

Cheyenne Light 2022 Formula Rate True-Up Meeting

June 2023

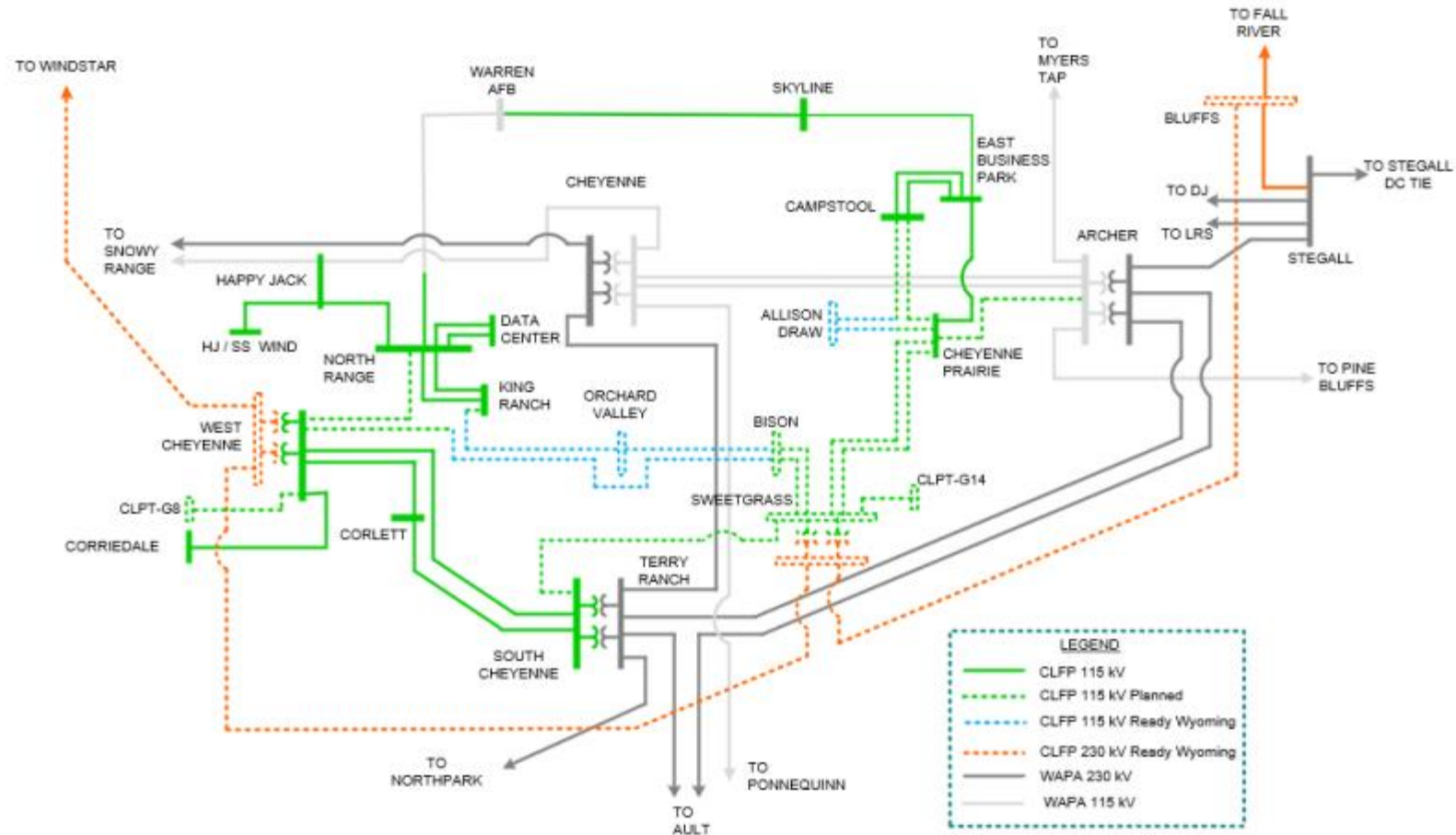




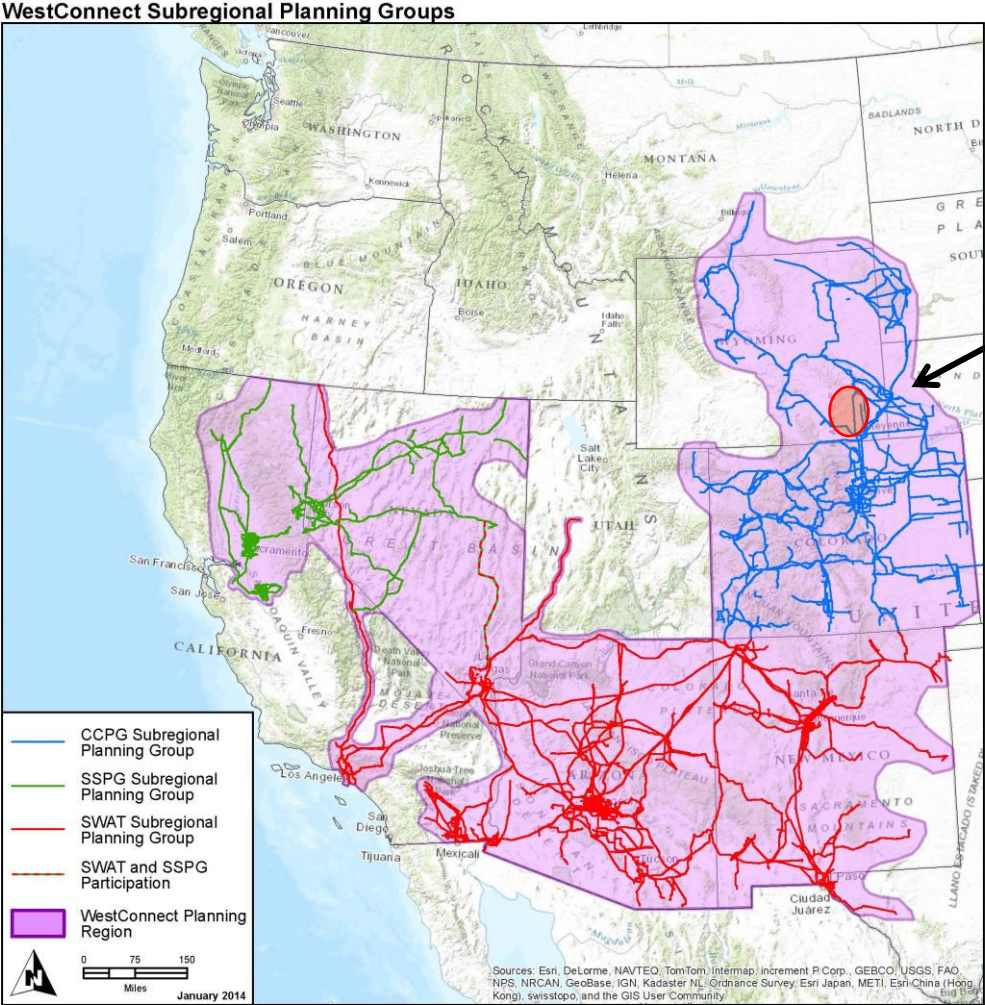
Agenda

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



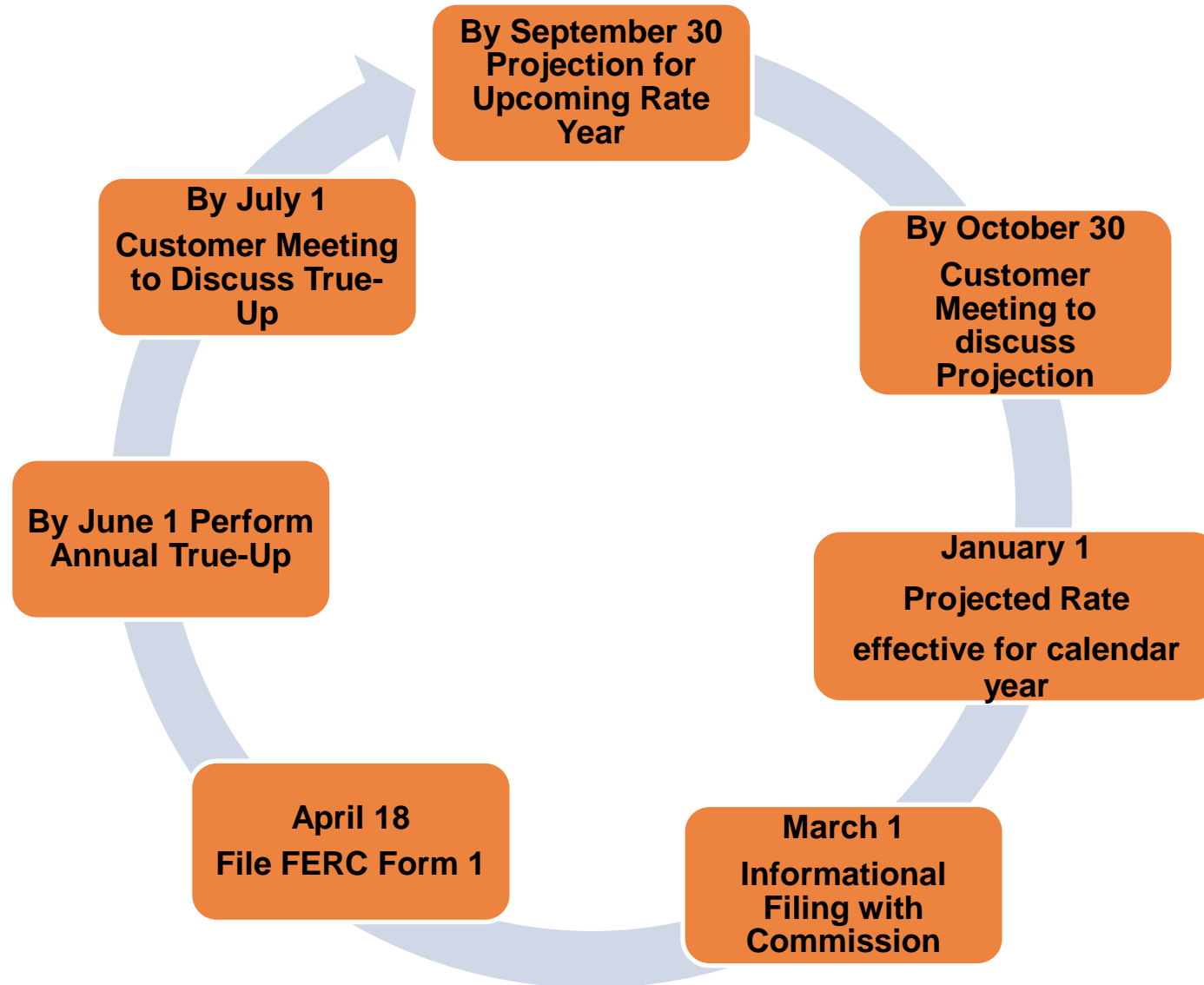
Where We Are in the West



CLPT / Cheyenne
Light, Fuel and Power

CCPG—Colorado Coordinated Planning Group
SSPG—Sierra Subregional Planning Group
SWAT—Southwest Area Transmission

Formula Rate Protocols



Summary of Key Drivers

- The CLPT Actual 2022 Net Annual Revenue Requirements (“Net ATRR”) was \$3.9M lower than Projected 2022 Net ATRR.
- Primary Drivers of Decrease
 - Excluded plant impact on the Transmission Expense Allocators (TE):
 - After the 2022 projection was filed Cheyenne Light determined that certain assets associated with the Corriedale Wind generation project (particularly Generator Step-Up Units and tie lines) were inadvertently included in Rate Year 2021 transmission rates and should have been excluded.
 - As part of the 2021 Annual True-Up, Cheyenne Light addressed this issue.
 - It excluded the plant from its transmission formula rate on a going forward basis. This reduced the Transmission Expenses (TE) allocator from 0.992 in the projection to 0.934, thus reducing the expenses included in the True Up.
 - Additional true-up adjustment impacts:
 - O & M Expense escalation (\$2.0M)
 - Depreciation Expense (\$1.3M)



2022 Projected Revenue Requirement Compared to Actual

Cheyenne Light Fuel & Power Attachment H		2021 Actual	2022 Actual	2022 Estimated	2022 True Up Variance from Estimate
1	Average Transmission Rate Base	\$ 48,052,357	\$ 68,385,896	\$ 68,579,884	\$ (193,988)
2	Weighted Rate of Return	8.77%	9.18%	8.65%	
3	Return on Average Rate Base	4,212,208	6,274,987	5,934,286	\$ 340,701
4					
5	Operating Expenses				
6	Operations & Maintenance	\$ 2,103,987	\$ 1,643,492	\$ 3,644,663	\$ (2,001,171)
7	Depreciation	1,299,557	1,937,126	3,235,515	(1,298,389)
8	Taxes Other Than Income	313,469	401,990	836,066	(434,076)
9	Total Operating Expenses	\$ 3,717,013	\$ 3,982,608	\$ 7,716,244	\$ (3,733,636)
10					
11	Income Taxes	\$ 569,852	\$ 891,780	\$ 812,663	\$ 79,116
12					
13	Total Revenue Requirement	\$ 8,499,074	\$ 11,149,375	\$ 14,463,193	\$ (3,313,818)
14					
15	Revenue Credits	(84,829)	(76,649)	(427,362)	350,714
16					
17	Prior Year True Up Adjustment			1,008,052	
18	Net Annual Revenue Requirements	\$ 8,414,245	\$ 11,072,726	\$ 15,043,882	\$ (3,971,157)
19					
20	Network Load kW per Year	244,167	267,750	238,955	28,795
21	Rate (\$/kW-Yr)	\$ 34.46	\$ 41.35	\$ 62.96	\$ (21.60)

Adjustments to FERC Form 1 Data

❑ Corriedale

- Certain assets associated with the project are appropriately recorded in transmission accounts (GSUs and tie lines) but should be excluded from transmission ratemaking.
- Cheyenne Light has included those excluded assets in Actual Attachment H, Page 4 line 3
- Cheyenne Light has also 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
- For 2022 Cheyenne Light has calculated the difference in the depreciation rates and adjusted the Accumulated Depreciation, Depreciation Expense, and ADIT to reflect those items as if the FERC depreciation rates would have been used.
- A supplemental worksheet 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.

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, Cheyenne Light has identified the FERC Form 1 references changes in in the 2022 CLPT Attach H Supplemental Workpapers file.

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 disclosures procedures must be followed.
- New prepayments are included in the 2022 True Up template. The two new prepayments added were related to prepaid inventory and maintenance for CPGS. As they pertain to generation assets, they were designated with an NA allocator as the underlying expenses are not a component of the ATRR.

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

Attachment H Supplemental Workpapers

Changes in FERC Form 1 references

Act Att-H cross reference

A-3 ADIT cross reference

A-4 Rate Base cross reference

A-4, Pg 1, Ln 15-28 Adj – Transmission accumulated depreciation workpaper

Act Att-H, Page 3, Line 9 Adj – Depreciation and amortization expense

A-3, Line 3 Adjustment – Accumulated deferred income taxes

Act Att-H, Page 4, Line 3 Adjustment – Transmission plant to exclude in transmission plant allocator

GSU – Net GSU

Corriedale Depreciation Adjustment

King Ranch Depreciation Adjustment

Prepayments – Supporting documentation for the two new prepayments that were added

FERC Form 1 page 429 – Transactions with affiliated companies

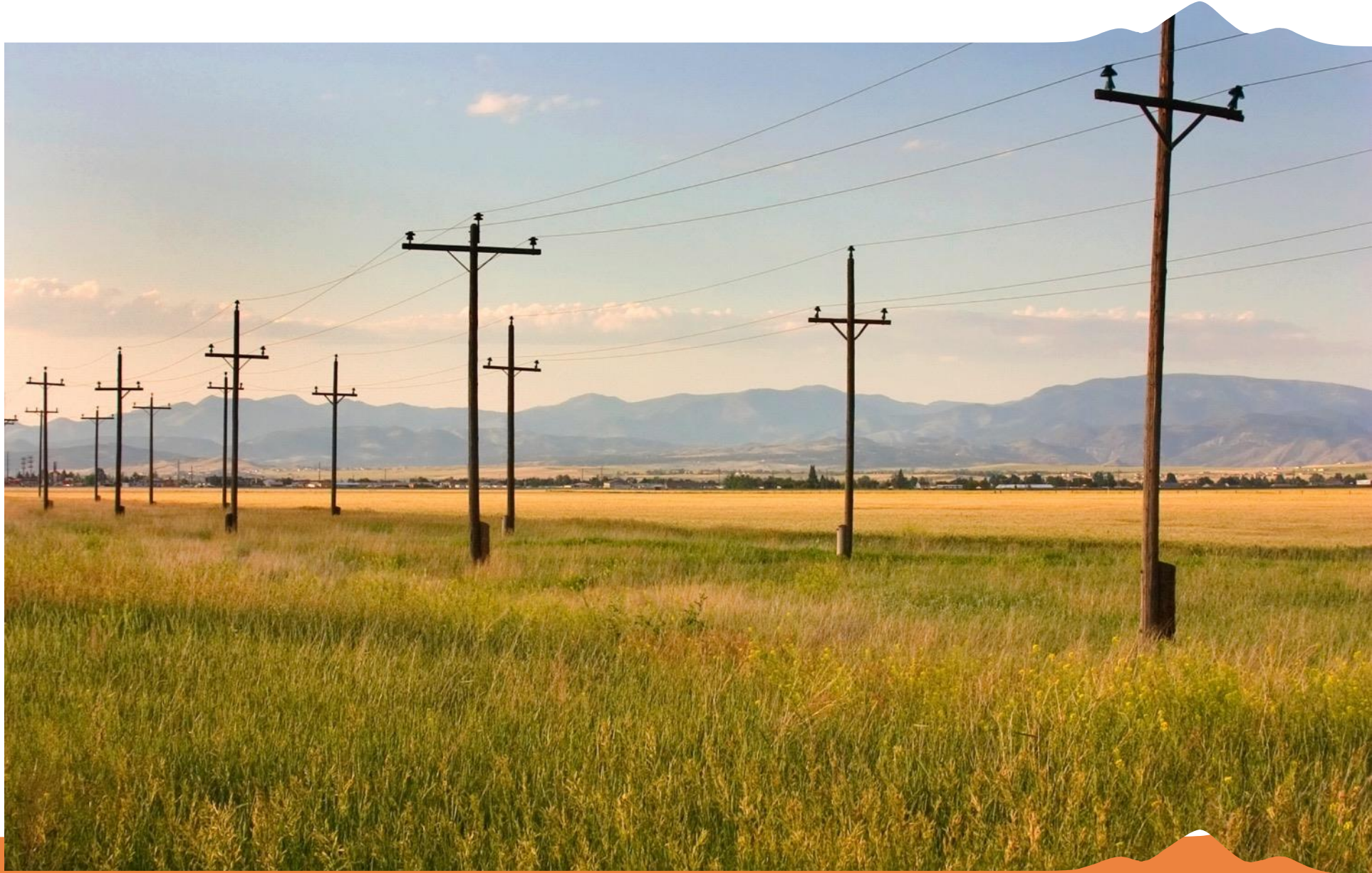
How to be Engaged

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





Comments / Suggestions

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