

BHP 2025 Formula Rate True-Up Meeting

June 2026





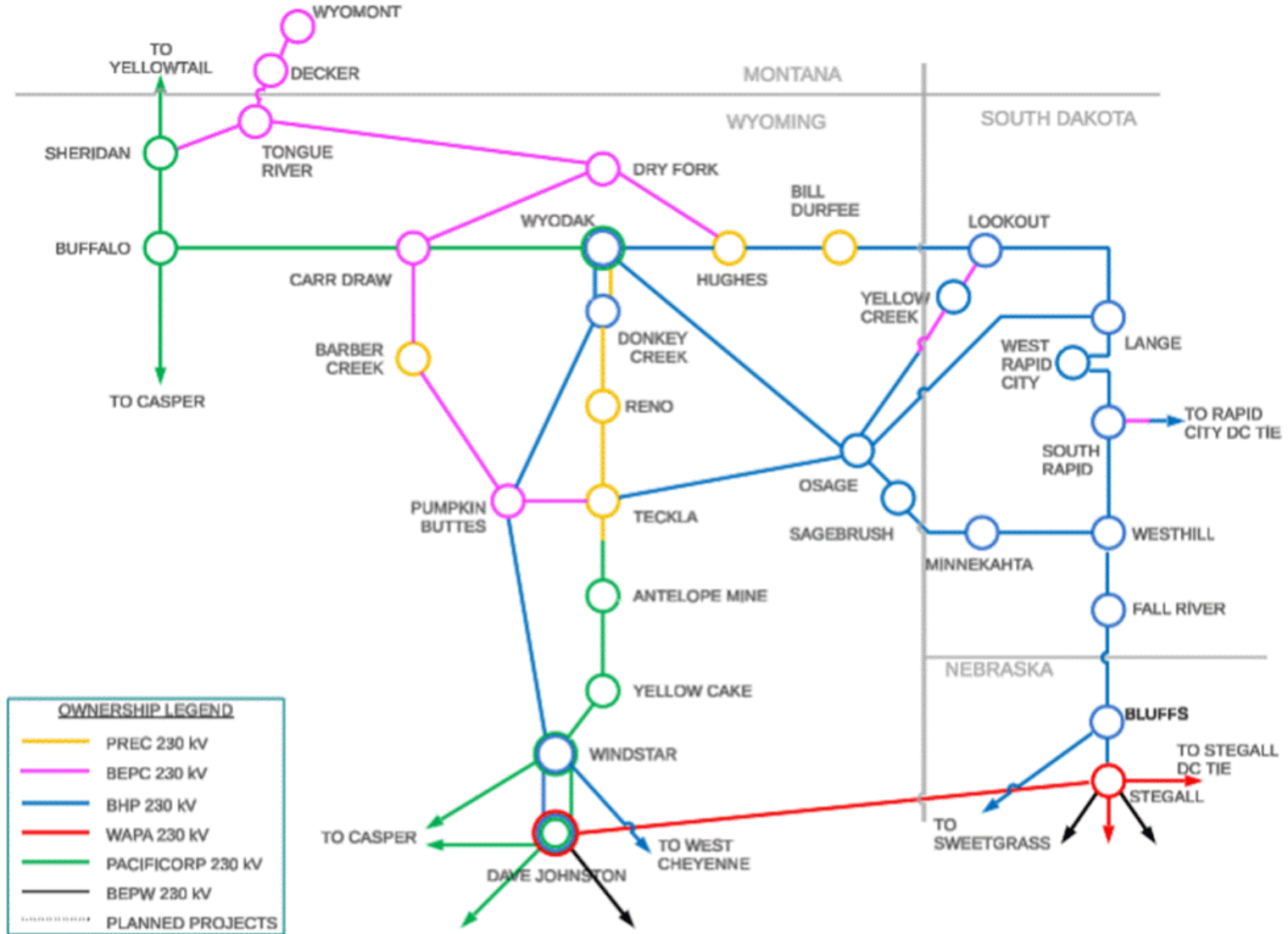
Agenda

- Introductions
- CUS Transmission System Overview
- CUS Protocols
- Discuss the 2025 Annual True-Up
 - Summary of Key Drivers
 - 2025 Actual vs Estimated
 - Adjustments to FERC Form 1 Data
 - Identify any Accounting Changes
 - Changes to References in the Formula
 - Workpapers Provided for the True-Up
- Where to Find Information and be Engaged
- Questions & Comments

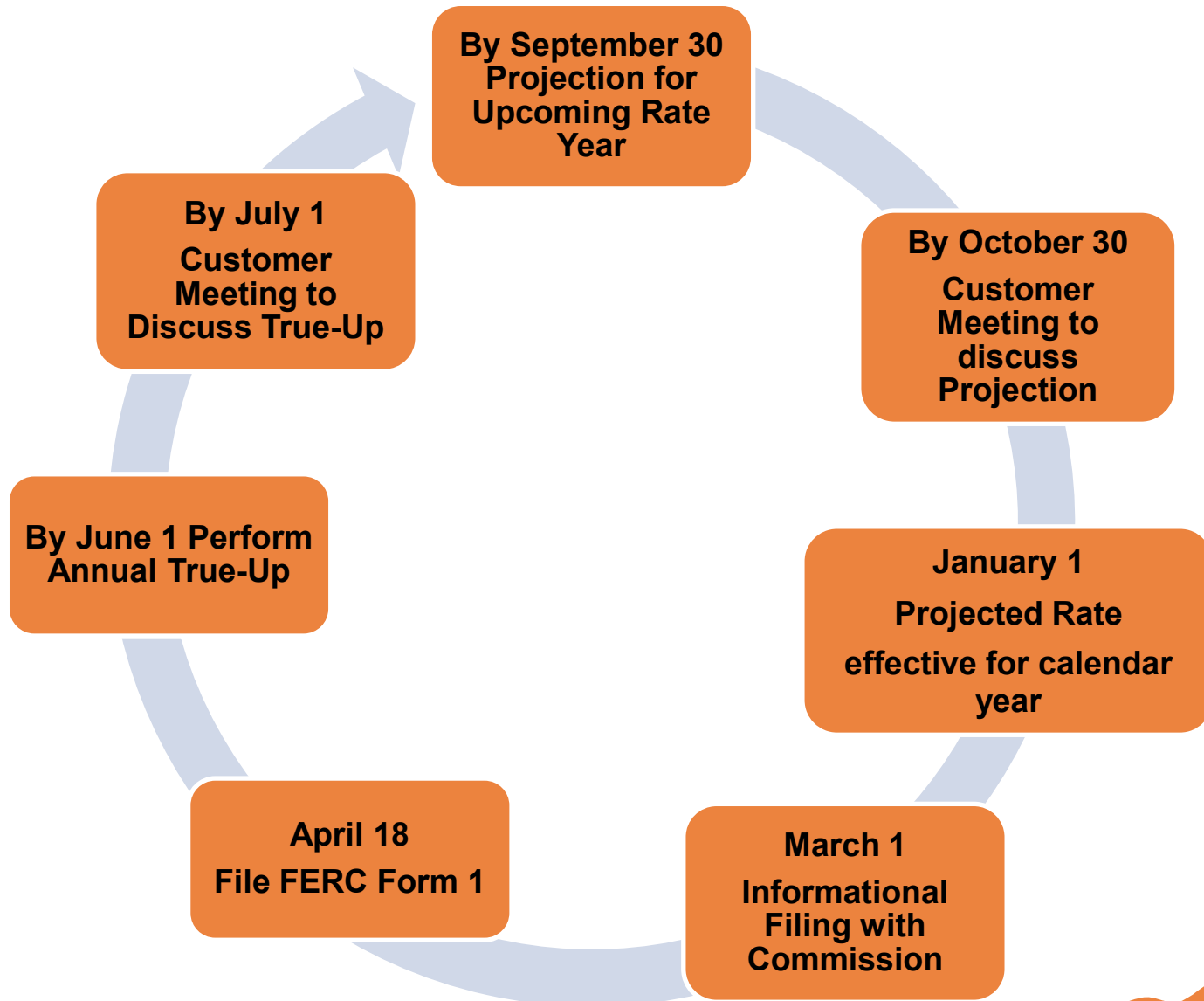
CUS Transmission System

- The Common Use System (CUS) is a jointly operated transmission system. The CUS participants include Basin Electric Power Cooperative, Black Hills Power Inc. and Powder River Energy Corporation.
- The CUS has filed a joint open-access transmission tariff with FERC that provides transmission service over these combined assets and that consist of 230 kV transmission facilities and limited 69 kV transmission facilities, primarily located within areas of Southwestern South Dakota and Northeastern Wyoming.

Common Use System



Formula Rate Protocols



Summary of Key Drivers

- Increase in total annual revenue requirement of approximately \$550,000 from the 2025 estimate.
- Rate Drivers:
 - Declining net plant due to depreciation outpacing additions
 - Amortization of EDIT/DDIT starting in 2023 reduces income taxes*
 - Higher O&M expense largely attributed to more labor devoted to transmission in 2025 than recent years

**Black Hills Power, Inc., Docket No. ER20-1128-001 – decision issued 05/10/2024*



2025 Projected Revenue Requirement Compared to Actual

	2024 Actual	2025 Actual	2025 Estimated	2025 True-up Variance from Estimate
Black Hills Power Attachment H				
1 Average Transmission Rate Base	\$ 197,935,883	\$ 193,643,786	\$ 190,160,823	\$ 3,482,964
2 Weighted Rate of Return	8.87%	8.40%	8.76%	
1 Return on Average Rate Base	17,565,313	16,262,642	16,661,341	\$ (398,699)
2 Operating Expenses				
3 Operations & Maintenance	\$ 4,308,178	\$ 5,551,745	\$ 5,011,989	\$ 539,756
4 Depreciation	6,580,022	6,741,573	6,617,316	\$ 124,258
5 Taxes Other Than Income	1,475,369	1,460,957	1,568,764	\$ (107,808)
6 Total Operating Expenses	\$ 12,363,569	\$ 13,754,275	\$ 13,198,069	\$ 556,207
7 Income Taxes	\$ 2,841,724	\$ 2,853,504	\$ 2,460,934	\$ 392,569
8 Total Revenue Requirement	\$ 32,770,606	\$ 32,870,421	\$ 32,320,344	\$ 550,077
Component Annual Revenue Requirements				
9 Black Hills	\$ 32,770,606	\$ 32,870,421	\$ 32,320,344	550,077
10 Basin Electric	16,482,130	16,482,130	16,482,130	-
11 PRECorp	2,123,466	2,123,466	2,123,466	-
12 Total Annual Revenue Requirements	\$ 51,376,202	\$ 51,476,017	\$ 50,925,940	\$ 550,077
13 Revenue Credits	(1,563,879)	(1,922,602)	(1,081,814)	(840,788)
14 Net Annual Revenue Requirements	\$ 49,812,323	\$ 49,553,416	\$ 49,844,126	\$ (290,710)
15 Network Load kW per Year	964,333	938,448	993,500	(55,052)
16 Rate (\$/kW-Yr)	\$ 51.65	\$ 52.80	\$ 50.17	\$ 2.63
TRUE-UP AMOUNT TO BE (REFUNDED)/PAID		\$ 550,077		

Adjustments to FERC Form 1 data

- Black Hills calculated the 2025 True-Up with the following modifications to data from the FERC Form 1:
 - Plant in Service and associated Accumulated Depreciation balances by Functional categories were evaluated to ensure the following were excluded from rate base:
 - Horizon Point Company Headquarters
 - Asset Retirement Obligation
 - Right of Use Operating Lease
 - In prior true-ups, Black Hills Power manually calculated a workpaper to show a reconciliation between state approved and FERC approved depreciation rates in its determination of accumulated depreciation.
 - Black Hills Power has implemented a software solution that allows the Company to calculate FERC accumulated reserve at the utility account level.
 - As such, this information is now sourced directly from the FF1.
 - This information is included on page 219 of the FF1, including the footnote in section B.
 - A reconciliation of accumulated depreciation to account for the difference between state depreciation rates and FERC depreciation rates can be found on WP13 in the supplemental supporting schedules.

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

- Any changes in the references between the template, as filed, and the FERC Form 1 can be seen in 2025 BHP Attach H True-Up Supplemental Supporting Schedules file (Cost of Service References tab).
- The Cost of Service reference tab includes an adjustment to the reference column for Long Term Interest at Line 142. This ensures Long-Term Interest matches Long Term Debt.

Identify any Accounting Changes including:

- i. The initial implementation of an accounting standard or policy,
- ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction,
- iii. Correction of errors and prior period adjustments that impact the True-up adjustment calculation
 - Captive insurance adjustment (2023 activity recorded in 2025)
- iv. The implementation of new estimation methods or policies that change prior estimates, and
- v. Changes to income tax elections.

Workpapers Provided for ATRR True-Up

- Supplemental Supporting Schedules
 - Cost of Service References - changes in FERC Form 1 references
 - Capital True Up References - True-Up timing processes and FERC interest rates
 - BHP WP1 A&G – adjustments and details for specific A&G expenses
 - BHP WP4 Transmission Assets - excluded plant
 - BHP WP9 Accum Depr - General and Intangible accumulated depreciation
 - BHP WP10 Plant in Service - General and Intangible plant in service
 - BHP WP11 Property Tax Expense - property tax adjustment for Horizon Point
 - BHP WP12 ADIT - the ADIT adjustment for Horizon Point and depreciation
 - BHP WP13 Accum Depr – Conversion from Book Depr to FERC Depr
 - EDIT-DDIT – the EDIT/DDIT Tracking and Amortization for the Tax Cuts and Jobs Act of 2017 (TCJA)
- EDIT-DDIT Remeasurement Detail – initial remeasurement of ADIT balance after the TCJA
- 2025 BHP True-Up Tie Out to FF1 – reconciliation of plant and accumulated depreciation balances from the True-Up to the 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/BHBE/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 *Transmission*, click *Learn More*. Then under FERC & Transmission Rates click on *Learn More*. Under *Black Hills 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

