

Cheyenne Light 2025 Formula Rate True-Up Meeting

June 2026

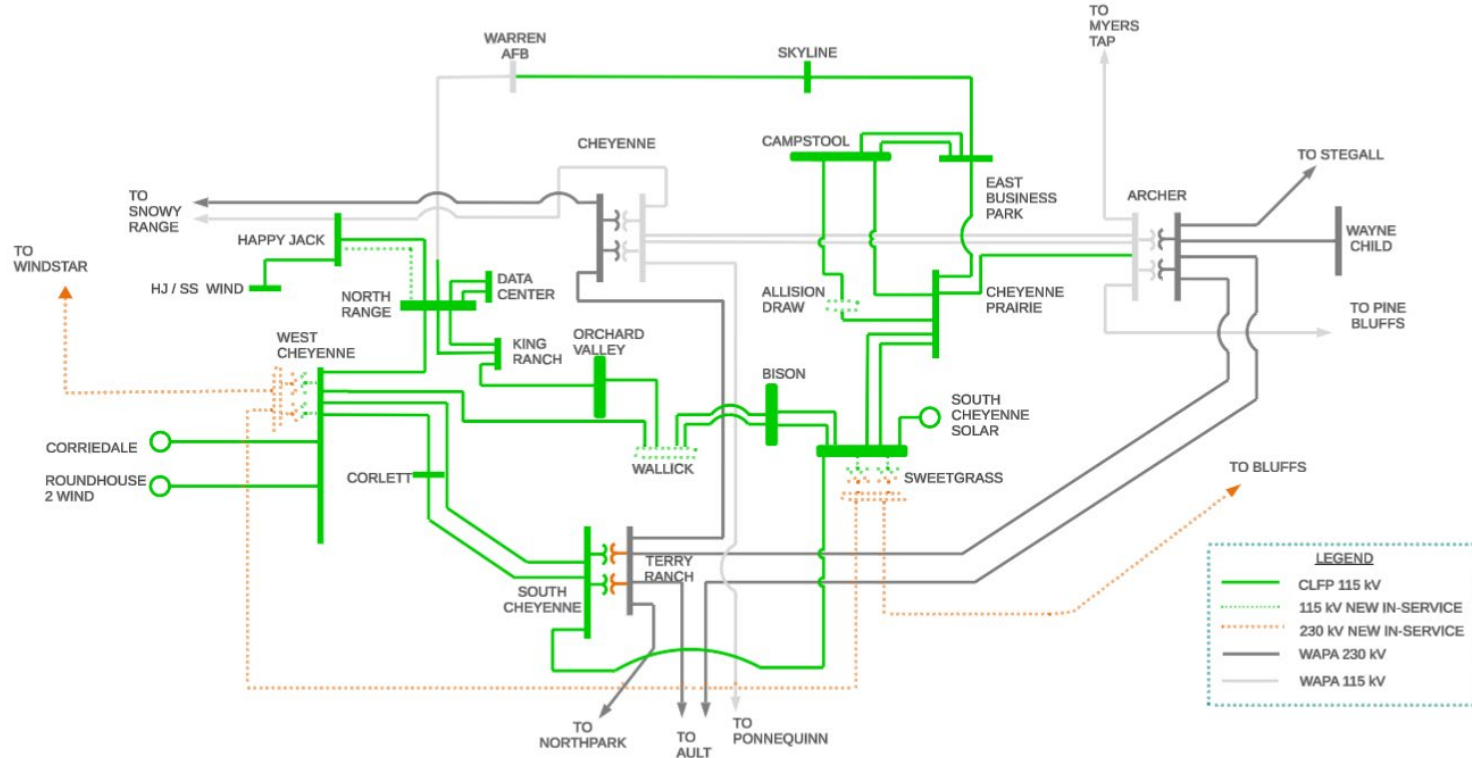




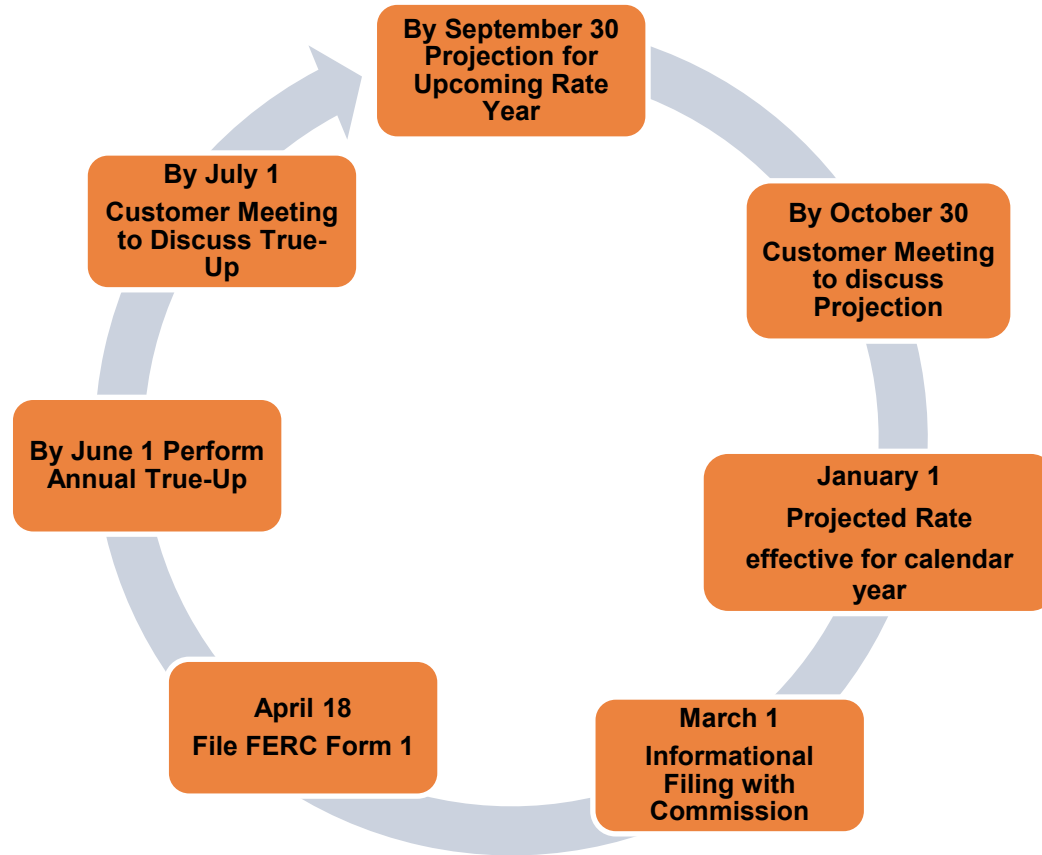
Agenda

- ❑ Introductions
- ❑ CLFP Transmission System Overview
- ❑ Protocols
- ❑ Discuss the 2025 Annual True-Up
 - ❑ Summary of Key Drivers
 - ❑ 2025 Actual Revenue Requirement
 - ❑ Adjustments to FERC Form 1 Data
 - ❑ Changes to References in the Formula
 - ❑ Prepayment and Other Disclosure Obligations
 - ❑ Workpapers Provided for the True-Up
- ❑ Where to Find Information and be Engaged
- ❑ Questions & Comments

Cheyenne Transmission System (CLPT)



Formula Rate Protocols



Cheyenne Light Formula Rate Template Revisions

- ❑ In May of 2025, Cheyenne Light made an FPA Section 205 filing seeking to implement limited revisions to a subset of worksheets in its Formula Rate Template (Docket No. ER25-2171).
- ❑ FERC approved those revisions effective August 1, 2025.
- ❑ Targeted Revisions included but were not limited to:
 - ❑ Increased flexibility and transparency in utilizing Excluded Plant Function.
 - ❑ Revisions to more accurately reflect Cheyenne Light long-term Debt.
 - ❑ Refined O&M projection which includes an escalation cap.
 - ❑ Changes driven by FERC Order 898.
 - ❑ Aligning Fixed Depreciation Rates with the depreciation rates approved in Cheyenne Light's most recent retail rate case.
- ❑ **The 2025 Annual True-Up represents the first true-up since approval in Docket No. ER25-2171**

Summary of Key Drivers

- ❑ The CLPT 2025 Net Annual Revenue Requirement is \$16M.
 - ❑ Decrease of \$4.2M over the 2025 projection.
- ❑ The 2025 actual annual rate is \$45.39 kW-Yr, a decrease of \$20.33 kW-Yr over the 2025 projection.
- ❑ Primary Drivers
 - ❑ The variance between the Actual and Projected revenue requirements is impacted by a negative prior period adjustment of \$4.3M related to the 2023 True-Up, which rolls forward into the 2025 Projection through the approved template methodology.
 - ❑ The 2025 True-Up return on rate base is \$4.3M lower than the 2025 Projection, driven by a \$78M reduction in transmission plant and a corresponding decrease in the TP allocator.
 - ❑ As a result, the income tax is lower by \$512k.
 - ❑ In total, O&M expenses were \$3.7M lower than the 2025 Projection
 - ❑ Taxes Other Than Income Taxes were \$687k lower than projected.



2025 Projected Revenue Requirement Compared to Actual

	<u>2024 Actual</u>	<u>2025 Actual</u>	<u>2025 Projection</u>	<u>2025 True Up Variance from Projection</u>
Cheyenne Light Fuel & Power Attachment H				
1 Average Transmission Rate Base	\$ 116,940,325	\$ 117,852,663	\$ 173,561,569	\$ (55,708,906)
2 Weighted Rate of Return	7.96%	7.95%	7.91%	
3 Return on Average Rate Base	9,308,086	9,371,052	13,730,320	\$ (4,359,268)
4				
5 Operating Expenses				
6 Operations & Maintenance	\$ 2,638,468	\$ 1,803,504	\$ 3,875,056	\$ (2,071,552)
7 Depreciation	2,980,160	2,932,234	3,866,988	(934,754)
8 Taxes Other Than Income	601,517	601,314	1,288,450	(687,136)
9 Total Operating Expenses	\$ 6,220,145	\$ 5,337,052	\$ 9,030,494	\$ (3,693,442)
10				
11 Income Taxes	\$ 1,304,519	\$ 1,410,225	\$ 1,922,154	\$ (511,929)
12				
13 Total Revenue Requirement	<u>\$ 16,832,750</u>	<u>\$ 16,118,329</u>	<u>\$ 24,682,968</u>	<u>\$ (8,564,639)</u>
14				
15 Revenue Credits	(97,402)	(86,443)	(96,386)	9,943
16				
17 Prior Year True Up Adjustment			(4,314,709)	4,314,709
18 Net Annual Revenue Requirements	<u>\$ 16,735,348</u>	<u>\$ 16,031,886</u>	<u>\$ 20,271,873</u>	<u>\$ (4,239,987)</u>
19				
20 Network Load kW per Year	295,500	353,167	308,450	44,717
21 Rate (\$/kW-Yr)	\$ 56.63	\$ 45.39	\$ 65.72	\$ (20.33)

Adjustments to FERC Form 1 Data

Corriedale

- Certain assets associated with the Corriedale project are appropriately recorded in transmission accounts; however, GSUs and tie lines, where applicable, should be excluded from transmission ratemaking.
- Cheyenne Light has excluded the assets in Actual Attachment H, Page 4 line 3
- Cheyenne Light 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 .
 - King Ranch: WP A-3, Lines 3-5 Adj.
 - Corriedale: Act Att-H, page 4, Line 3 Adj.
- Cheyenne Light tracks state and FERC depreciation separately due to prior rate differences, with impacts persisting in accumulated depreciation until impacted assets are fully depreciated. This information is included on page 219 of the FF1, including the Section A. footnote and page 336 of the FF1, including footnote A.
- A supplemental workpaper is provided to show those calculations and reconcile the FERC Form 1 amounts with the amounts presented in the Actual Attachment H, Actual A-3 and Actual A-4.

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 disclosure procedures must be followed.
- ❑ Two new prepayments were included in the 2025 True-Up. A supplemental worksheet is provided to offer detailed information as mandated by Cheyenne Lights protocols. The two new prepayments include:
 - ❑ Siemens Energy - SF6 Circuit Breaker
 - ❑ General Electric Company - Spare Combustor
 - ❑ Both are subject to the Transmission Plant Allocator, which applies a percentage of transmission plant included in rates; only the allocated portion is reflected in transmission 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.

Affiliate Cost Allocation

- ❑ There have been no material changes in the cost allocation method.
- ❑ Cheyenne Light also has an obligation to identify the magnitude of any affiliate cost allocations; this information is shown on FERC Form 1 page 429 and was posted to OASIS with the True-Up filing.

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
 - ❑ Captive insurance adjustment (2023 activity recorded in 2025)
- ❑ The implementation of new estimation methods or policies that change prior estimates
- ❑ Changes to income tax elections

Workpapers Provided for ATRR True-Up

Attachment H Supplemental Workpapers

- Act Att-H, Page 3, Line 9-10 Adjustment – Depreciation and amortization expense
- Act Att-H, Page 4, Line 2 Adjustment – Transmission plant to exclude in transmission plant allocator
- Act Att-H, Page 4, Line 3 Adjustment – Transmission plant to exclude in transmission plant allocator
- A-2, Line 21, PBOP Adjustment – PBOP Net Periodic expense
- A-3, Lines 3-5 Adjustment – Accumulated deferred income taxes
- A-4, Pg. 1, Lines 15-28 Adjustment – Transmission accumulated depreciation workpaper
- GSU – Net GSU

A-8 Prepayments – Supporting documentation for prepayments

FERC Form 1 page 429 – Transactions with affiliated companies

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



Ready



Comments / Suggestions

Electric Transmission Services

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