

BHCE 2022 Formula Rate True-Up Meeting

June 2023

Black Hills Colorado Electric, LLC

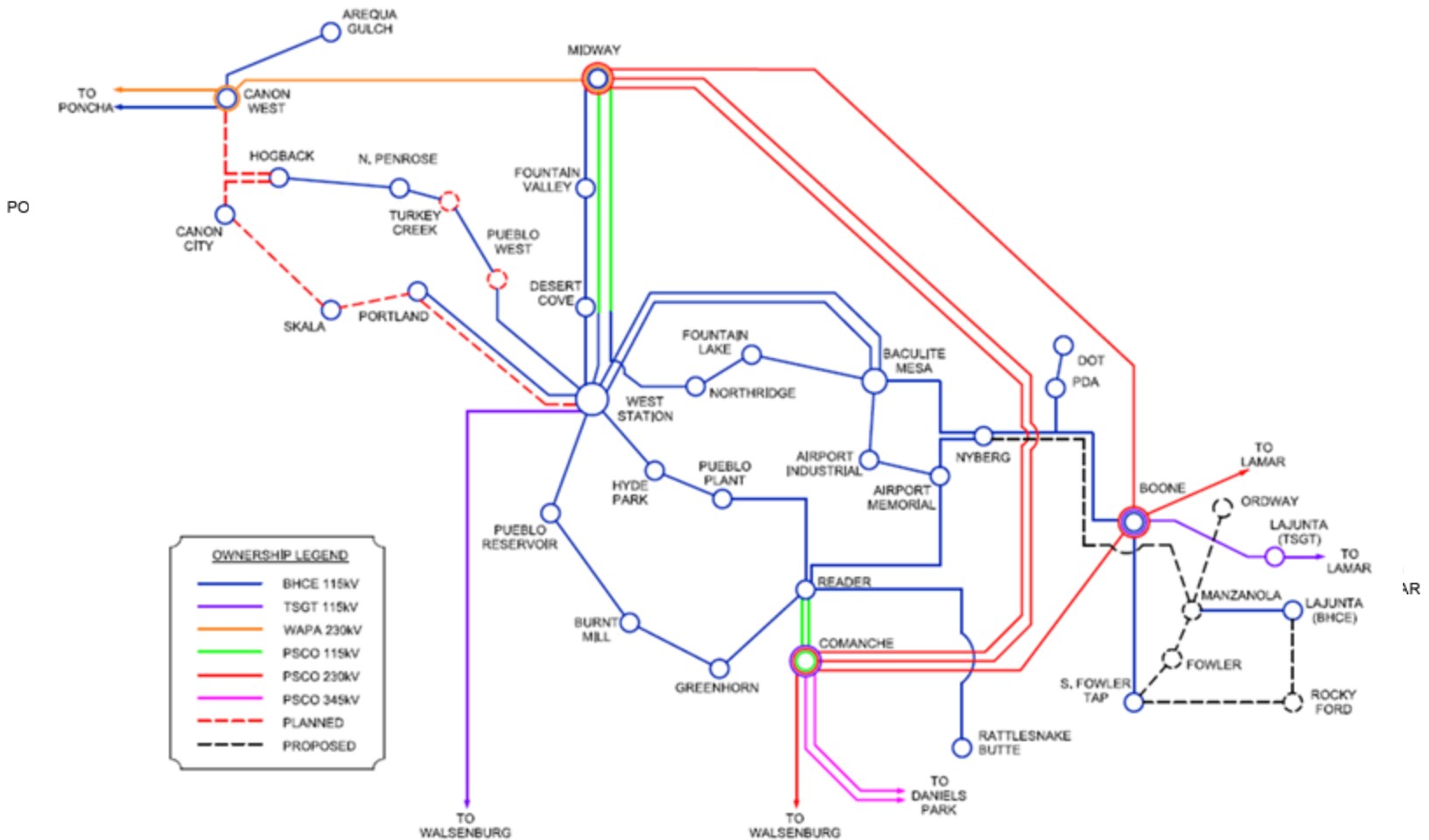




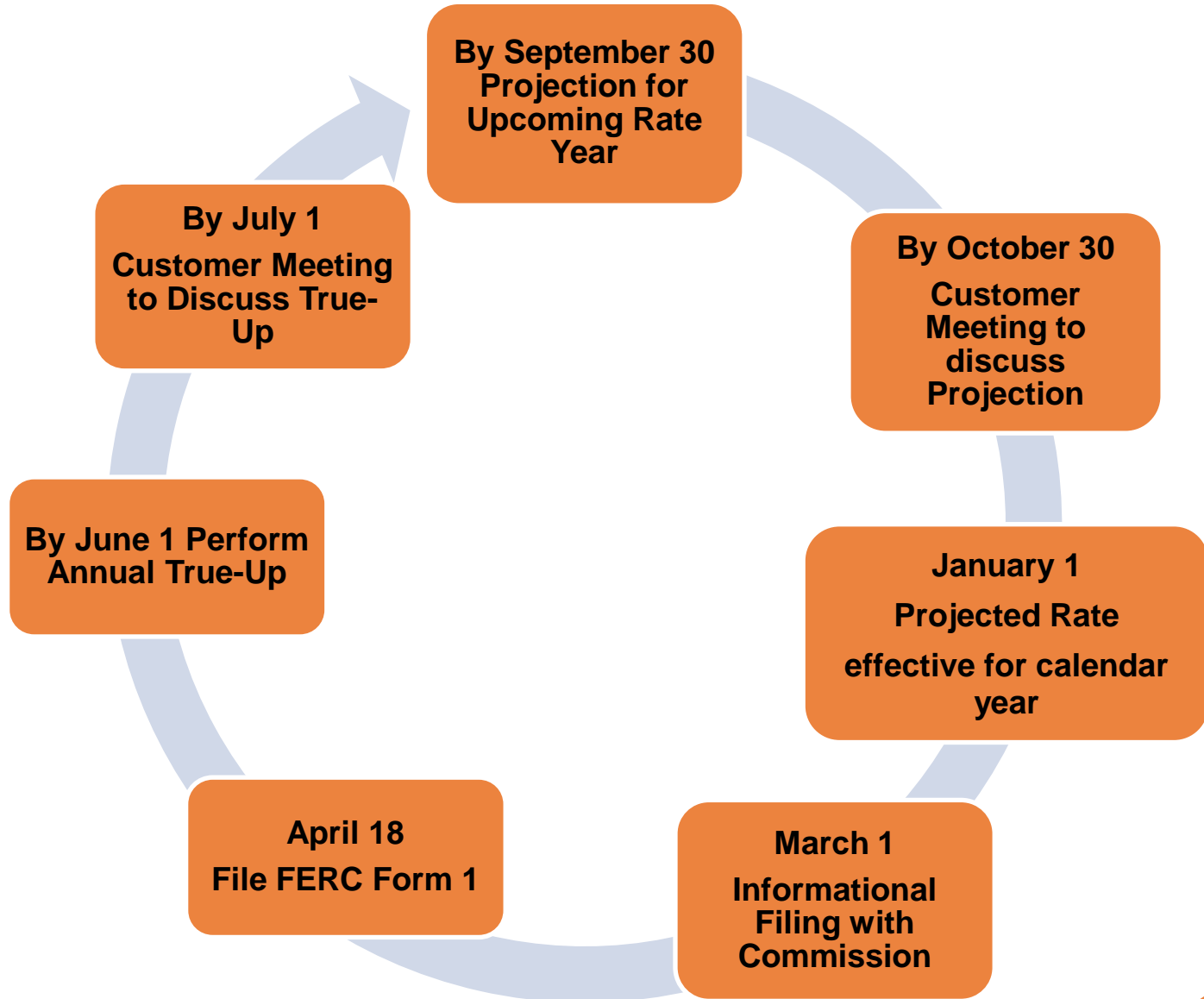
Agenda

- Introductions
- BHCE Transmission System Overview
- Protocols
- Discuss the 2022 Annual True-Up
 - Summary of Key Drivers
 - 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



2022 Transition from Stated Rate to Formula Rate Description of First True-UP

- In June of 2022, Colorado Electric made a Federal Power Act Section 205 Filing to transition from stated transmission rates to a transmission formula rate (“Formula Rate Filing”). The stated rate remained in place through August of 2022 and impacted customers continued to pay pursuant to the stated transmission rates until that time.
- On August 31, 2022, the Federal Energy Regulatory Commission (“Commission”) accepted the proposed transmission formula rate template and associated protocols submitted in the Formula Rate Filing effective September 1, 2022, subject to refund, settlement proceedings, and administrative hearing procedures, as necessary.
- As such, impacted customers began paying the formula rate after it became effective and for the remainder of 2022.
- The Formula Rate Filing remains pending and is the subject of ongoing settlement proceedings.
- Consistent with the FPA Section 205 filing; this first Annual True-Up is only a partial year true-up covering September – December 2022.
- In the FPA Section 205 filing, BHCE proposed to roll forward the True-Up Adjustment into the next projected rates. Though the Revenue Requirement was calculated on an annual basis, because it was only charged for four months; only those four months are subject to True-Up and assuming the, as filed roll-forward of the True-Up Adjustment occurred as originally filed, it would only include those four months.

Summary of Key Drivers

- The BHCE Actual 2022 Net Annual Revenue Requirements (“Net ATRR”) was \$2.3M less than the Projected 2022 Net ATRR.
- Primary Drivers of Decrease
 - Rate Base Increase:
 - Projected Net Plant In Service was \$11.9M higher than actuals
 - Increase of Rate Base due an input error during population of the template. Specifically, Account 190 – Deferred Tax Asset was incorrectly treated as a liability and a reduction to rate base in the projection when it should have been added to rate base.
 - Expenses:
 - Payroll tax amount was incorrect in the projection due to a 2020 FERC Form 1 input error. The accurate payroll tax amount is included in the true-up and ties to the 2022 FERC Form 1, reducing the expense by \$480k.



2022 Projected Revenue Requirement Compared to Actual

Line No.	Black Hills Colorado Electric Attachment H	2022 Projection	2022 Actual	2022 True-Up Variance from Projection
1	Average Transmission Rate Base	\$ 150,594,895	\$ 165,819,059	\$ 15,224,164
2	Weighted Rate of Return	7.58%	7.27%	-0.30%
3	Return on Average Rate Base	\$ 11,411,832	\$ 12,060,708	\$ 648,876
4				
5	Operating Expenses			
6	Operations & Maintenance	\$ 7,389,988	\$ 5,555,997	\$ (1,833,990)
7	Depreciation	4,365,793	4,612,272	246,479
8	Taxes Other Than Income	3,419,657	2,671,329	(748,328)
9	Total Operating Expenses	\$ 15,175,438	\$ 12,839,599	\$ (2,335,839)
10				
11	Income Taxes	2,625,159	2,278,273	(346,886)
12				
13	Total Revenue Requirement	29,212,429	27,178,580	(2,033,850)
14				
15	Revenue Credits	(186,169)	(437,183)	(251,014)
16	Net Annual Revenue Requirement	\$ 29,026,260	\$ 26,741,397	\$ (2,284,863)
17				
18	Divisor	333,471	393,417	59,945
19	Rate (\$/kW-Yr)	\$ 87.04	\$ 67.97	\$ (19.07)

Adjustments to FERC Form 1 data

- Black Hills calculated the 2022 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:
 - Asset Retirement Obligation
 - Finance Lease
 - Right of Use Operating Lease
 - Long Term Debt – Storm Uri amounts have been removed from the Long-Term Debt on FERC Form 1
 - On page 400 of the 2022 FERC Form, BHCE did not include the usage portion of long-term firm point to point contracts when determining the transmission provider's monthly peak. To address this issue, the divisor was corrected in the 2022 ATRR True Up and is not sourced directly from the FERC Form 1. Details are included in the Divisor Load Workpaper.

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

- ❑ The FERC Form 1 experienced a format change in 2021 due to FERC's conversion to XBRL.
- ❑ This caused some of the references displayed in the Actual Attachment H to be slightly inaccurate.
- ❑ Thus far, FERC has not taken the position that Transmission Providers need to make changes to their templates to accommodate the slight reference changes
- ❑ Instead, pursuant to its Formula Rate Protocols, BHCE has identified the FERC Form 1 reference changes in the 2022 BHCE Attach H Supplemental Workpapers file (Add tab name).

Prepayments and Other Specific Disclosure Obligations

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.
- This information is shown on FERC Form 1 page 429 and is provided.

Workpapers Provided for ATRR 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
 - COE Excluded plant – raw data for all excluded plant
 - A.2 A&G_PBOP – PBOP Net Period expense
 - A.2 Lobbying expense
- A8 – Prepayment Supporting Workpaper
- A9 – Permanent Differences Supporting Workpaper
- Divisor Load Workpaper
- COE FERC Form 1 page 429 – Affiliate Costs

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

Manager Tariff & Contract Administration
Eric East

Analyst
Brandy Renville

Transmissionservice@blackhillscorp.com

(605) 721-2200

