

Cheyenne Light 2021 Formula Rate True-Up Meeting

June 21, 2022





Agenda

- Introductions

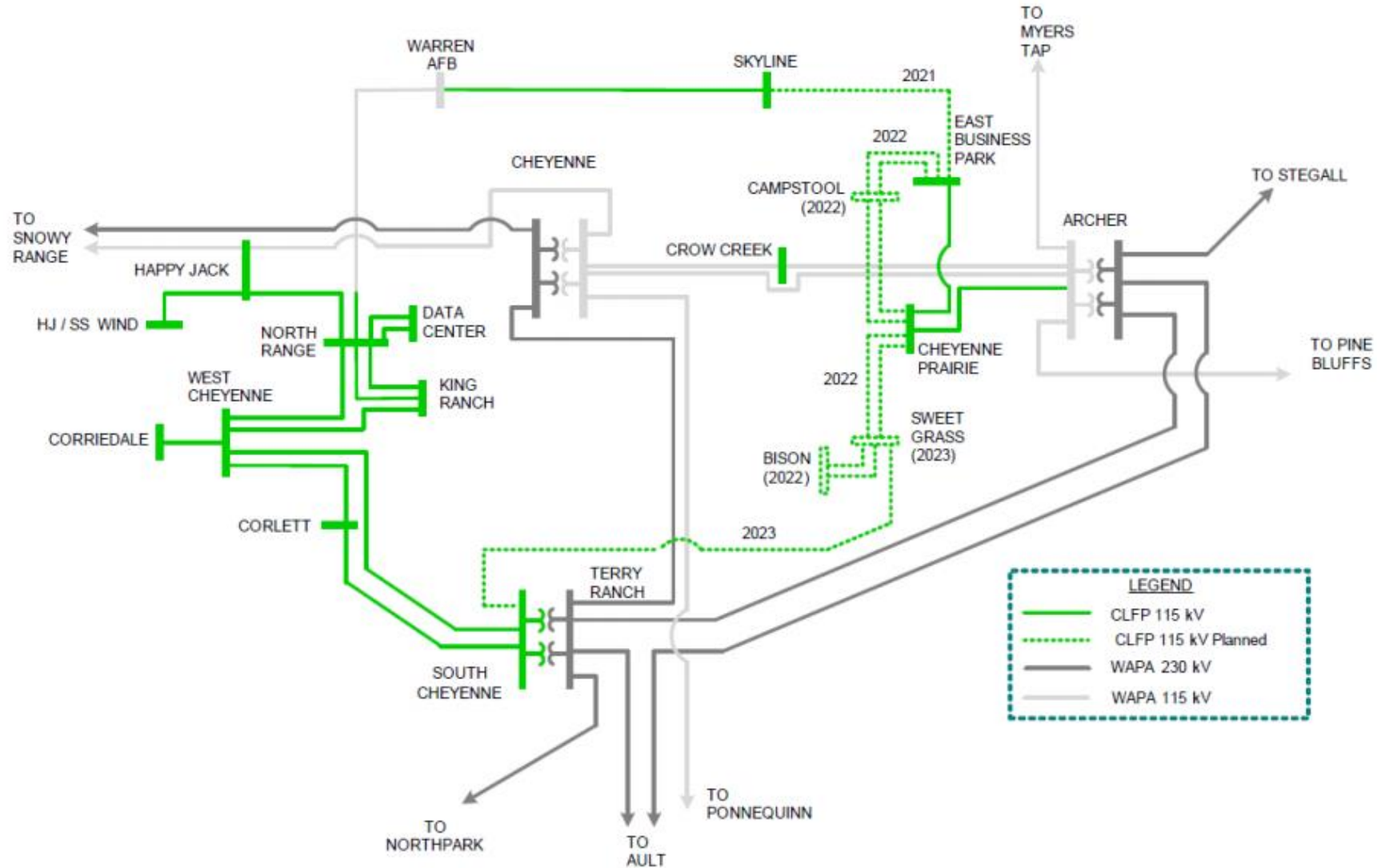
- CLFP Transmission System Overview

- Discuss the 2021 Annual True-Up
 - Summary of Key Drivers
 - 2021 Actual Revenue Requirement
 - Adjustments to FERC Form 1 Data
 - Changes to References in the Formula
 - Prior Period Adjustment

- Where to Find Information and be Engaged

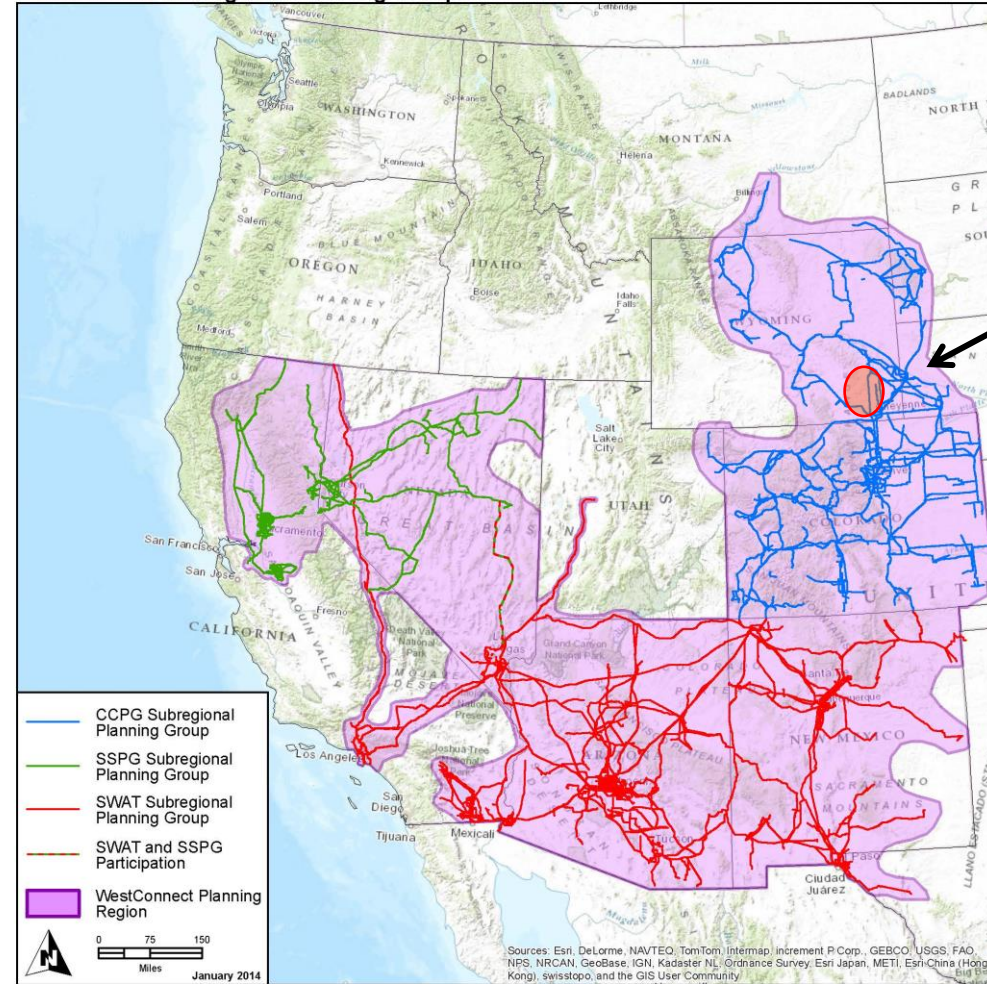
- Questions & Comments

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

Summary of Key Drivers

- The CLPT Actual 2021 Net Annual Revenue Requirements (“Net ATRR”) was \$316k over the Projected 2021 Net ATRR.
- Primary Drivers of Increase
 - Return:
 - Increase of Rate Base due to the King Ranch Accum Depr correction +\$1.3 million. +\$127k
 - Misc. Plant additions of +\$3.8 million +\$371k
 - Capital Structure – Equity component went from 48% to 56% due to Gas assets divestiture and the required capital infusion associated with that transaction +\$201k
 - Income tax expense as a result of changes in the return +\$148k
 - Excluded plant impact on the Transmission Expense Allocators (“TE”)
 - O&M expense would be flat except for the TE Allocation which reduces the O&M Expenses by (\$155k)
 - Depreciation Expense (\$107k)
 - Taxes Other than Income (\$25k)
 - King Ranch Depreciation Expense Correction (\$544k)
 - Revenue Requirements – Pole attachment revenues are associated with distribution assets, therefore, these revenues should be reflected under the Common Plant allocator instead of the TP allocator +\$356k



2021 Projected Revenue Requirement Compared to Actual

	<u>2021 Actual</u>	<u>2021 Estimated</u>	<u>2021 True Up variance from Estimate</u>
Cheyenne Light Fuel & Power Attachment H			
Average Transmission Rate			
1Base	\$ 47,327,727	\$ 42,231,347	\$ 5,096,380
2Weighted Rate of Return	8.77%	8.16%	
3 Return on Average Rate Base	\$ 4,148,688	\$ 3,444,566	\$ 704,122
Operating			
4Expenses			
5 Operations & Maintenance	2,074,200	2,231,056	(156,856)
6 Depreciation	1,281,158	1,910,733	(629,574)
7 Taxes Other than Income	309,031	415,026	(105,995)
8 Total Operating Expenses	3,664,390	4,556,815	(892,425)
9Income Taxes	559,157	411,091	148,067
10Total Revenue Requirement	8,372,236	8,412,472	(40,236)
Revenue			
11Credits	(82,445)	(439,153)	356,708
Net Annual Revenue			
12Requirements	\$ 8,289,791	\$ 7,973,319	\$ 316,472
13Divisor	244,167	248,824	(4,657)
14Rate (\$/kW-Yr)	\$ 33.95	\$ 32.04	\$ 1.91

Adjustments to FERC Form 1 Data

❑ Corriedale

- Cheyenne Light completed the Corriedale wind project in April 2021.
- Certain assets associated with the project are appropriately recorded in transmission accounts (GSUs and tie lines) but should be excluded from transmission ratemaking.
- Cheyenne Light has included those excluded assets in Actual Attachment H, Page 4 line 3
- Cheyenne Light has also posted a workpaper itemizing the excluded assets.

❑ Depreciation adjustment

- Both the King Ranch and Corriedale transmission assets use a different depreciation rate than is listed in Worksheet A5
- For 2021 Cheyenne Light has calculated the difference in the depreciation rates and adjusted the Accumulated Depreciation, Depreciation Expense, and ADIT to reflect those items as if the FERC depreciation rates would have been used.
- A supplemental worksheet is provided to show those calculations and reconcile the FERC Form 1 amounts with the amounts presented in the Actual Attachment H.

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

- ❑ The FERC Form 1 experienced a format change in 2021 due to FERC's conversion to XBRL.
- ❑ This caused some of the references displayed in the Actual Attachment H to be slightly inaccurate.
- ❑ Thus far, FERC has not taken the position that Transmission Providers need to make changes to their templates to accommodate the slight reference changes
- ❑ Instead, pursuant to its Formula Rate Protocols, Cheyenne Light has identified the FERC Form 1 references changes in in the 2021 CLPT Attach H Supplemental Workpapers file.

Prior Period Adjustment

- ❑ Cheyenne Light's True-Up Worksheet includes a "Prior Period Adjustment" that can be used under specific enumerated circumstances.

- ❑ The enumerated circumstances include among other items a situation where:
 - Cheyenne Light discovers an error in a prior FERC Form 1 or in the books and records used to populate the FERC Form 1;
 - The error is discovered outside the current Rate Year; and
 - The error negatively impacts customers in the calculation of a prior Annual True-Up.

- ❑ Cheyenne Light used the Prior Period Adjustment as Part of the true-up of the 2021 ATRR and associated transmission rates

Prior Period Adjustment ... continued

- ❑ In its True-Up of 2021 rates, Cheyenne Light utilized its Prior Period Adjustment to address:
 - Divergent Depreciation Rates
 - In 2019 and 2020, Cheyenne Light failed to identify that certain limited assets within its transmission plant were being depreciated at a rate different from those listed in Worksheet A5.
 - Cheyenne Light has calculated the depreciation adjustments for both 2019 and 2020 and incorporated the differential into the Prior Period Adjustment.
 - Generator Step Up units
 - In 2020, Cheyenne Light revised an internal policy that resulted with GSUs being recorded to transmission accounts. Pursuant to his change, beginning in June of 2020, GSU's were no longer recorded in production accounts and instead were recorded in transmission accounts.
 - However, GSUs should not be included in the transmission rates and going forward Cheyenne Light will exclude them from the formula rate using Actual Attachment H, Page 4 line 3.
 - For prior periods, the impact of the GSU accounting has been addressed via the prior period adjustment.
 - Aggregate Impact
 - Both corrections listed above were run through the 2019 and 2020 Annual True-Up template as appropriate for their respective impact.
 - The full impact of both corrections (a refund of \$1,250,331) is incorporated into the 2021 Cheyenne Light True-Up through the prior period adjustment section of Worksheet TU.
 - This acts to reduce the Projected Annual Transmission Revenue Requirement for 2023

Prepayments and Other Specific Disclosure Obligations

Prepayments

- Footnote B of Worksheet A8 (“Prepayments”) provides that if Cheyenne Light populates data enterable fields available in that Worksheet certain disclosures procedures must be followed.
- No new prepayments are included within the True-Up of 2021 rates.

Other Taxes

- Footnote AA of Actual Attachment H provides that if Cheyenne Light populates the data enterable field relating to other taxes certain disclosure procedures must be followed.
- This field has not been populated.

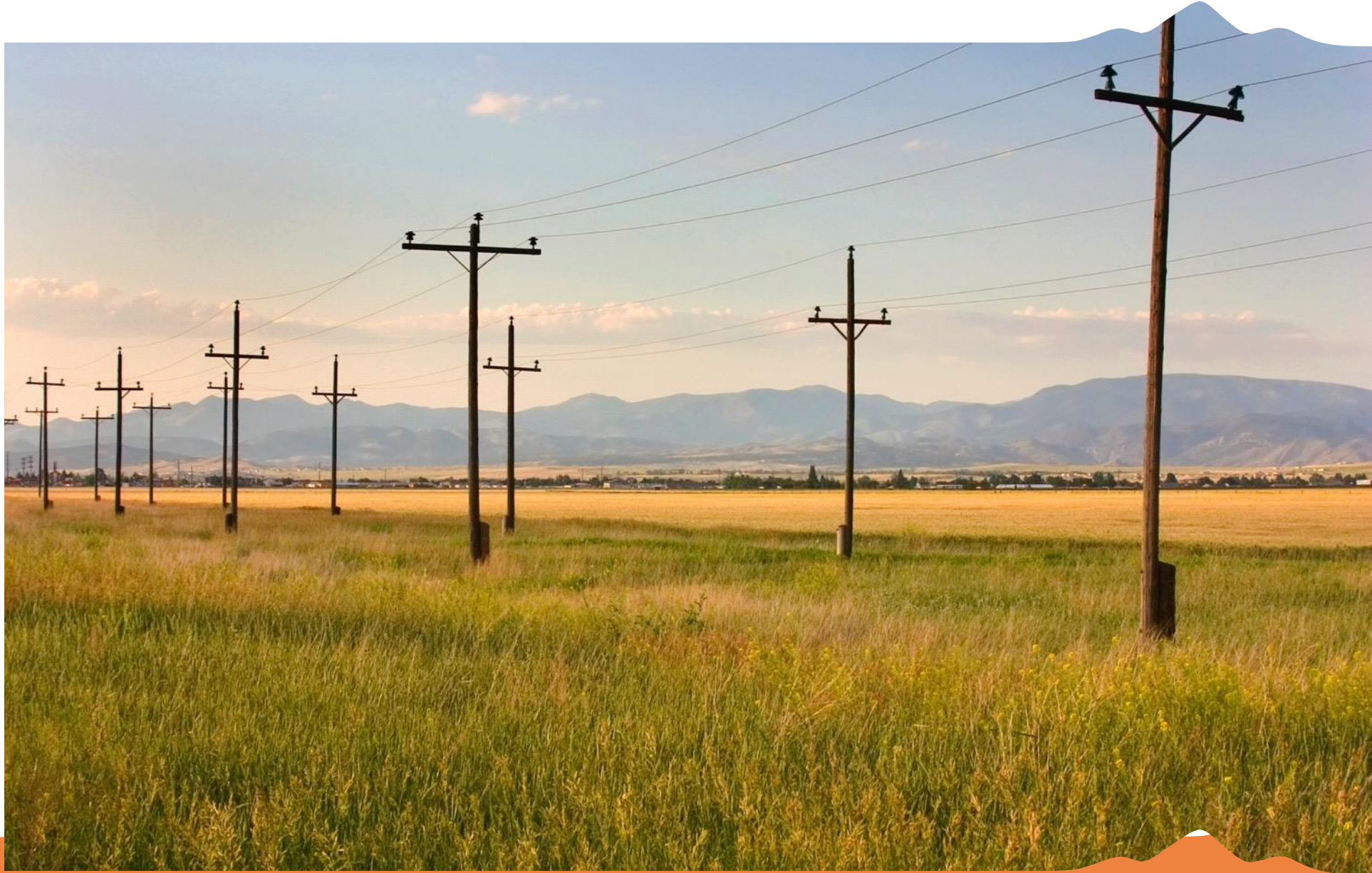
How to be Engaged

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

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