BHCE 2025 Formula Rate True-Up Meeting

July 2026

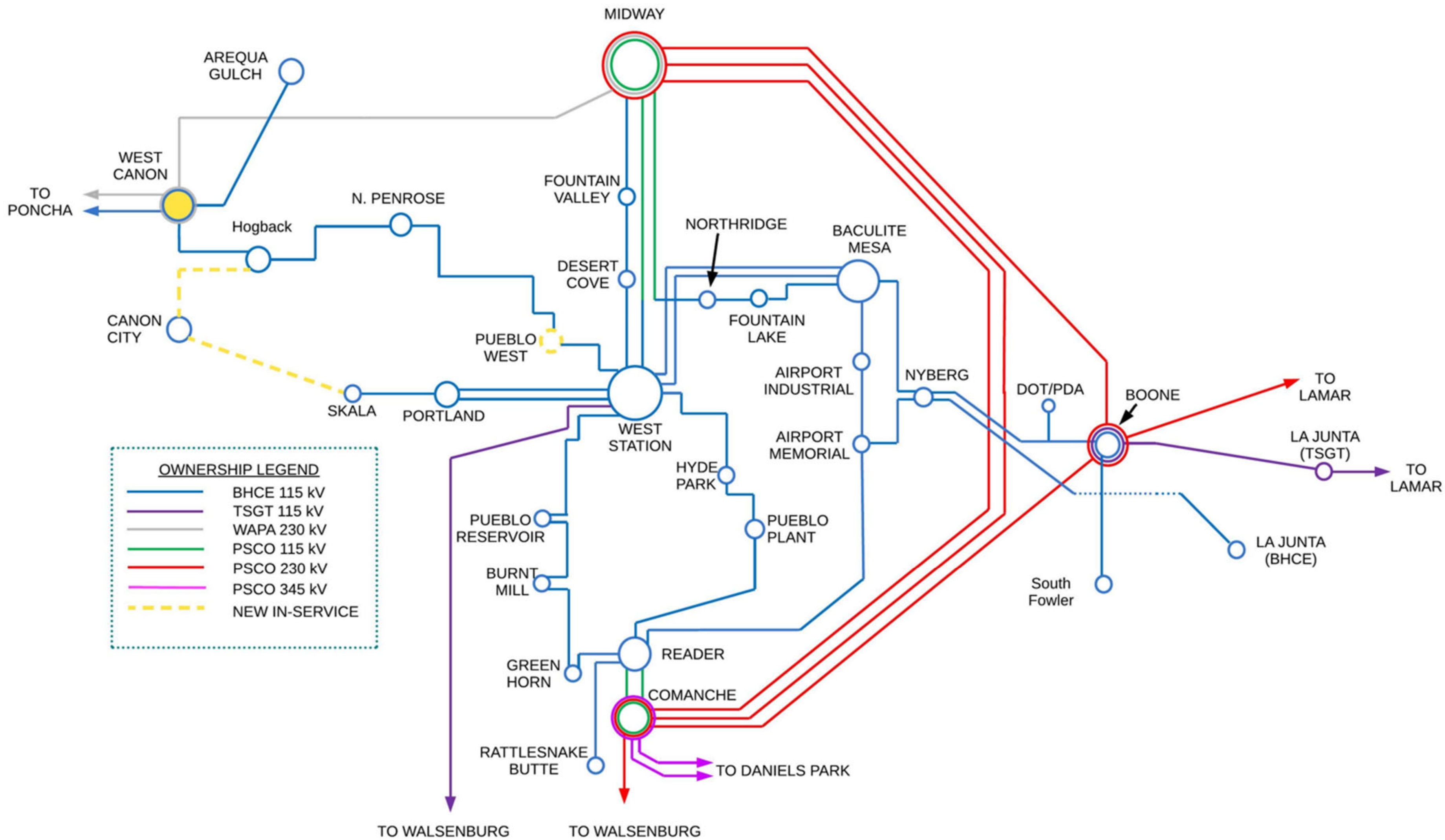
Black Hills Colorado Electric, LLC

Black Hills Energy
Ready

Agenda

- Introductions
- BHCE Transmission System Overview
- Protocols
- Discuss the 2025 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

By September 30
Projection for Upcoming Rate Year

By October 30
Customer Meeting to discuss Projection

January 1
Projected Rate effective for calendar year

March 1
Informational Filing with Commission

April 18
File FERC Form 1

By June 1
Perform Annual True-Up

By July 1
Perform Per Customer True-Up

Between July 1 & Aug 1
Customer Meeting to Discuss True-Up

Summary of Key Drivers

- The BHCE Actual 2025 Net Annual Revenue Requirements ("Net ATRR") was $3.7M more than the Projected 2025 Net ATRR.

- **Expenses:**
  - Depreciation expense was $2.6M higher than projected.
    - BHCE updated the depreciation rates through a Section 205 filing in docket ER25-2419-000
  - Income Taxes were $262k higher than projected.
- **Rate of Return:**
  - Rate of Return was 7.05% as compared to 6.59% in the projection due to an increase in the Long-Term Cost of Debt.
  - Total Rate Base was $14.5M higher than projected due to an increase in transmission plant investments.

Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **Revenue Credits**
  - Account 456.1
    - $673,180 74%
    - BHCE's short term non-firm usage on the BHCE transmission system was not originally recorded in 2023, which forms the basis for the 2025 Projection. In October 2024, BHCE revised the true-up to correct this and issue refunds. However, the 2025 projection was already complete at that time.
- **Rate Base**
  - Total Rate Base Change
    - $14,517,027 7%
  - Transmission Gross Plant
    - $10,035,271 3%
    - Transmission Plant was higher than projected.
  - Transmission Accumulated Depreciation
    - ($4,656,116) -8%
    - Using the approved template methodology, projected Transmission Accumulated Depreciation was higher than actuals.

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

Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **Rate Base**
  - Account No. 282
    - $1,921,040 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.
  - Account No. 283
    - ($3,447,307) -21%
    - Reflects plant-related deferred tax timing differences; most are not included in rate base and are removed in the FAS 109 adjustment below.
  - Account No. 190
    - ($1,045,742) -6%
    - Reflects changes in the GP Allocator which was 25.17% in the Projection and 24.32% in the True-Up due to changes in gross plant from the projection to the true-up.

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

Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **Rate Base**
  - FAS 109 Adjustment
    - ($1,759,776) -97%
    - Reflects changes in Account 283, referenced above, and is also due to the decrease in DTAs and the increase in DTLs.
- **O&M**
  - Transmission Depreciation Expense
    - $2,586,033 48%
    - Depreciation expense was higher in actuals due to an increase in transmission investment.
      - BHCE updated the depreciation rates through a Section 205 filing in docket ER25-2419-000

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

Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **O&M**
  - Account 565
    - $705,572 78%
    - BHCE's short term non-firm usage on the BHCE transmission system was not originally recorded in 2023, which forms the basis for the 2025 Projection. In October 2024 BHCE revised the true-up to correct this issue. However, the 2025 projection was already complete at that time.
  - Transmission plant excluded from Wholesale Rates
    - ($1,021,301) 8%
    - The approved template methodology used to project Transmission plant excluded from Wholesale Rates was higher than actuals.

2025 Projected Revenue Requirement Compared to Actual

Line No.	Black Hills Colorado Electric Attachment H		2025 Projection		2025 Actual		2025 True-Up Variance from Projection
1	Average Transmission Rate Base	$	217,789,725	$	232,306,752	$	14,517,027
2	Weighted Rate of Return		6.59%		7.05%		0.46%
3	**Return on Average Rate Base**	**$**	**14,348,820**	**$**	**16,384,608**	**$**	**2,035,788**
4							
5	**Operating Expenses**						
6	Operations & Maintenance	$	6,455,237	$	6,150,970	$	(304,267)
7	Depreciation		5,982,859	$	8,602,247		2,619,388
8	Taxes Other Than Income		3,133,314	$	2,917,618		(215,696)
9	**Total Operating Expenses**	**$**	**15,571,410**	**$**	**17,670,835**	**$**	**2,099,425**
10							
11	Income Taxes		2,873,941		3,136,279		262,338
12							
13	**Total Revenue Requirement**		**32,794,171**		**37,191,722**		**4,397,551**
14							
15	**Revenue Credits**		(909,616)		(1,584,199)		(674,584)
16	**Net Annual Revenue Requirement**	**$**	**31,884,555**	**$**	**35,607,523**	**$**	**3,722,968**
17							
18	Divisor		377,253		325,167		(52,086)
19	**Rate ($/kW-Yr)**	**$**	**84.52**	**$**	**109.51**	**$**	**24.99**

Modifications 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 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.

Identify any Accounting Changes including:

- The initial implementation of an accounting standard or policy,
- The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction,
- Correction of errors and prior period adjustments that impact the True-up adjustment calculation
  - RESA interest true-up (2024 activity recorded in 2025)
  - Captive insurance adjustment (2023 activity recorded in 2025)
- The implementation of new estimation methods or policies that change prior estimates, and
- Changed to income tax elections.

Workpapers Provided for ATRR True-Up

- 2025 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
- 2025 BHCT A3.1-EDIT-DDIT & A3.2-EDIT-DDIT
- 2025 BHCT A3-ADIT
- 2025 BHCT Att-H Comparison
- 2025 BHCT Load Workpaper
- 2025 BHCT Schedule 1 Workpaper
- 2025 BHCT Workpaper Source Index
- COE FERC Form 1 page 429 – Affiliate Costs
- COE 2025 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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