BHP 2026 Projected Net Revenue Requirement Meeting

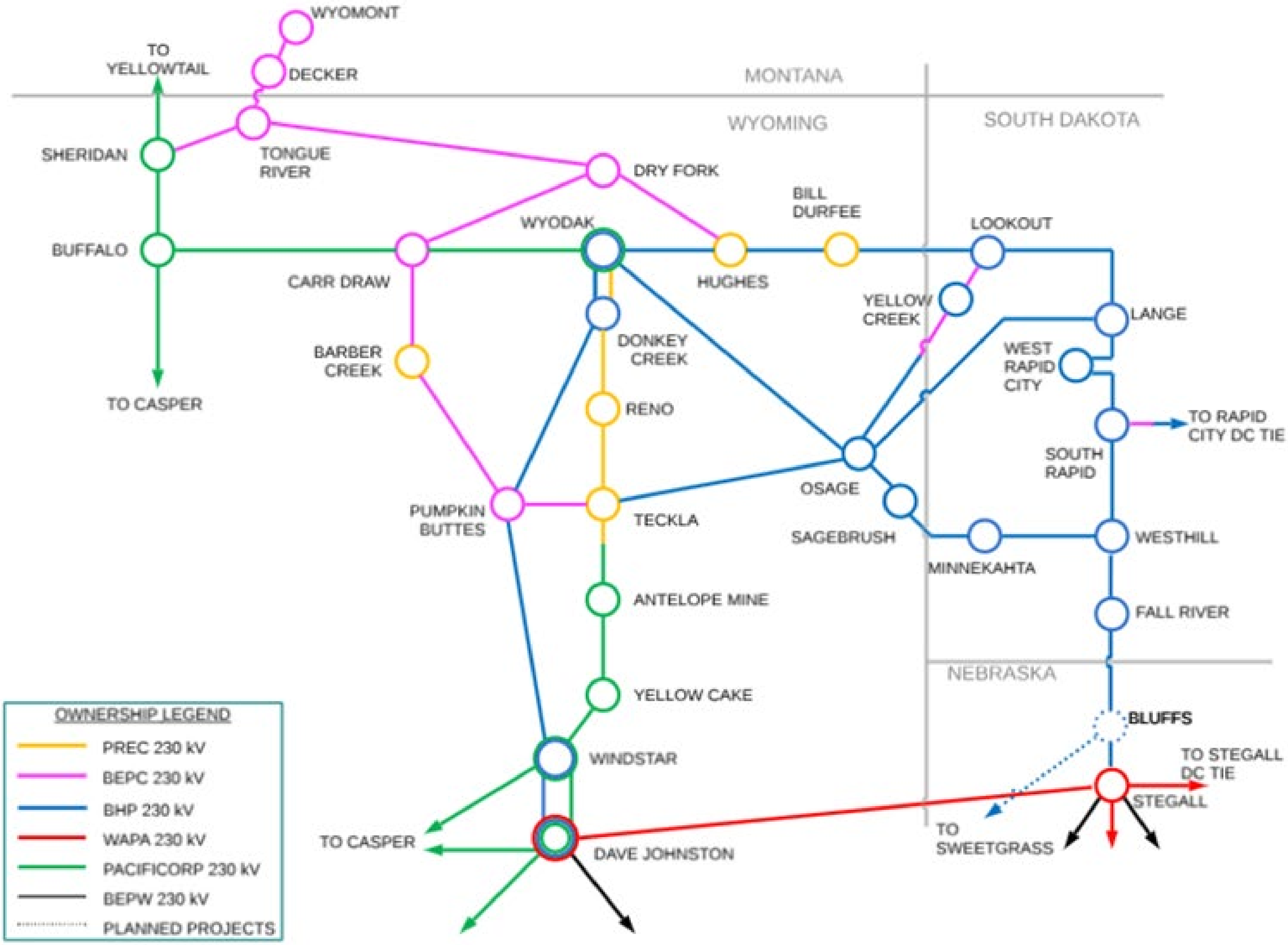
October 2025

Black Hills Energy
Ready

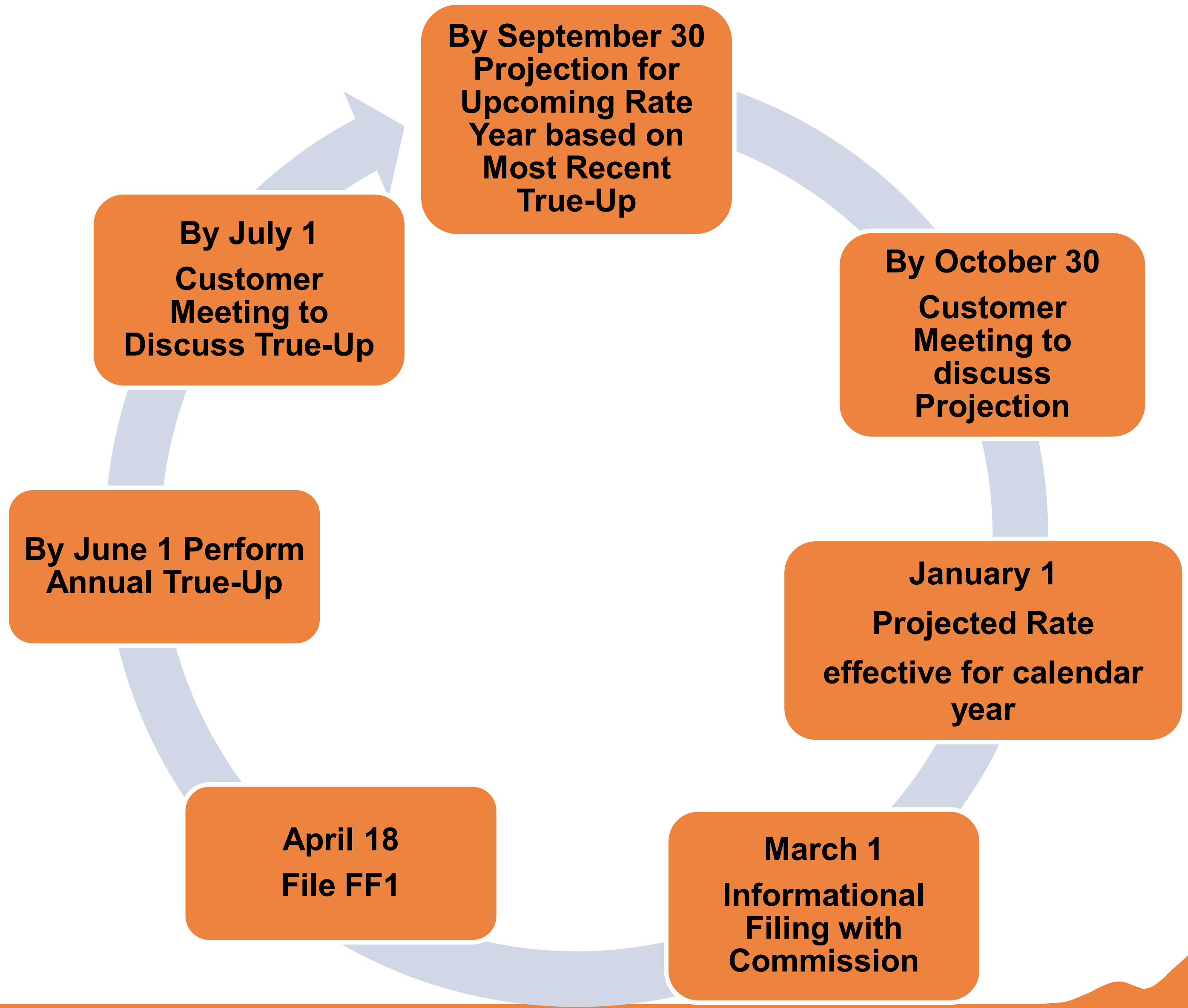
Agenda

- Introductions
- CUS Transmission System Overview
- CUS Protocols
- Discuss the 2026 Projected Net Revenue Requirement
  - 2026 Projected Revenue Requirement
  - Adjustments to FERC Form 1 (FF1) Data
  - Accounting Changes
  - Changes to References in the Formula
  - Workpapers Provided for the Projection
- Where to Find Information and be Engaged
- Questions & Comments

Common Use System 10-Year Transmission Projects



Formula Rate Protocols



2026 Projected Revenue Requirement

	Black Hills Power Attachment H	2026 Projected	2025 Projected	2024 Actual	2026 Projection Variance from Prior Year
1	Average Transmission Rate Base	$ 183,813,837	$ 190,160,823	$ 197,935,833	$ (6,346,986)
2	Weighted Rate of Return	8.53%	8.76%	8.53%	-0.23%
3	**Return on Average Rate Base**	$ 15,674,486	$ 16,661,341	$ 16,878,721	$ (986,855)
4	Operating Expenses				
5	Operations & Maintenance	4,309,399	5,011,989	4,308,178	(702,590)
6	Depreciation	6,606,535	6,617,316	6,580,022	(10,781)
7	Taxes Other than Income	1,465,263	1,568,764	1,475,369	(103,501)
8	**Total Operating Expenses**	12,381,197	13,198,069	12,363,569	(816,872)
9	Income Taxes	2,610,631	2,460,934	2,841,724	149,697
10	Total Revenue Requirement	30,666,314	32,320,344	32,084,014	(1,654,030)
	Component Annual Revenue Requirements				
11	Black Hills	30,666,314	32,320,344	32,084,014	(1,654,030)
12	Basin Electric	16,482,130	16,482,130	16,482,130	-
13	PRECorp	2,123,466	2,123,466	2,123,466	-
14	**Total Annual Revenue Requirements**	49,271,910	50,925,940	50,689,610	(1,654,030)
15	**Revenue Credits**	(1,563,879)	(1,081,814)	(1,563,879)	(482,065)
16	**Net Annual Revenue Requirements**	$ 47,708,031	$ 49,844,126	$ 49,125,731	$ (2,136,095)
17	Network Load	957,344	993,500	964,333	(36,156)
18	Rate ($/kW-Yr)	$ 49.83	$ 50.17	$ 50.94	$ (0.34)

Drivers

- No additions >$1 million to plant expected in 2026
- Net plant is declining due to depreciation outpacing additions
- Amortization of EDIT/DDIT starting in 2023 reduces income taxes

Adjustments to FF1 data within the 2026 Projected Revenue Requirement

- Black Hills calculated the 2026 Projected Net Revenue Requirement with the following modifications to data from the FF1:
  - 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 on page 219, 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.

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
iv. The implementation of new estimation methods or policies that change prior estimates, and
v. Changed to income tax elections.

There are no accounting changes included in the 2026 Projected Formula Rate.

Changes in Formula Rate References (changes in page and line numbers for FF1)

- Over the years FERC has changed pagination and display related to the FF1; this includes formatting changes in 2021 due to FERC's Conversion to XBRL.
- Any changes in the references between the template, as filed, and the FF1 can be seen in 2026 BHBE Attachment H Transmission Rate Estimate Supplemental Supporting Schedules file (Cost of Service References tab).
- Thus far, FERC has not taken the position that Transmission Providers need to make changes to their templates to accommodate the reference changes

Workpapers Provided for Projected Revenue Requirement

- Supplemental Supporting Schedules
  - Cost of Service References - changes in FF1 references
  - BHP WP1 A&G – adjustments and details for specific A&G expenses
  - BHP WP4 Transmission Assets - excluded plant
  - BHP WP8 Adj to Rate Base – ADIT adjustments to rate base
  - 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 Accumulated Reserve - the accumulated depreciation variance between state-approved and FERC-approved depreciation rates
  - 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
- 2026 BHP Projection Tie Out to FF1 – reconciliation of plant and accumulated depreciation balances from the Projection to the FF1

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

Comments / Suggestions

Electric Transmission Services

Transmissionservice@blackhillscorp.com