

Cheyenne Light 2019 Formula Rate True-Up Meeting

June 17, 2020

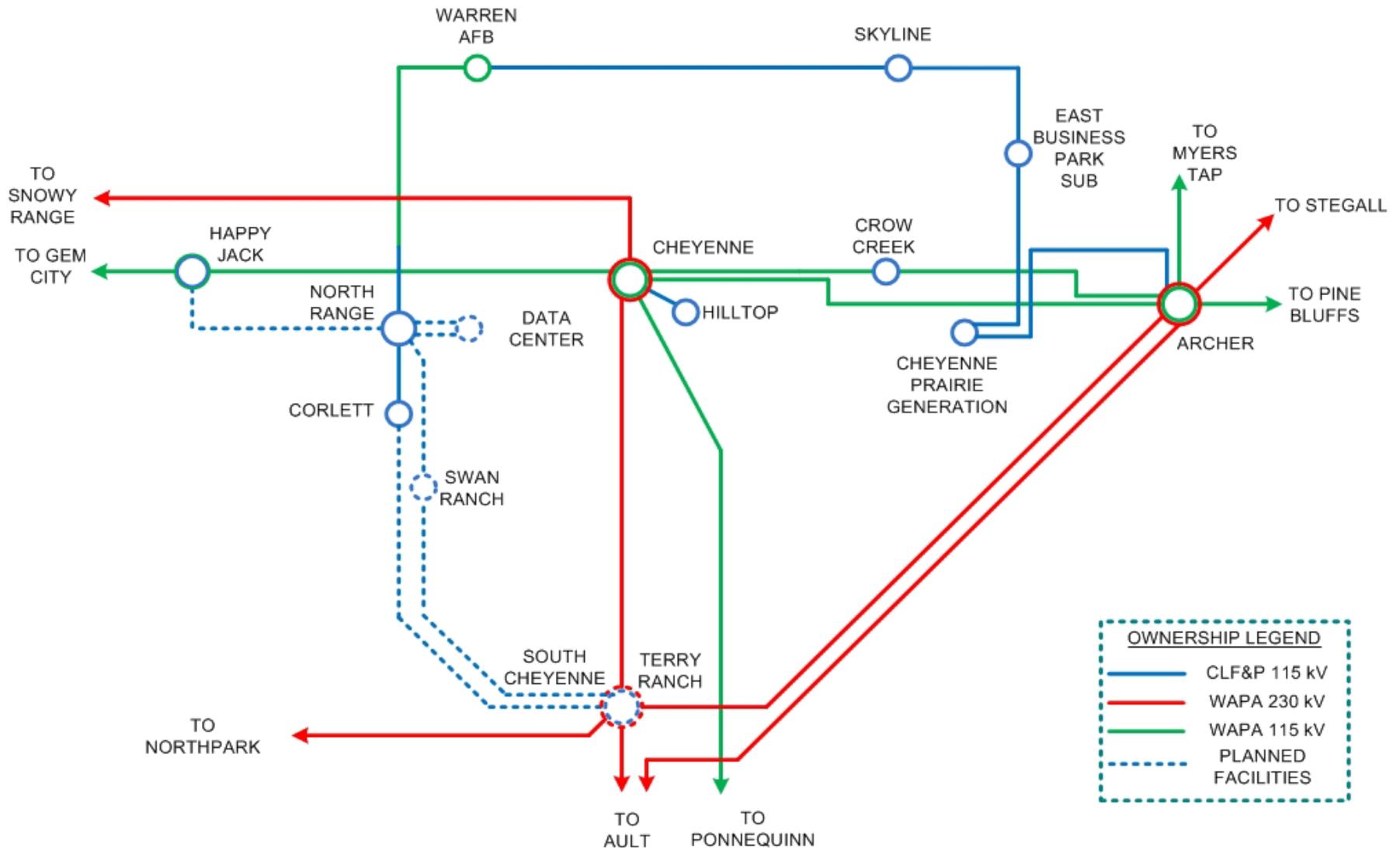




Agenda

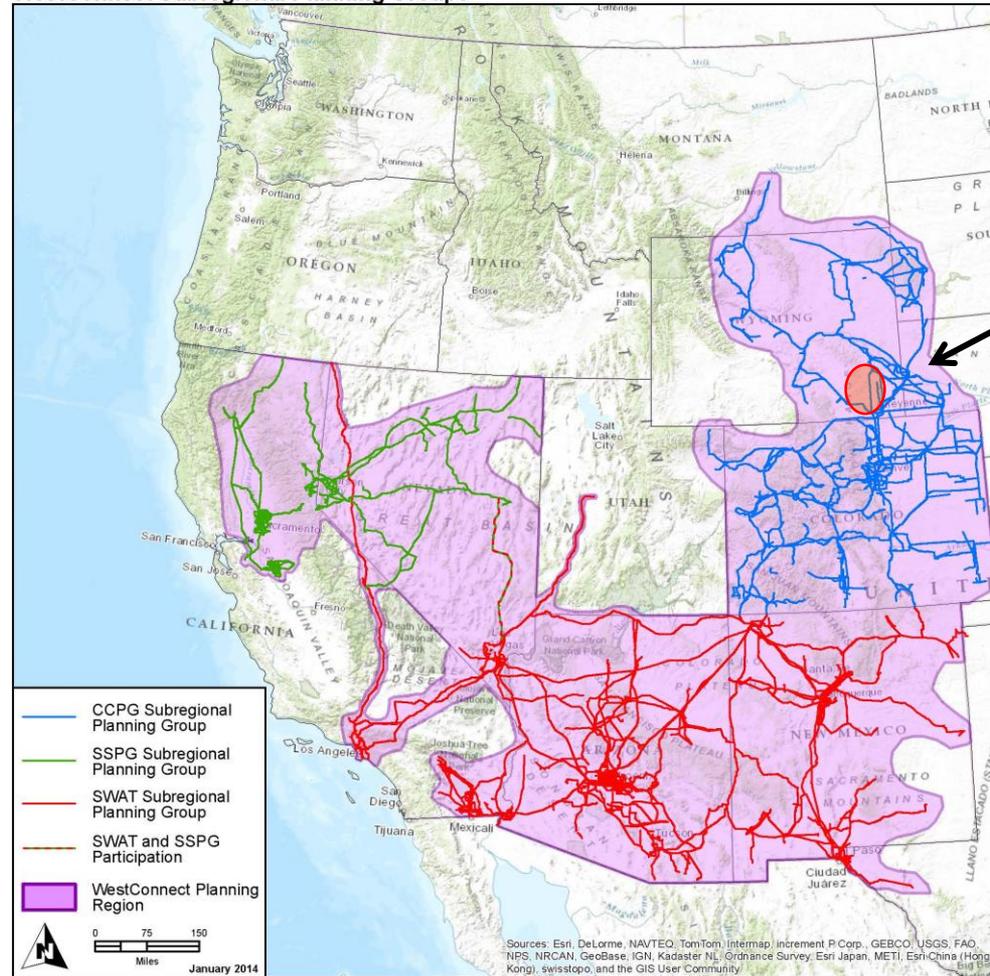
- Introductions
- CLFP Transmission System Overview
- Cheyenne Light Formula Rate Filing
- Discuss the 2019 Annual True-Up
- Prepayments Worksheet A8
- Depreciation Expense
- Where to Find Information and be Engaged
- Questions & Comments

Cheyenne Transmission System (CLPT)



Where We Are in the West

WestConnect Subregional Planning Groups



CLPT / Cheyenne
Light, Fuel and Power

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

Formula Rate Filing

FERC Docket No. ER19-697

- On March 20, 2020, Cheyenne Light filed an offer of settlement within its FERC rate case, which had been pending since December, 2018.
- On May 28, 2020, FERC approved Cheyenne Light's offer of settlement and accepted its revised formula rate template and formula rate protocols.
- This true-up was accomplished under this revised formula rate template.
- Cheyenne Light is also updating its 2020 rate consistent with the revised template. The revised rates, including revised rates for Schedule 1 are posted on OASIS and will be implemented on your June 2020 invoice.
- In addition, by July 27, 2020, you will receive a one time adjustment to account for changes between the as filed formula rate and the settlement template that cover Rate Year 2019 and January 1, 2020 through June 1, 2020.



Summary of Key Drivers

- Increase in net revenue requirement of \$2,346,977 from the 2019 estimate.

Primary Drivers of Increase

- Rate Base increase of \$5.7 million:
 - \$3.8 million in Transmission net plant
 - \$1.7 million in General plant
 - Approx. +\$518k Impact
- Depreciation Expense \$506k due to additional plant in service
- Total O&M Increase of \$388k
 - Direct transmission expenses \$242k Consulting fees, additional studies, and labor costs
 - A&G Expenses \$146K Change in allocation percent due to labor costs
- Revenue Credit reduction of \$851k
 - Forecasted Neil Simpson revenues as Transmission related instead of Common



2019

Actual vs. Estimated

Line	Cheyenne Light Attachment H	2019 Actual	2019 Estimated	True-Up
1	Transmission Rate Base	\$ 35,990,013	\$ 30,288,152	\$ 5,701,862
2	Weighted Rate of Return	8.16%	8.13%	
3	Return on Rate Base	\$ 2,935,497	\$ 2,463,473	\$ 472,024
4	Operating Expenses			
5	Operations & Maintenance	\$ 1,949,752	\$ 1,560,942	\$ 388,810
6	Depreciation	1,616,072	1,110,098	505,974
7	Taxes Other Than Income	321,876	219,055	102,821
8	Total Operating Expenses	\$ 3,887,700	\$ 2,890,095	\$ 997,605
9	Income Taxes	\$ 457,955	\$ 432,312	\$ 25,643
10	Total Revenue Requirement	\$ 7,281,151	\$ 5,785,880	\$ 1,495,272
11	Revenue Credits	439,153	1,290,859	(851,706)
12	Net Revenue Requirement	\$ 6,841,998	\$ 4,495,021	\$ 2,346,977

Prepayments Worksheet A8

Cheyenne Light has populated some of the reserved lines within Worksheet A8 of its Formula Rate Template. Cheyenne Light's template provides that if those reserved lines are used an explanation of the prepayment and allocator will be provided at the utility's first opportunity under the protocols.

1. Wygen2 Ground Lease is related to a production cost and is designated as Not Applicable "NA" and does not allocate costs to the Transmission formula rate.
2. Horse Creek Communication Tower Lease payment is related to Distribution assets and is designated as Not Applicable "NA" and does not allocate costs to the Transmission formula rate.

Prepayments Worksheet A8

Prepayments (A8 continued)

3. Harriman Communication Tower Lease is related to Distribution assets and is designated as Not Applicable “NA” and does not allocate costs to the Transmission Formula Rate
4. Prepaid Taxes are a refundable advance tax payment made to Cheyenne Light’s parent company. Since Tax Expense is calculated within the Formula Rate, this item is designated as Not Applicable “NA” and does not allocate costs to the Transmission Formula Rate

Other Notable Items

Depreciation Expense:

In this true-up, Cheyenne Light adjusted the General and Intangible Plant Depreciation Expense and General Plant Accumulated Depreciation for Black Hills Service Company, LLC (BHSC) by \$338,161 and \$114,915 respectively. New BHSC Depreciation rates were implemented on March 1, 2020. The adjustment was required by the Settlement Agreement recently approved by FERC.

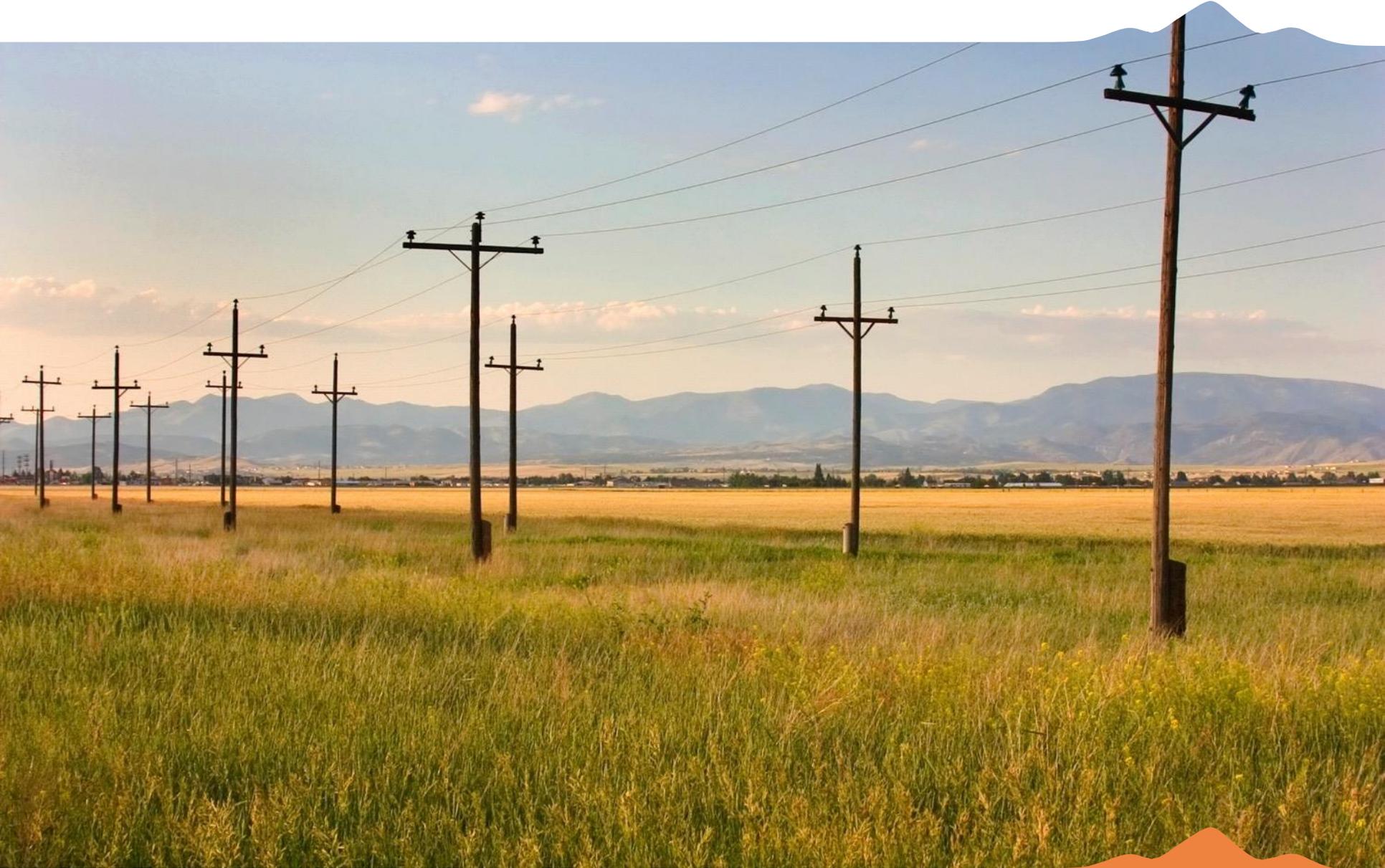
How to be Engaged

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/CLPT/index.html>

- To sign up for the notices go to our website www.blackhillsenergy.com. On the top left click on 3 orange lines then *Our company*. Next under FERC & Transmission Rates click on *Learn More* then under Cheyenne Light, Fuel and 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.



Questions





Comments / Suggestions

Eric East

Tariff and Contract Administration

Transmissionservice@blackhillscorp.com

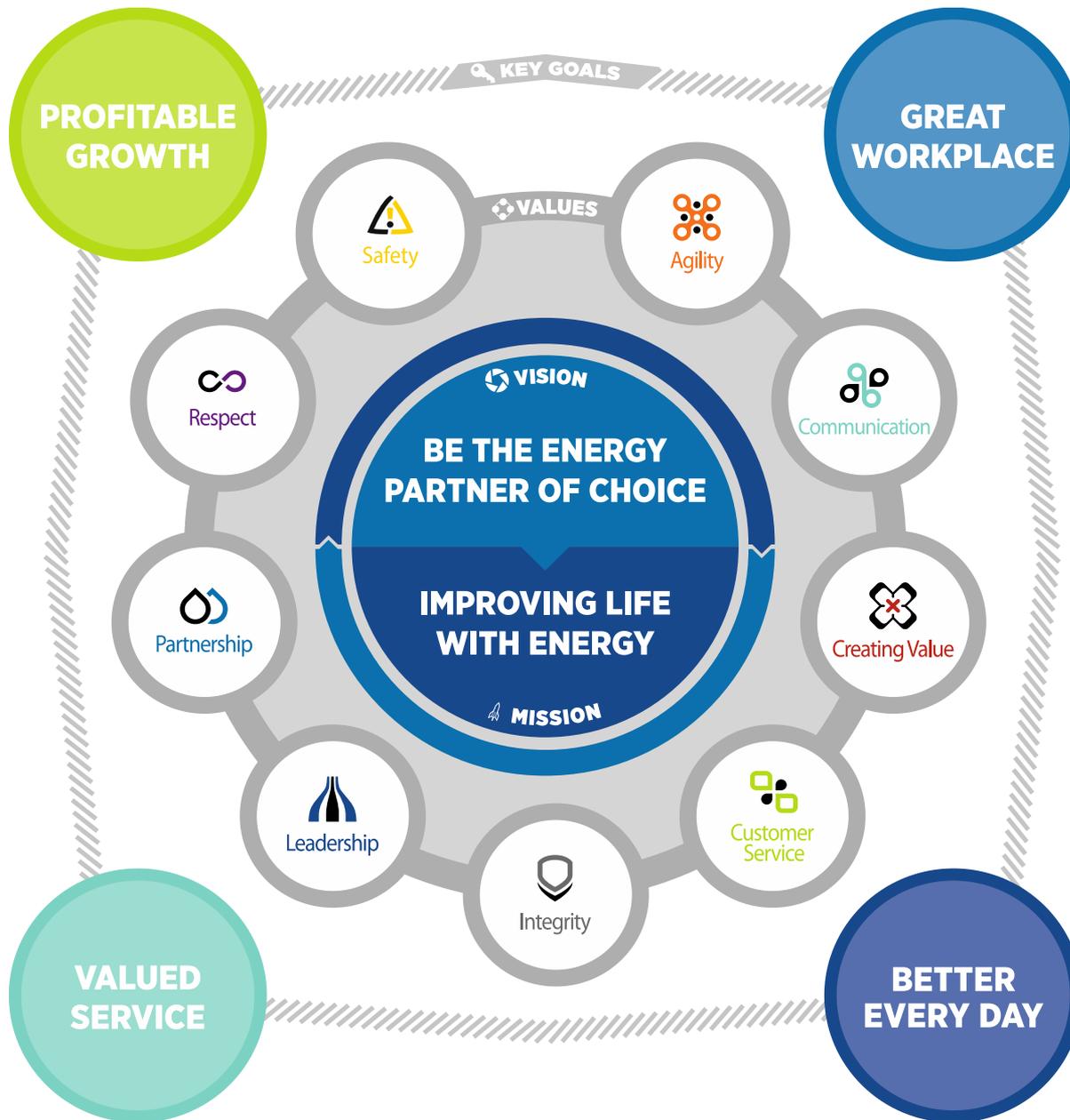
(605) 721-2220

Jacki Welbig-Stenson

Electric Transmission System Analyst

Jacki.Welbig@blackhillscorp.com

(605) 721-2310



**PROFITABLE
GROWTH**

**GREAT
WORKPLACE**


Safety


Agility


Respect


Communication


Partnership


Creating Value


Leadership


Customer
Service


Integrity

**VALUED
SERVICE**

**BETTER
EVERY DAY**

KEY GOALS

VALUES

VISION

**BE THE ENERGY
PARTNER OF CHOICE**

**IMPROVING LIFE
WITH ENERGY**

MISSION