

BHCE 2024 Formula Rate True-Up Meeting

July 2025

Black Hills Colorado Electric, LLC

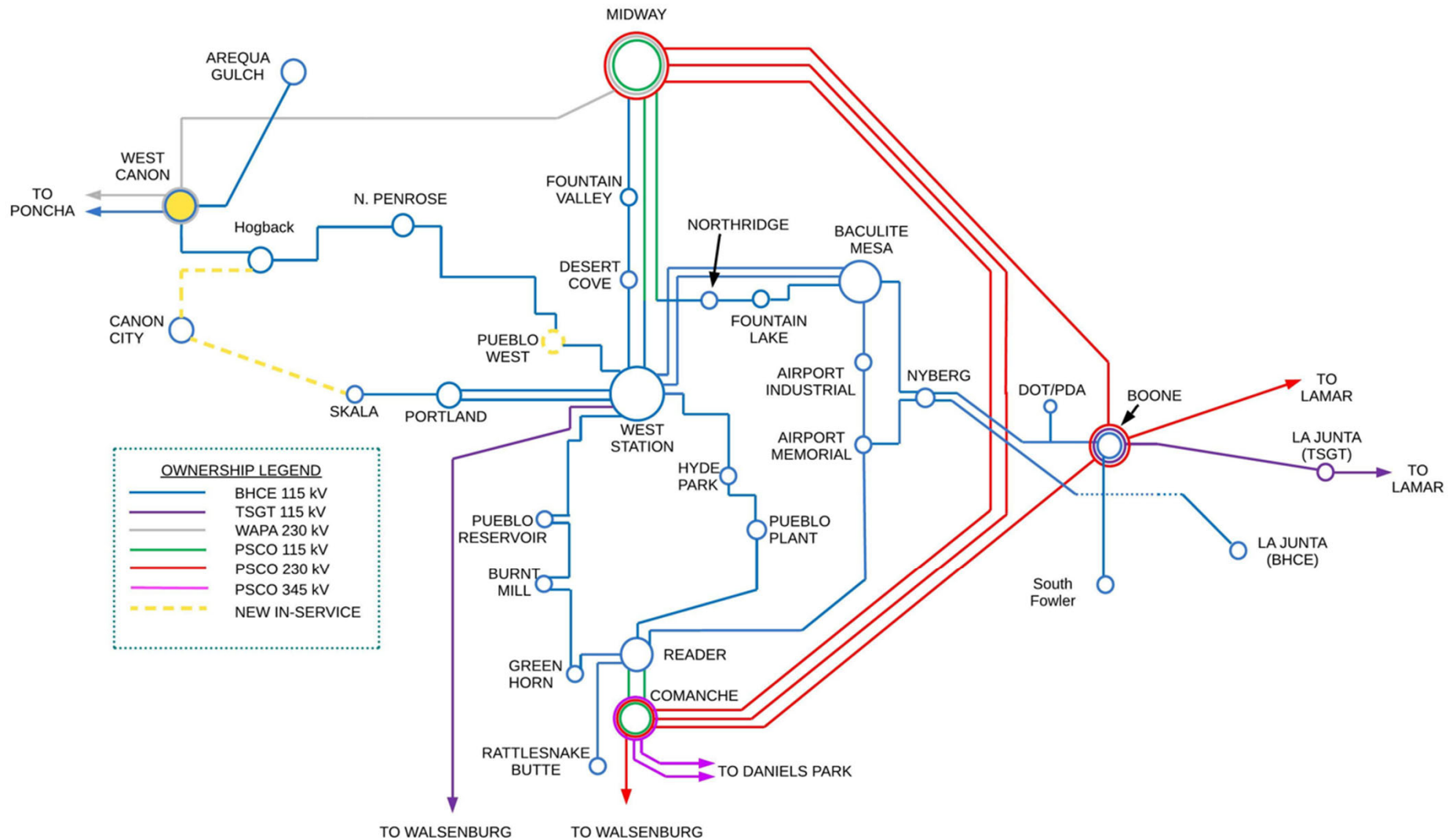




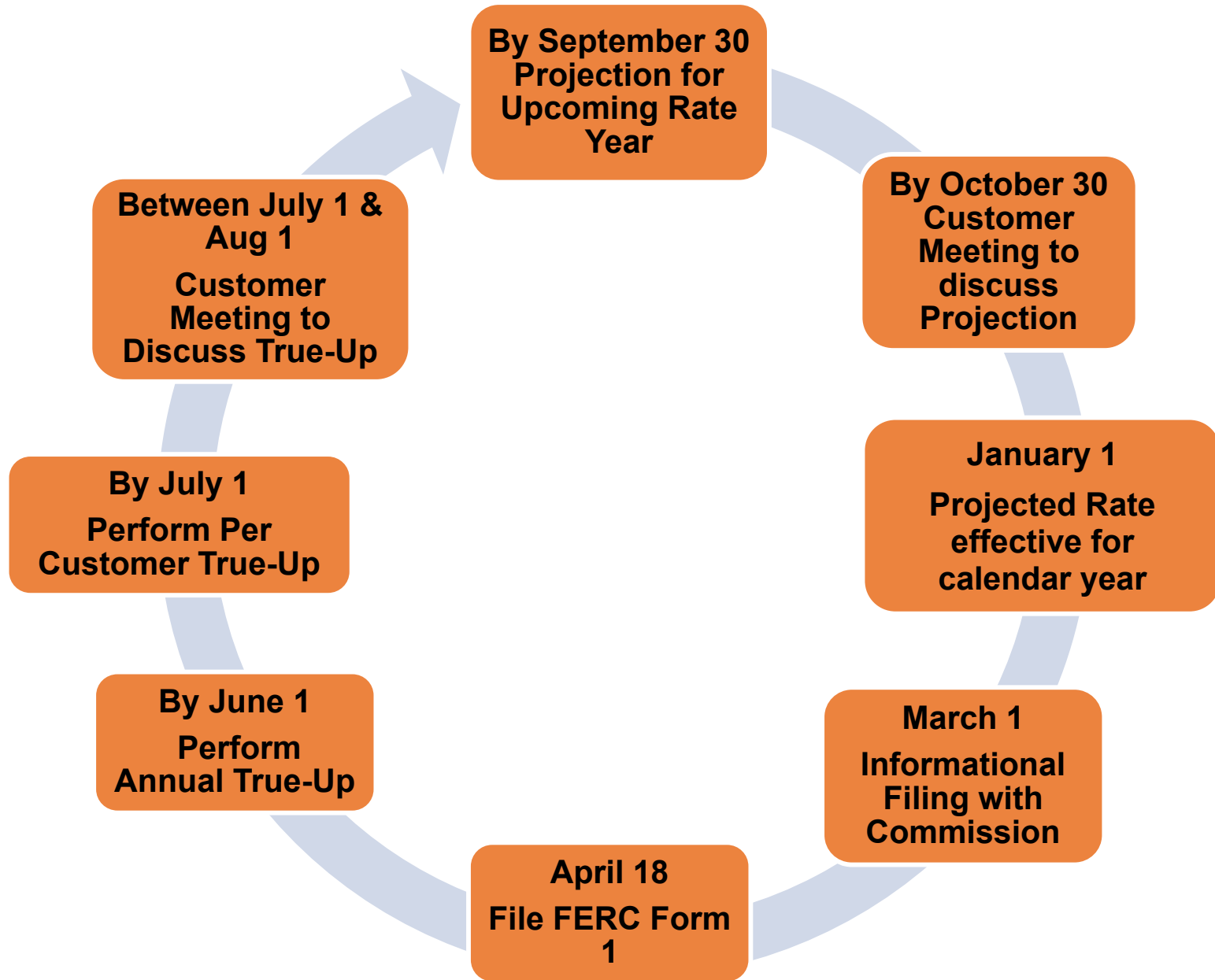
Agenda

- Introductions
- BHCE Transmission System Overview
- Protocols
- Discuss the 2024 Annual True-Up
 - Summary of Key Drivers
 - Explanations of Variances Between Actual Attachment H & Projected Attachment H
 - Projected Revenue Requirement Compared to Actual
 - Modifications to FERC Form 1 Data
 - Changes to References in the Formula
 - Listing of Workpapers
- Where to Find Information and be Engaged
- Questions & Comments

Black Hills Colorado Electric (BHCT)



Formula Rate Protocols



Summary of Key Drivers

- The BHCE Actual 2024 Net Annual Revenue Requirements (“Net ATRR”) was \$1.07M less than the Projected 2024 Net ATRR.
- **Expenses:**
 - In total, O & M expenses were \$972k lower than projected.
 - Taxes Other Than Income Taxes were \$849k lower than projected.
- **Rate of Return:**
 - Rate of Return was 6.85% as compared to 6.45% in the projection due to an increase in the Long-Term Cost of Debt.
 - Total Rate Base is \$5.6M higher than projected due to an increase in transmission plant investments.
 - These partially offset the lower expenses.



Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **Revenue Credits**

- Account 456.1
 - \$701,584 150%
 - Through the process of changing from a stated rate to a formula rate, it was discovered that the credit should also include BHCOE Short-Term.

- **Rate Base**

- Total Rate Base Change
 - \$5,648,172 3%
- Transmission Gross Plant
 - \$7,753,344 3%
 - Transmission Plant was higher than actual.
- Transmission Accumulated Depreciation
 - -(\$1,809,536) -3%
 - Using the approved template methodology, projected Transmission Accumulated Depreciation was lower than actuals.



Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **Rate Base**

- Account No. 282
 - -(\$1,774,416) -6%
 - Using the approved template method, the projected Deferred Tax Liability (DTL) was lower than actuals, which was impacted by the decrease in the Accumulated Depreciation.
- FAS 109 Adjustment
 - \$-(1,531,096) -210%
 - The change is due to the increase in Deferred Tax Assets and the decrease in Deferred Tax Liabilities.

- **O&M**

- Transmission
 - -(\$1,046,050) -17%
 - The approved template methodology used to project Transmission O&M was higher than actual O&M expenses.



Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **O&M**

- Account 565

- -(\$537,968) -21%
 - Transmission of Electricity was lower in actuals due to BHCE self-supplying Schedule 16 (Flex Reserves).
 - The approved template methodology used to project account 565 expenses was higher than actual expenses.

- A&G

- -(\$871,158) -20%
 - The approved template methodology used to project A&G resulted in higher projected A&G expense than actual A&G expenses.

- Property Tax

- -(\$817,998) -23%
 - The approved template methodology used to project Property Taxes was higher than actual Property Taxes.



Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **O&M**

- Transmission plant excluded from Wholesale Rates
 - \$3,469,209 37%
 - The approved template methodology used to project Transmission plant excluded from Wholesale Rates was lower than actuals.
- Total transmission expenses
 - -(\$1,145,071) -17%
 - The approved template methodology used to project Transmission expense was higher than actuals.

Footnote: In compliance with Section IV.3.N. of the Formula Rate Protocols.



2024 Projected Revenue Requirement Compared to Actual

Line No.	Black Hills Colorado Electric Attachment H	2024 Projection		2024 Actual	2024 True-Up Variance from Projection
1	Average Transmission Rate Base	\$	211,253,549	\$ 216,901,721	\$ 5,648,172
2	Weighted Rate of Return		6.45%	6.85%	0.40%
3	Return on Average Rate Base	\$	13,615,502	\$ 14,852,791	\$ 1,237,288
4					
5	Operating Expenses				
6	Operations & Maintenance	\$	6,754,759	\$ 5,782,715	\$ (972,043)
7	Depreciation		5,571,687	\$ 5,778,555	206,868
8	Taxes Other Than Income		3,834,666	\$ 2,985,879	(848,787)
9	Total Operating Expenses	\$	16,161,112	\$ 14,547,150	\$ (1,613,962)
10					
11	Income Taxes		2,671,244	2,680,183	8,938
12					
13	Total Revenue Requirement		32,447,859	32,080,123	(367,736)
14					
15	Revenue Credits		(469,461)	(1,171,709)	(702,248)
16	Net Annual Revenue Requirement	\$	31,978,398	\$ 30,908,414	\$ (1,069,983)
17					
18	Divisor		390,970	379,000	(11,970)
19	Rate (\$/kW-Yr)	\$	81.79	\$ 81.55	\$ (0.24)

Modifications to FERC Form 1 data

- Black Hills calculated the 2024 True Up with the following modifications to data from the FERC Form 1:
 - Plant in Service balances by Functional categories were evaluated to ensure the following were excluded from rate base as anticipated by tab A4-Rate Base tab of the FERC Formula Rate Template:
 - Asset Retirement Obligation
 - Finance Lease
 - Right of Use Operating Lease
 - These modifications can be seen in the Supplemental Workpapers – A4-Rate Base Reconciliation to FERC Form 1
- Schedule 1 Point to Point Revenues
 - Schedule 1 Ancillary Service Revenue is not reported by service type in the FF1 and is broken down in the Schedule 1 workpaper using company records.

Other Specific Disclosure Obligations

Other Taxes

- Footnote AA of Actual Attachment H provides that if BHCE 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.
- The magnitude is shown on FERC Form 1 page 429 and was posted together with the annual true-up and its supplemental workpapers.

Workpapers Provided for ATRR True-Up

- 2024 BHCT True-Up Supplemental Workpapers
 - Cost of Service Ref Changes - changes in FERC Form 1 references
 - A-4 Rate Base – Reconciliation to FERC Form 1
 - GSU Excluded Plant
 - Wholesale Excluded Plant
 - Income Tax
 - AFUDC Equity
 - COE Excluded plant – raw data for all excluded plant
 - A.2 A&G_PBOP – PBOP Net Period expense
 - A.6 Divisor Load Workpaper
 - A.8 Prepayment Supporting Workpapers
- 2024 BHCT A3.1-EDIT-DDIT & A3.2-EDIT-DDIT
- 2024 BHCT A3-ADIT
- 2024 BHCT Att-H Comparison
- 2024 BHCT Load Workpaper
- 2024 BHCT Schedule 1 Workpaper
- 2024 BHCT Workpaper Source Index
- COE FERC Form 1 page 429 – Affiliate Costs
- COE 2024 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/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

Electric Transmission Services

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Strategic Objectives

