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February 27, 2026

Ms. Debbie-Anne A. Reese  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington DC, 20246

RE: *Black Hills Colorado Electric, LLC*  
Docket No. ER-26-\_\_\_-000  
Annual Formula Rate Update Informational Filing

Dear Secretary Reese:

Black Hills Colorado Electric, LLC (“Colorado Electric”) hereby submits the annual informational filing (“Informational Filing”) required by Section V of its formula rate protocols (“Protocols”), which are set forth in Attachment H-2 of its Open Access Transmission Tariff (“OATT”). This Informational Filing includes information relating to Colorado Electric’s Projected Net Revenue Requirement, which forms the basis for the rates that became effective January 1, 2026. Colorado Electric’s Projected Net Revenue Requirement for 2026 is based on actual data for 2024 and estimated data for 2026. In addition, this Informational Filing includes data and information relating to Colorado Electric’s most recent Annual True-Up. The last Annual True-Up was performed in June of 2025 and covered Rate Year 2024.

## **I. INFORMATIONAL FILING REQUIREMENTS**

Section V of Colorado Electric’s Protocols provides that, by March 1 of each year, Colorado Electric shall submit to the Commission an Informational Filing describing its Projected Net Revenue Requirement and Annual True-Up, including the postings required by Section II and IV of the Protocols and which occurred during the prior year.

Section V further provides that the Informational Filing is to include information reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Colorado Electric has properly applied the formula rate and its Protocols; (3) the accuracy of data and the consistency with the formula rate template of the transmission revenue requirement and the rates under review; (4) the extent of any accounting changes that affected formula rate inputs; and (5) the

reasonableness of projected costs. The Protocols also require Colorado Electric to submit, in its Informational Filing, the formula rate template and underlying workpapers in native format, fully populated, and with formulas intact. Colorado Electric is fulfilling these tariff obligations by providing the attachments, narrative descriptions, and files described in this transmittal letter.

## **A. Attachments**

In accordance with the requirements under Section V of its Protocols, Colorado Electric provides the following attachments with its Informational Filing.

- This Transmittal Letter;
- 2026 BHCE Attach H Trans Formula Projection.xlsx
- 2026 Projection - A2 A & G (PBOP).xlsx
- 2026 Projection - Actual Attach H - Cost of Debt.xlsx
- 2026 Projection - Actual Attach H - Excluded Plant.xlsx
- 2026 Projection - Actual Attach H - Excluded Plant - OATT ancillary services or GSUs.xlsx
- 2026 Projection - Actual Attach H – Income Tax.xlsx
- 2026 Projection - 2025 Monthly System Peak Workpaper.xlsx
- 2024 True-Up - BHCE Workpaper Source Index.xlsx
- 2024 True-Up – BHCE Attach H Trans Formula True-Up.xlsx
- 2024 True-Up – BHCE Trans Formula Schedule 1 True-Up
- 2024 True-Up – BHCE Attach Supplemental Workpapers.xlsx<sup>1</sup>
- 2024 True-Up – BHCE A3-ADIT.xlsx
- 2024 True-Up – BHCE A3.1 EDIT-DDIT & A3.2 EDIT-DDIT.dtl.xlsx
- 2024 True-Up - BHCE Att-H Comparison.xlsx
- 2024 True-Up - 2024 Monthly System Peak Workpaper.xlsx
- COE 2024 FERC Form 1 – Page 429 Affiliate Cost Allocation.pdf<sup>2</sup>
- COE 2024 FERC Form 1 – Page 400.pdf

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<sup>1</sup> 2024 True-Up – BHCE Attach Supplemental Workpapers.xlsx includes data to support the following information: Cost of Service Reference Changes, A-4 Rate Base to FERC Form 1 Reconciliation, GSU Excluded Plant, Total Excluded Plant, Income Tax, AFUDC Equity, Cost of Long-Term Debt, A.2 A&G PBOP, A6 Divisor and A8 Prepayments.

<sup>2</sup> Colorado Electric’s Protocols require it to provide a description of the methodologies used to allocate and directly assign costs between Colorado Electric and its affiliates. Colorado Electric must also identify the magnitude of such costs that have been allocated or directly assigned to Colorado Electric by any affiliates. The information in “COE\_2024\_FERC\_Form\_1\_Page\_429\_Affiliate\_Cost\_Allocation.pdf” was sourced from the Company’s 2024 FERC Form 1 at page 429 wherein all non-power goods or services provided by affiliated entities are reported.

## **B. Corrections, Adjustments, Accounting Changes, and Challenges**

### **1. Corrections and Adjustments**

Consistent with the deadlines set forth in its Protocols, Colorado Electric posted its 2024 Annual True-Up on June 1, 2025. No corrections were identified. However, the following adjustments were made 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 to FERC Form 1 Reconciliation

An adjustment was also made relative to Schedule 1 Point to Point Revenues. Because Schedule 1 Ancillary Service Revenue is not reported by service type in the FF1, an adjustment is necessary to accurately reflect the appropriate revenue credit. The service categories are broken down in the Schedule 1 workpaper using company records.

### **2. Accounting Changes**

Colorado Electric has not identified any accounting changes that would have impacted the 2024 FERC Form 1 Information, which constitutes part of the data set it used for the 2026 projected net revenue requirement.

### **3. Informal or Formal Challenges**

Finally, Section V of the Protocols requires Colorado Electric to describe any aspect of the transmission formula rate, or its inputs, that is the subject of dispute under the informal or formal challenge procedures available under its Attachment H Protocols. At the time of this filing, no aspect of Colorado Electric's 2026 Projected Net Revenue Requirement or 2024 Annual True-Up is the subject of a dispute under the informal or formal challenge procedures set forth in Section VII of the Protocols.

## **C. Cost Allocation Information**

Section V of the Protocols further requires that Colorado Electric include, in its Informational Filing, a description of the methodologies used to allocate and directly assign

costs between Colorado Electric and its affiliates. Colorado Electric must also identify the magnitude of such costs that have been allocated or directly assigned to Colorado Electric. In 2024, Colorado Electric received allocated or directly assigned costs from Black Hills Service Company, LLC (“BHSC”) and Black Hills Power.

Costs from BHSC could be directly charged to Colorado Electric, or indirectly allocated when the cost was not associated with an activity specifically undertaken on behalf of Colorado Electric. Stated similarly, direct costs are costs that are specifically associated with and assignable to Colorado Electric and indirect costs are costs that benefit or support more than one Black Hills Corporation subsidiary and are allocated among subsidiaries using one of several pre-defined allocation ratios. Those pre-defined allocation ratios are described in BHSC’s Cost Allocation Manual or “CAM.” The potential allocation ratios available for use through the CAM in 2024 included:

- **Asset Cost Ratio** – Based on the net cost of assets.
- **Gross Margin Ratio** – Based on the total gross margin.
- **Payroll Dollars Ratio** – Based on the total direct payroll dollars.
- **Blended Ratio** – A composite ratio comprised of an average of the Asset Cost Ratio, the Payroll Dollars Ratio, and the Gross Margin Ratio. These ratios are equally weighted. This ratio is sometimes referred to as the 3-factor allocation ratio.
- **Employee Ratio** – Based on the number of employees.
- **Generation Capacity Ratio** – Based on the power generation facility’s capacity.
- **Square Footage Ratio** – The total square footage of a given facility.
- **Regulated Electric Transmission/Distribution Ratio** - Based on an average of a multiple of cross-sectional drivers for the transmission function that includes customer counts, peak load, number of substations, number of feeders, number of distribution and transmission miles, and number of remote terminal units.
- **Customer Count Ratio** - Based on the number of customers.

Each BHSC department is assigned one of these allocation ratios. All indirect costs of that department are then allocated using the assigned ratio. When determining which allocation ratio should be assigned to each department, a ratio is selected based on the specific cost driver of that department. For instance, the expenses incurred by a Human Resources department are primarily related to their support of all company employees. In this example, the cost driver for the Human Resources department indirect costs is employees. Therefore, their indirect costs will be allocated based upon the Employee Ratio.

The Protocols also require a disclosure relating to the magnitude of costs that have been allocated or directly assigned between Colorado Electric and its affiliates, by service category or function. In order to satisfy this requirement, Colorado Electric has attached a document titled “COE\_2024\_FERC\_Form\_1\_\_Page\_429\_Affiliate\_Cost\_Allocation.pdf.” This document was sourced from the Company’s 2024 FERC Form 1 at page 429 wherein all non-power goods or services provided by affiliated entities are reported.

In addition, BHSC also allocates assets to BHC subsidiaries pursuant to the CAM together with attendant accumulated deferred income tax and excess deferred income tax expense. Based on a 13- month average, in 2024 BHSC allocated \$16,420,741 in net plant to Colorado Electric and \$2,003,605 was allocated to the formula rate. This net plant amount represents the portion of BHSC net plant allocated to the transmission formula rate exclusive of accumulated deferred income tax and excess deferred income tax expense.

#### **D. Additional Reporting**

Colorado Electric’s Attachment H formula rate template includes certain disclosure obligations in the event that it populates the data enterable field located on Page 3, template line 18 in Actual Attachment H. See Note AA (Taxes Other than Income Taxes). Colorado Electric did not populate the template line associated with Actual Attachment H, Note AA (Taxes other than Income Tax). For this reason, Colorado Electric has nothing to disclose in relation to these items in this Informational Filing.

Colorado Electric is also responsible for identifying any change in its method of deriving template load inputs from the prior rate year that affect the inputs to, or the resulting charges billed under the formula rate and explaining any impact. The method of deriving template load inputs from the prior rate year did not change.

#### **E. Deadlines and Administrative Requirements**

The Protocols also contain a number of set deadlines and administrative requirements. For instance, Colorado Electric’s Protocols require it to post its Projected Net Revenue Requirement for the following rate year on its website and Colorado Electric’s s Open Access Same Time Information System (“OASIS”) by September 30 of each year. Further, within ten (10) days of its posting of the projected net revenue requirement, Colorado Electric is required to provide notice of the posting to interested parties, via an email exploder list.<sup>3</sup> Finally, following the posting of its projected net revenue requirement, Colorado Electric’s Protocols require it to hold an open meeting with interested parties to permit Colorado Electric to explain and clarify its projected net revenue requirement and/or its annual true-up.

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<sup>3</sup> OATT, Attachment H-2 § II.1.

Similarly, Colorado Electric’s Protocols have a number of set deadlines and administrative requirements applicable to the Annual True-Up. Colorado Electric is to post its Annual True-Up, on or before June 1, of each year. Within ten days thereafter, Colorado Electric will provide notice to interested parties of the posting via an email exploder list.

Colorado Electric must hold an open meeting among interested parties sometime after July 1 and before August 1 each year and must provide notice of the meeting via an email exploder prior to the meetings.

Colorado Electric inadvertently did not send notice by email exploder list of the posting of the Annual Projection as required by Section 2.1 of its formula rate protocols. While notice of Annual Projection posting by email exploder did not occur, Colorado Electric did send timely notice by email exploder of the annual meeting, facilitated the meeting, and received no inquiries, information requests, or requests to extend the time from customers.

The following table summarizes Colorado Electric’s activities with regard to the specific deadlines and administrative requirements set forth in the Protocols

<b>Activity</b>	<b>Due Date</b>	<b>Date Activity Completed</b>
Determine Annual True-Up for Rate Year 2024 and Post on Website and OASIS	06/01/2025	06/01/2025
Send notice by email exploder list of the posting of the True-Up calculation	06/11/2025	06/03/2025
Send notice by email exploder list and post notice of meeting on website and OASIS of Annual True-Up meeting	06/7/2025	05/30/2025
Hold Annual True-Up Meeting	08/01/2025	07/10/2025
Determine Projected Net Revenue Requirement for Rate Year 2024 and Post on Website and OASIS	09/30/2025	09/30/2025
Send Notice by email exploder list of the posting of Attachment H Projected Rates	10/12/2025	See above at page 5
Send notice by email exploder list and post notice of meeting on website and OASIS of Annual Projected Rate Meeting	10/10/2025	09/09/2025
Hold Annual Projected Rate Meeting	10/30/2025	10/13/2025

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## II. COMMUNICATIONS

Please direct all communications and correspondence in this proceeding to the individual listed below:

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## III. SERVICE

In accordance with Section V of its Protocols, Colorado Electric will, within five days of its Informational Filing, provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to this Informational Filing on its website and the Colorado Electric OASIS within five days of the filing.

Thank you for your attention to this matter. Please contact the undersigned if you have any questions concerning this Informational Filing.

Respectfully Submitted,

/s/ Catherine M. Sabers  
Catherine M. Sabers  
Associate General Counsel