

BRACEWELL

February 27, 2020

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: Cheyenne Light, Fuel and Power Company
Docket No. ER20-____-000
2020 Annual Formula Rate Update Informational Filing

Dear Secretary Bose:

Pursuant to the formula rate protocols (“Protocols”) set forth in Attachment H of Cheyenne Light, Fuel and Power Company’s (“Cheyenne Light”) Open Access Transmission Tariff (“OATT”), Cheyenne Light hereby submits the annual Informational Filing required by Section V of its Protocols.¹ Cheyenne Light’s Informational Filing includes information relating to its projected net revenue requirement, which will be used to recover Cheyenne Light’s Annual Transmission Revenue Requirement (“ATRR”), effective January 1, 2020. Cheyenne Light’s projected net revenue requirement for 2020 is based on actual cost data for 2018 and estimated cost data for 2020.²

¹ The current Informational Filing is Cheyenne Light’s first Informational Filing after filing with the Federal Energy Regulatory Commission (“FERC” or “Commission”) to transition from fixed, stated transmission rates to a formula rate methodology, which filing was made in December of 2018. *See* Cheyenne Light, Fuel and Power Company, Transmission Formula Rate Template and Protocols, Docket No. ER19-697-000 (filed Dec. 27, 2018) (“Cheyenne Light Formula Rate Filing”). On February 21, 2019, the Commission accepted Cheyenne Light’s formula rate for filing, suspending it for a nominal period, to become effective January 1, 2019, subject to refund, and instituted hearing and settlement judge procedures. *See Cheyenne Light, Fuel and Power Co.*, 166 FERC ¶ 61,121 (2019) (“February 21, 2019 Order”). At the same time, the Commission instituted a Federal Power Act (“FPA”) Section 206 proceeding and consolidated the two proceedings for hearing and settlement judge procedures. At this time, settlement procedures remain ongoing.

² Because Cheyenne Light transitioned from fixed stated transmission rates to a formula rate methodology in 2019, Cheyenne Light’s Informational Filing does not include Annual True-Up information. Pursuant to its rate application and the Commission’s February 21, 2019 Order, Cheyenne Light’s first Annual True-Up will occur in June of 2020, which will represent the Annual True-Up of Cheyenne Light’s 2019 transmission rates, and be reported in Cheyenne Light’s 2021 Informational Filing.

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I. COMMUNICATIONS

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II. INFORMATIONAL FILING

Section V of Cheyenne Light's Protocols provides that, by March 1 of each year, Cheyenne Light shall submit to the Commission an Informational Filing relating to its projected net revenue requirement and annual true-up, including the postings required by Section II and IV of the Protocols, and which occurred during the prior year. 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 Cheyenne Light 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 Cheyenne Light to submit, in its Informational Filing, the formula rate template and underlying workpapers in native format fully populated with formulas intact.

A. Attachments

In accordance with the requirements under Section V of the Protocols contained in Attachment H of its OATT, Cheyenne Light provides the following:

- This Transmittal Letter;
- 2020 CLPT Attachment H Transmission Rate Estimate.xlsx;
- 2020 CLPT Attachment H Transmission Rate Estimate V2.xlsx; and
- Relevant Pages of the Cheyenne Light 2018 FERC Form 1.pdf.

B. Corrections, Adjustments, and Challenges

Through the Informational Filing, Cheyenne Light describes any corrections or adjustments made during the relevant period. In this regard, Cheyenne Light reports that, shortly after posting its projected net revenue requirement for 2020,³ Cheyenne Light determined that there was an error in populating its formula rate template within that file, and which related to plant addition inputs on worksheet P1 transmission plant. In light of that determination, on October 4, 2019, an amended file was posted on Cheyenne Light's OASIS site.⁴ The amended file was discussed at Cheyenne Light's Annual Projected Rate Meeting, which occurred on October 21, 2019.

In addition to the amendment of its projected revenue requirement described above, Cheyenne Light reports that it clarified its software and hardware capitalization policy. Particularly, the software and hardware capitalization policy revisions sought to clarify how support costs should be recorded during software and hardware implementations.

As noted above, Section V of the Protocols also requires Cheyenne Light 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. At the time of this filing, no aspect of Cheyenne Light's formula rate or its 2020 projected net revenue requirement is the subject of a dispute under the informal or formal challenge procedures set forth in Section VII of the Protocols. However, Cheyenne Light's Formula Rate Filing, filed December 27, 2018 (and described in more detail in footnotes 1 and 2 of this Informational Filing), remains open before the Commission, pending the conclusion of settlement procedures.

C. Service Company Cost Allocation

Section V of the Protocols further requires that Cheyenne Light include, in its Informational Filing, a description of the methodologies used to allocate and directly assign costs between Cheyenne Light and its affiliates. Cheyenne Light must also identify the magnitude of such costs that have been allocated or directly assigned to Cheyenne Light and each affiliate.

In 2018 (the data year was used in population of the 2020 projected net revenue requirement), Cheyenne Light and its affiliates would have received allocated or directly assigned costs from two centralized service companies within the Black Hills Corporation corporate family: Black Hills Service Company, LLC ("BHSC") and Black Hills Utility

³ Cheyenne Light's initial posting of its projected net revenue requirement is attached in the file referred to as "2020 CLPT Attachment H Transmission Rate Estimate."

⁴ The file containing Cheyenne Light's amended projected revenue requirement is attached in the file referred to as "2020 CLPT Attachment H Transmission Rate Estimate V2."

Holdings, Inc. (“BHUH”). Costs from BHSC and BHUH could be directly charged to Cheyenne Light, or indirectly allocated when the cost was not associated with an activity specifically undertaken on behalf of Cheyenne Light. Stated similarly, direct costs are costs that are specifically associated with and assignable to Cheyenne Light. Indirect costs are costs that benefit or support more than one Black Hills Corporation subsidiary and are allocated among subsidiaries using one of several pre-defined allocation ratios. Those pre-defined allocation ratios were described in the BHSC or BHUH Cost Allocation Manuals or “CAMs.” The potential allocation ratios available for use in 2018 included:

Asset Cost Ratio – Based on the net cost of assets.

Gross Margin Ratio – Based on the total gross margin.

Payroll Dollars Ratio – Based on the total direct payroll dollars.

Blended Ratio – A composite ratio comprised of an average of the Asset Cost Ratio, the Payroll Dollars Ratio, and the Gross Margin Ratio. These ratios are equally weighted. This ratio is sometimes referred to as the 3-factor allocation ratio.

Employee Ratio – Based on the number of employees.

Generation Capacity Ratio – Based on the power generation facility’s capacity.

Square Footage Ratio – The total square footage of a given facility.

Each BHSC and BHUH department was assigned one of these allocation ratios. All indirect costs of that department were then allocated using the assigned ratio. When determining which allocation ratio should be assigned to each department, a ratio is selected based on the specific cost driver of that department. For instance, the expenses incurred by a Human Resources department are primarily related to their support of all company employees. In this example, the cost driver for the Human Resources department indirect costs is employees. Therefore, their indirect costs will be allocated based upon the Employee Ratio. Between 2017 and 2018, there were no changes to cost allocations and methodologies.

The magnitude of costs that have been allocated or directly assigned between Cheyenne Light and its affiliates, by service category or function, can be found at Pages 429, 429.1 of Cheyenne Light’s FERC Form 1. Specifically, page 429 includes allocated cost assigned to and from Cheyenne Light’s Electric and Gas Utilities, while Page 429.1 includes allocated costs assigned to and from Cheyenne Light’s Electric Utility. The relevant pages of Cheyenne Light’s most recent FERC Form 1 are attached hereto and provided herewith.

D. Deadlines and Administrative Requirements

The Protocols also contain a number of set deadlines and administrative requirements. Cheyenne Light’s Protocols require it to post its projected net revenue requirement for the following Rate Year on Black Hills Energy’s website and Cheyenne Light’s OASIS by September 30 of each year. Further, within ten (10) days of the projected net revenue requirement, Cheyenne Light is required to provide notice of such postings to Interested Parties, via an email exploder list, to which Interested Parties may subscribe on the Black Hills Energy website.⁵ Finally, following the posting of its projected net revenue requirement, Section II of Cheyenne Light’s Protocols require it to hold open meetings with Interested Parties to permit Cheyenne Light to explain and clarify its projected net revenue requirement, and to provide Interested Parties an opportunity to seek information and clarifications from Cheyenne Light regarding the same.

Cheyenne Light has met each of these deadlines and administrative requirements. The following table summarizes Cheyenne Light’s compliance with the specific deadlines and administrative requirements set forth in the Protocols:

Activity	Due Date	Date Activity Completed
Determine Projected Net Revenue Requirement for Rate Year 2020 and Post on Website and OASIS	September 30, 2019	September 27, 2019, Revised October 4, 2019
Send Notice by email exploder list the posting of Attachment H Rates	October 8, 2019	October 3, 2019
Send notice by email exploder list and post on website and OASIS of Annual Projected Rate Meeting	October 19, 2019	October 11, 2019
Hold Annual Projected Rate Meeting	October 30, 2019	October 21, 2019

⁵ Attachment H §§ II.1-2.

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III. SERVICE

In accordance with Section V of its Protocols, Cheyenne Light will provide notice of this Informational Filing via an email exploder list and by posting the docket number assigned to this Information Filing on the Black Hills Energy website and the Cheyenne Light OASIS within five 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/ Blake R. Urban

Catherine P. McCarthy
Blake R. Urban