

BHCE 2024 Projected Net Revenue Requirement Meeting

October 2023

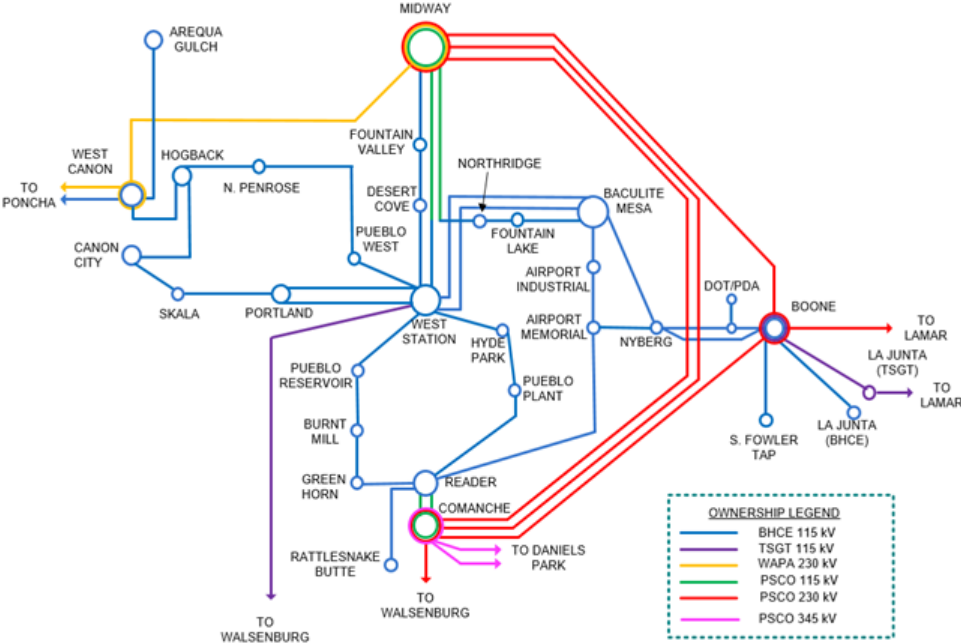




Agenda

- Introductions
- BHCE Transmission System Overview
- Formula Rate Transition
- Protocols
- Discuss the 2024 Projected Net Revenue Requirement
 - Summary of Key Drivers
 - 2024 Projected Net Revenue Requirement
 - Disclosure Obligations
 - Workpapers Provided for the Projection
- Where to Find Information and be Engaged
- Questions & Comments

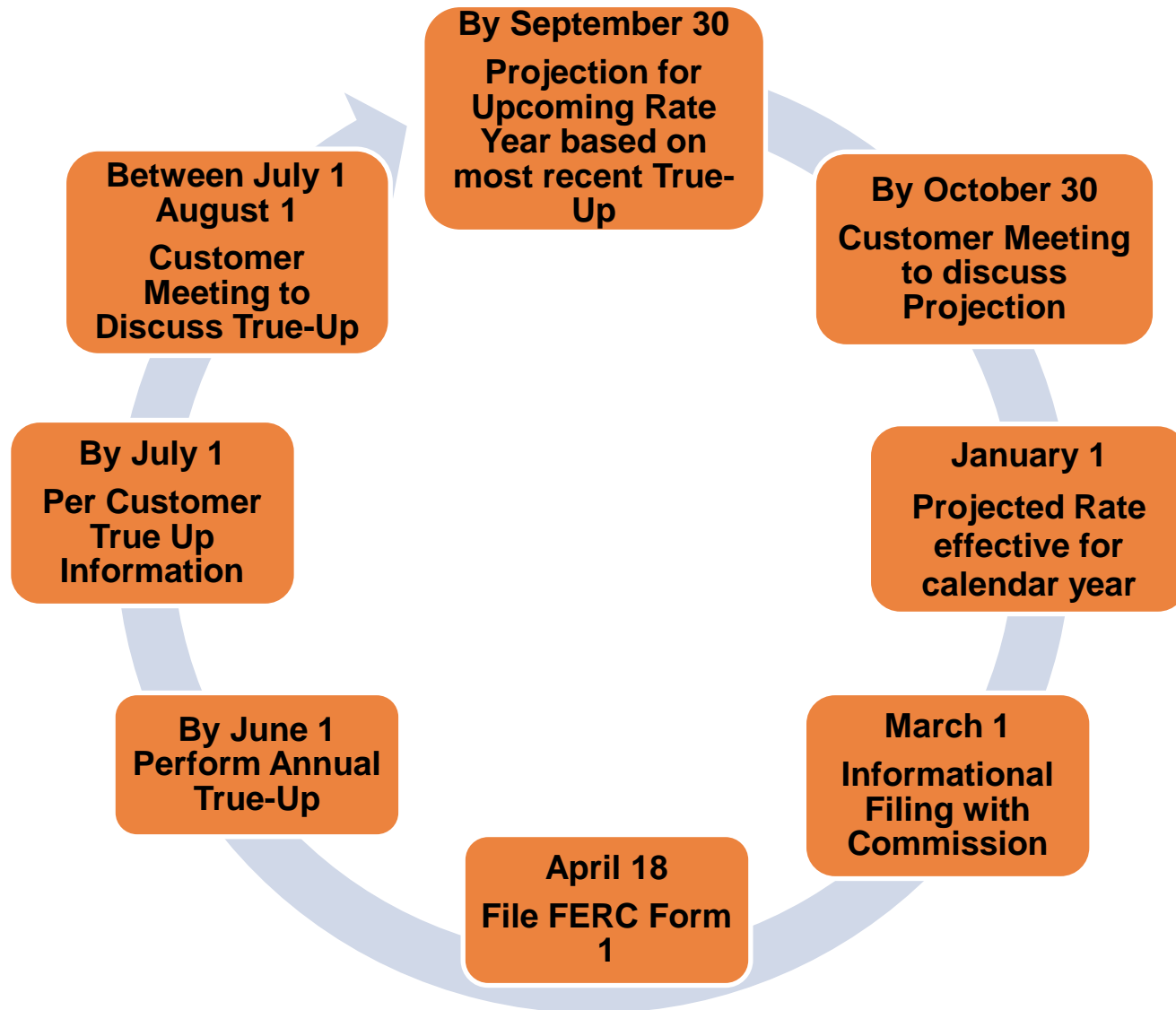
BHCE Transmission System



Formula Rate Transition

- On June 24, 2022, Black Hills Colorado submitted a Federal Power Act Section 205 filing in which it sought to transition from stated transmission rates to a formula transmission rate.
- Effective September 1, 2022, FERC accepted Black Hills Colorado's filing subject to settlement proceedings, refund, and hearing.
- On September 12, 2023, Black Hills Colorado filed an uncontested settlement in the rate case and a *Motion to Implement Settlement Rates on an Interim Basis*.
- On September 19, 2023, Black Hills Colorado's *Motion to Implement Settlement Rates on an Interim Basis* was granted.
- Consistent with the order on *Black Hills Colorado's Motion to Implement Settlement Rates on an Interim Basis*, the 2024 projection was accomplished under the settlement template rather than the template originally filed in Docket No. ER22-2185

Formula Rate Protocols



Summary of Key Drivers

- The BHCE 2024 Projected Net Annual Revenue Requirement is \$32M.
 - Decrease of \$2.7M over 2023 projection
- Primary Drivers of Decrease:
 - Change in capital structure, ROE and resulting return.
 - Total Operating Expenses decreased by \$616,077.
 - Projected Total Income Taxes reduced by \$526,729. This is due to the reduction of return.



2024 Projected Revenue Requirement

Black Hills Colorado Electric Attachment H			2024 Projection Variance	
		2024 Projected	2023 Projected	from Prior Year
1	Average Transmission Rate Base	\$ 212,780,523	\$ 211,726,803	\$ 1,053,720
2	Weighted Rate of Return	6.45%	7.49%	-1.04%
3	Return on Average Rate Base	\$ 13,713,917	\$ 15,850,674	\$ (2,136,756)
4	Operating Expense			
5	Operations & Maintenance	6,754,759	7,782,874	(1,028,116)
6	Depreciation	5,571,687	5,458,582	113,105
7	Taxes Other Than Income	3,834,666	3,535,733	298,933
8	Total Operating Expenses	16,161,112	16,777,189	(616,077)
9	Income Taxes	2,694,038	3,220,767	(526,729)
10	Total Revenue Requirement	32,569,067	35,848,630	(3,279,563)
11	Revenue Credits	(469,461)	(1,046,600)	577,139
12	Net Annual Revenue Requirements	32,099,606	34,802,030	(2,702,424)
13	Divisor	390,970	396,765	(5,795)
14	Rate (\$/kW-Yr)	\$ 82.10	\$ 87.71	\$ (5.61)

Other Specific Disclosure Obligations

Other Taxes

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

Affiliate Cost Allocation

- There have been no material changes in the cost allocation method.
- This information is shown on FERC Form 1 page 429.

Load Inputs

- Inclusion of the usage sensitive portion of point-to-point reservations in the monthly system peak.
- In light of the settlement in docket no. ER22-2185 network customer network load will account for generation located in front of a retail meter but behind a transmission customer point of delivery.
- See Monthly System Peak Workpaper.

Workpapers Provided for ATRR Projection

- Supplemental Supporting Schedules
 - Actual Attachment H – Cost of Debt
 - Actual Attachment H – Income Tax
 - Actual Attachment H – Excluded Plant
 - Actual Attachment H - Excluded Plant - OATT ancillary services or GSUs
 - A2- A & G (PBOP)
 - Worksheet A6- Divisor - Transmission Load Calculations
 - Monthly System Peak Workpaper

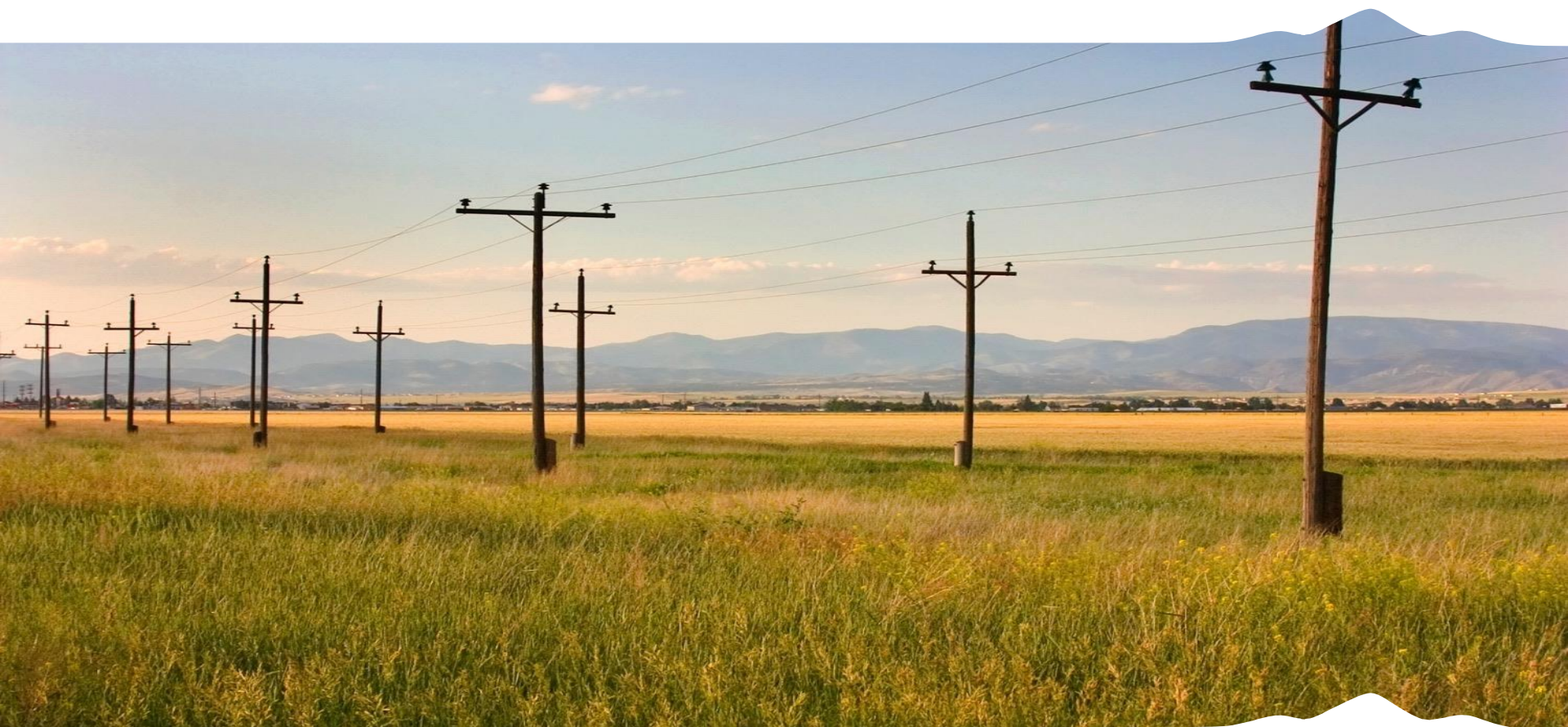
How to be Engaged

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/BHCT/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 *Black Hills Colorado Electric* 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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