

BHCE 2023 Formula Rate True-Up Meeting

June 2024

Black Hills Colorado Electric, LLC

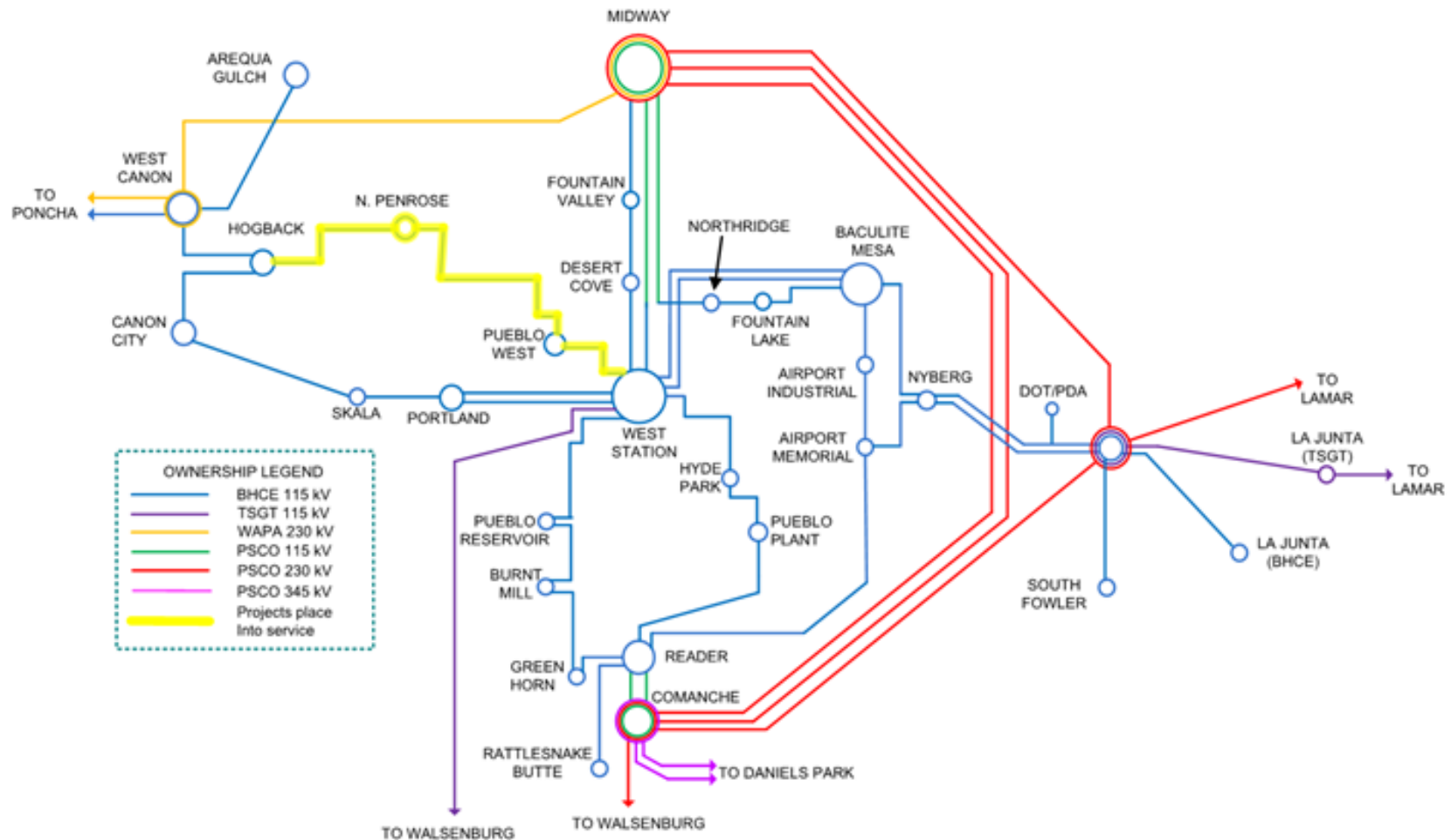




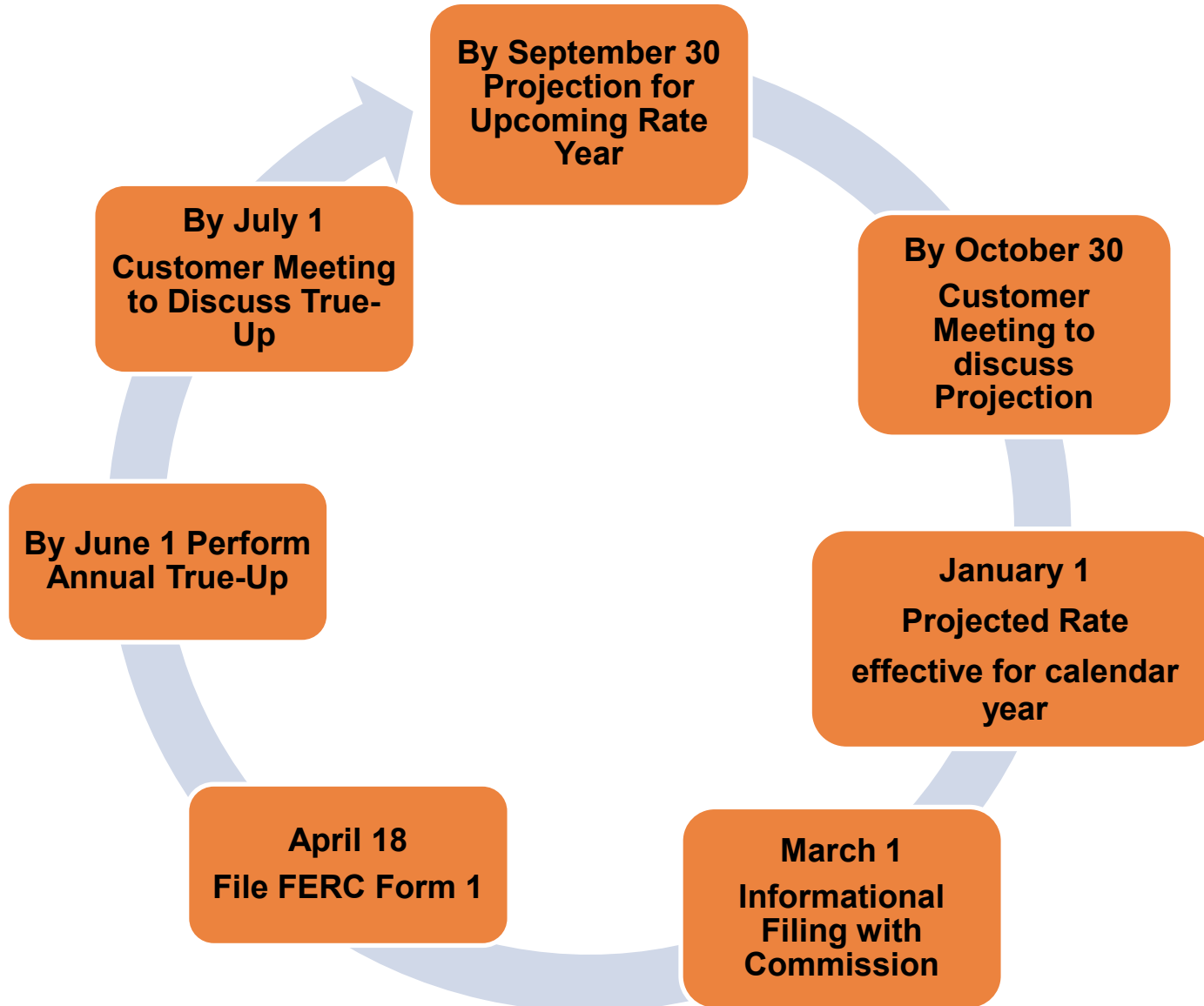
Agenda

- Introductions
- BHCE Transmission System Overview
- Protocols
- Discuss the 2023 Annual True-Up
 - Summary of Key Drivers
 - Explanations of Variances Between Actual Attachment H & Projected Attachment H
 - 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



Summary of Key Drivers

- The BHCE Actual 2023 Net Annual Revenue Requirements (“Net ATRR”) was \$1.2M less than the Projected 2023 Net ATRR.
- **Rate Base Decrease:**
 - Total Rate Base is \$2.2M lower than projected due to an increase in the deferred tax liability in Accounts 282, 283 and the FAS 109 Adjustment.
- **Expenses:**
 - In total, O & M expenses were \$1.5 M lower than that projected.
 - Taxes Other Than Income Taxes were \$677k lower than that projected.
 - **Rate of Return:**
 - Rate of Return was 6.59% as compared to 6.45% in the projection due to an increase in the Long-Term Cost of Debt.



Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **Revenue Credits**

- Account 456.1
 - -(\$539,131) 52%
 - No Short-Term Firm Point to Point Transmission revenues in 2023.

- **Rate Base**

- Transmission Accumulated Depreciation
 - -(\$2,655,421) 5%
 - Accumulated Depreciation using the approved template method was higher than actual.
- Account No. 282
 - -(\$1,471,096) 5%
 - The DTL using the approved template method was lower than actuals, which was impacted by the decrease in the Accumulated Depreciation.
- Account No. 283
 - -(\$6,616,542) 72%
 - Symmetrical increase in DTL related to Like Kind Exchange and offset in the FAS 109 Adjustment to remove ADIT not included in rate making.

Footnote: In compliance with Section IV.3.N. of the Formula Rate Protocols.



Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **Rate Base**

- FAS 109 Adjustment

- \$4,449,276 163%
 - Symmetrical increase in DTL related to Like Kind Exchange and Production Tax Credits to remove ADIT not included in rate making.

- **O&M**

- Transmission

- -(\$4,531,757) 52%
 - The approved template methodology used to project Transmission O&M and resulting expense ratio was higher than actual O&M expenses.

- Account 565

- -(\$3,907,241) 82%
 - Transmission of Electricity was lower in actuals due to BHCE self-supplying Schedule 16 (Flex Reserves).

Footnote: In compliance with Section IV.3.N. of the Formula Rate Protocols.



Explanations of Variances Between Actual Attachment H & Projected Attachment H

- **O&M**

- **A&G**

- -(\$1,305,469) 26%
- The approved template methodology used to project A&G resulted in higher projected A&G expense than actual A&G expenses.

- **Property Tax**

- -(\$633,212) 19%
- The approved template methodology used to project Property Taxes and resulting expense ratio was higher than actual Property Taxes.



2023 Projected Revenue Requirement Compared to Actual

Line No.	Black Hills Colorado Electric Attachment H	2023 Projection	2023 Actual	2023 True-Up Variance from Projection
1	Average Transmission Rate Base	\$ 208,037,659	\$ 205,838,686	\$ (2,198,973)
2	Weighted Rate of Return	6.45%	6.59%	0.14%
3	Return on Average Rate Base	\$ 13,408,235	\$ 13,561,440	\$ 153,205
4				
5	Operating Expenses			
6	Operations & Maintenance	\$ 7,782,874	\$ 6,257,494	\$ (1,525,380)
7	Depreciation	5,458,582	5,624,207	165,625
8	Taxes Other Than Income	3,535,733	2,857,948	(677,785)
9	Total Operating Expenses	\$ 16,777,189	\$ 14,739,649	\$ (2,037,540)
10				
11	Income Taxes	2,568,554	2,679,445	110,890
12				
13	Total Revenue Requirement	32,753,978	30,980,533	(1,773,446)
14				
15	Revenue Credits	(1,046,600)	(508,131)	538,469
16	Net Annual Revenue Requirement	\$ 31,707,378	\$ 30,472,402	\$ (1,234,976)
17				
18	Divisor	406,586	391,833	(14,753)
19	Rate (\$/kW-Yr)	\$ 77.98	\$ 77.77	\$ (0.22)

Modifications to FERC Form 1 data

- Black Hills calculated the 2023 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 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 Reconciliation to FERC Form 1
- Black Hills located a referencing error in the Accumulate Depreciation section of the A-4 Rate Base tab. The FERC Form 1 reference 201.14.e is included in both the General & Intangible and Other columns and it should only be in the column labeled Other. To avoid double counting, 201.14.e was only included in the Other amount.

Other Specific Disclosure Obligations

Other Taxes

- Footnote AA of Actual Attachment H provides that if BHCE 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.
- The magnitude is shown on FERC Form 1 page 429 and was posted together with the annual true-up and its supplemental workpapers.

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
 - Income Tax
 - AFUDC Equity
 - COE Excluded plant – raw data for all excluded plant
 - A.2 Lobbying expense
 - A.2 Safety Advertising
 - A.2 Penalties
 - A.2 A&G_PBOP – PBOP Net Period expense
 - A.6 Divisor Load Workpaper
 - A.8 Prepayment Supporting Workpapers
- A3-ADIT
 - A3.1-EDIT-DDIT & A3.2-EDIT-DDIT.dtl
- COE FERC Form 1 page 429 – Affiliate Costs
- COE FERC Form 1

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

Electric Transmission Services

Transmissionservice@blackhillscorp.com

Strategic Objectives

