to Actual

	2021 Actual	2022 Actual	2022 Estimated	2022 True-up Variance from Estimate
<b>Black Hills Power Attachment H</b>				
1 Average Transmission Rate Base	\$ 142,615,827	\$ 166,288,371	\$ 160,723,159	\$ 5,565,212
2 Weighted Rate of Return	8.77%	8.76%	8.78%	
<b>1 Return on Average Rate Base</b>	<u>12,502,053</u>	<u>14,569,759</u>	<u>14,117,917</u>	\$ 451,842
<b>2 Operating Expenses</b>				
3 Operations & Maintenance	\$ 5,144,416	\$ 5,016,701	\$ 5,707,296	\$ (690,596)
4 Depreciation	5,303,696	5,963,347	5,962,871	475
5 Taxes Other Than Income	1,456,115	1,595,091	1,580,453	14,638
<b>6 Total Operating Expenses</b>	<u>\$ 11,904,227</u>	<u>\$ 12,575,138</u>	<u>\$ 13,250,620</u>	\$ (675,483)
<b>7 Income Taxes</b>	\$ 2,333,773	\$ 2,721,151	\$ 2,630,082	\$ 91,069
<b>8 Total Revenue Requirement</b>	<u><u>\$ 26,740,053</u></u>	<u><u>\$ 29,866,048</u></u>	<u><u>\$ 29,998,619</u></u>	<u><u>\$ (132,571)</u></u>
<b>Component Annual Revenue Requirements</b>				
9 Black Hills	\$ 26,740,053	\$ 29,866,048	\$ 29,998,619	(132,571)
10 Basin Electric	16,482,130	16,482,130	16,482,130	-
11 PRECorp	2,123,466	2,123,466	2,123,466	-
<b>12 Total Annual Revenue Requirements</b>	<u>\$ 45,345,649</u>	<u>\$ 48,471,644</u>	<u>\$ 48,604,215</u>	\$ (132,571)
<b>13 Revenue Credits</b>	(799,486)	(877,241)	(631,954)	(245,287)
<b>14 Net Annual Revenue Requirements</b>	<u><u>\$ 44,546,163</u></u>	<u><u>\$ 47,594,403</u></u>	<u><u>\$ 47,972,261</u></u>	<u><u>\$ (377,858)</u></u>
15 Network Load kW per Year	963,667	990,250	1,000,417	(10,167)
16 Rate (\$/kW-Yr)	\$ 46.23	\$ 48.06	\$ 47.95	\$ 0.11



# Adjustments to FERC Form 1 data

- Black Hills calculated the 2022 True-Up with the following modifications to data from the FERC Form 1:
  - 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
    - Adjustments from state-approved depreciation rates to FERC-approved depreciation rates

## Changes in Formula Rate References (changes in page and line numbers for FERC Form 1)

- ❑ Over the years FERC has changed pagination and display related to the FERC Form 1; 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 FERC Form 1 can be seen in 2022 BHP Attach H True-Up 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 ATRR True-Up

- Supplemental Supporting Schedules
  - Cost of Service References - changes in FERC Form 1 references
  - Capital True Up References - True-Up timing processes and FERC interest rates
  - BHP WP1 A&G – adjustments and details for specific A&G expenses
  - BHP WP4 Transmission Assets - excluded plant
  - 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
- 2022 BHP True-Up Tie Out to FF1 – reconciliation of plant and accumulated depreciation balances from the True-Up to the FERC Form 1

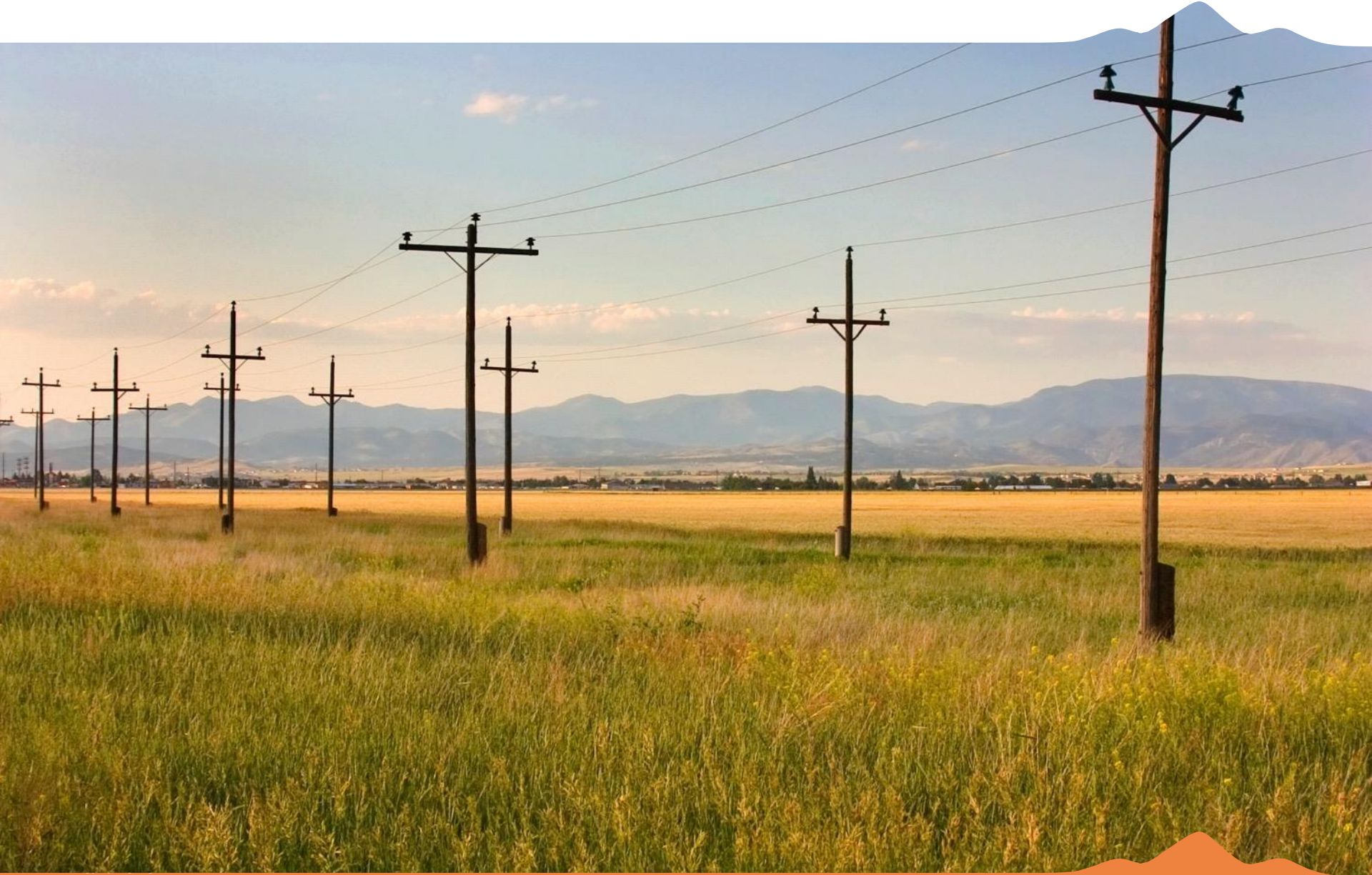
# How to be Engaged

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). In the upper right click on *About Black Hills Energy*. Next click on *Transmission & Distribution* then *Transmission Rates*. Under More Information click on the link *Sign up for notices*. Key in your email address 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

Eric East

Tariff and Contract Administration

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(605) 721-2220

