

Cheyenne Light 2023 Formula Rate True-Up Meeting

June 2024

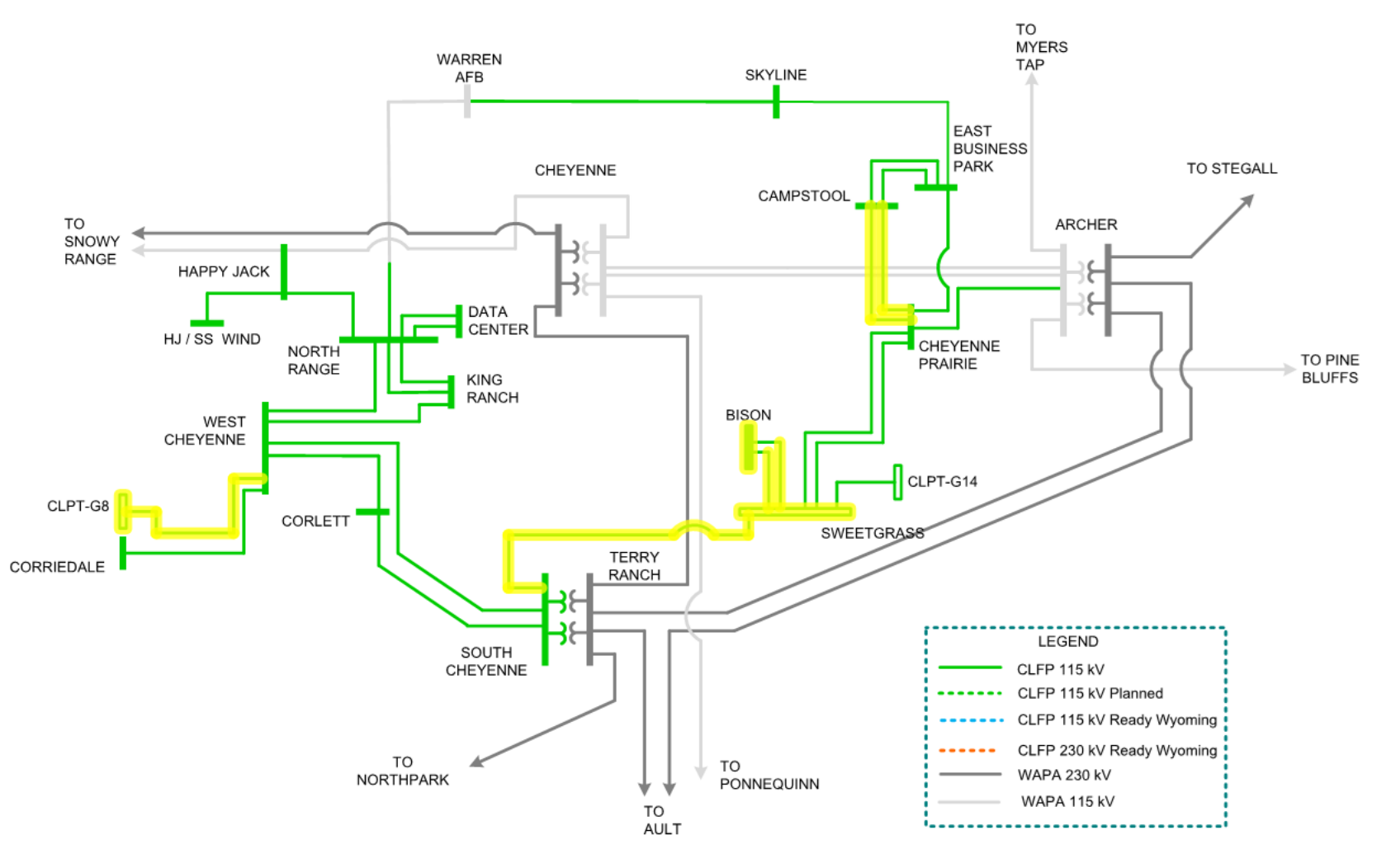




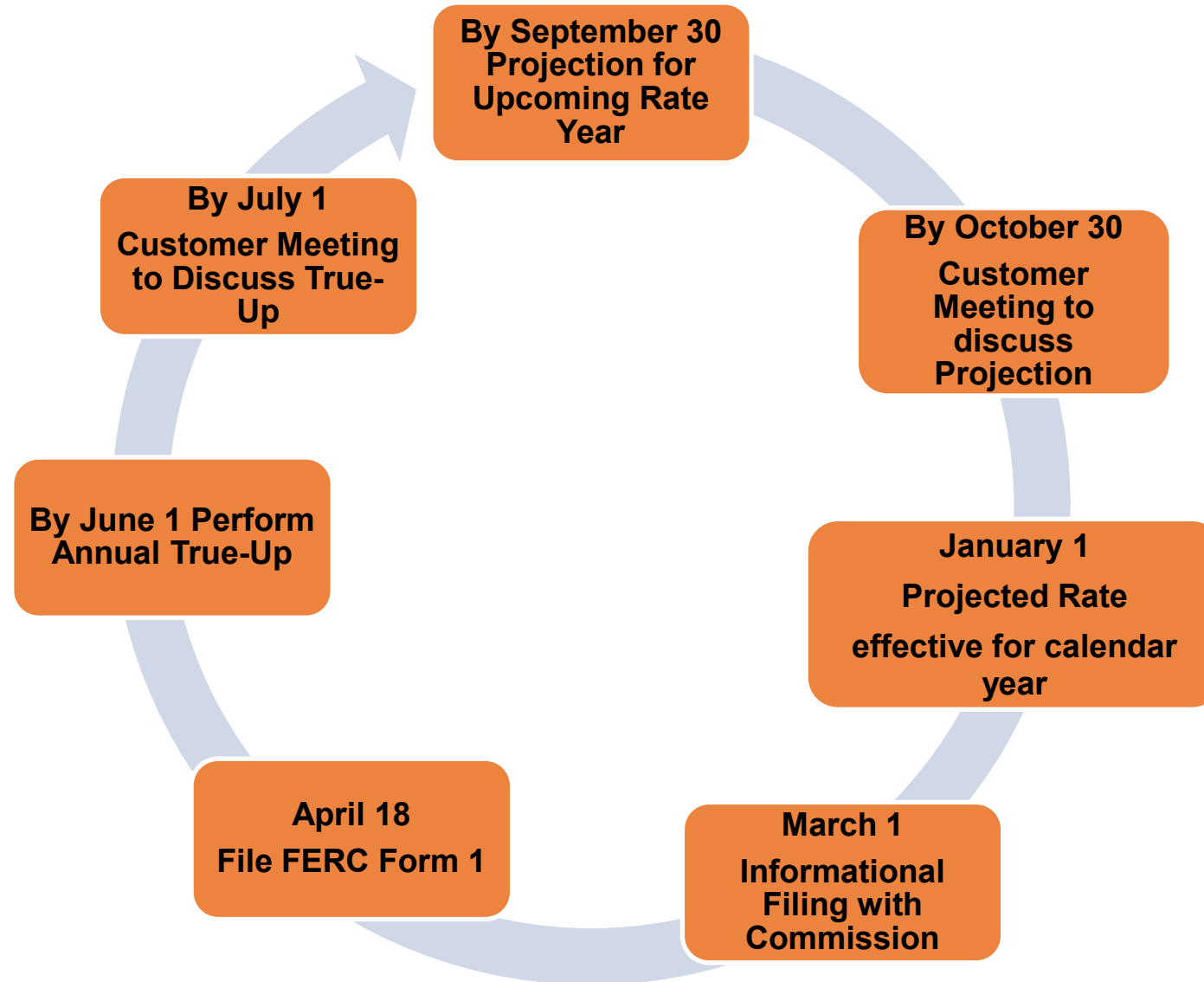
Agenda

- Introductions
- CLFP Transmission System Overview
- Protocols
- Discuss the 2023 Annual True-Up
 - Summary of Key Drivers
 - 2023 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)



Formula Rate Protocols



Summary of Key Drivers

- Decrease in total annual revenue requirement of \$1.7 million from the 2023 estimate.
- Primary Drivers of Decrease
 - Actual O & M expenses True-up were \$1.7M lower than those projected through the approved template methodology.
 - Actual Taxes Other than Income and Income Taxes were \$560K lower than those projected through the approved template methodology.
 - The variance between the Actual and Projected revenue requirements is also impacted by a \$671K credit related to the 2022 True-Up, which rolls forward into the 2023 Projection through the approved template methodology.



2023 Projected Revenue Requirement Compared to Actual

					2023 True Up Variance from Estimate
	Cheyenne Light Fuel & Power Attachment H	2022 Actual	2023 Actual	2023 Estimated	
1	Average Transmission Rate Base	\$ 68,385,896	\$ 96,913,204	\$ 91,335,232	\$ 5,577,972
2	Weighted Rate of Return	9.18%	7.91%	8.77%	
3	Return on Average Rate Base	6,274,987	7,666,728	8,006,330	\$ (339,602)
4					
5	Operating Expenses				
6	Operations & Maintenance	\$ 1,643,492	\$ 2,207,388	\$ 3,872,212	\$ (1,664,824)
7	Depreciation	1,937,126	2,465,585	2,328,572	137,013
8	Taxes Other Than Income	401,990	499,973	864,189	(364,216)
9	Total Operating Expenses	\$ 3,982,608	\$ 5,172,946	\$ 7,064,973	\$ (1,892,028)
10					
11	Income Taxes	\$ 891,780	\$ 1,005,425	\$ 1,208,937	\$ (203,512)
12					
13	Total Revenue Requirement	\$ 11,149,375	\$ 13,845,099	\$ 16,280,241	\$ (2,435,142)
14					
15	Revenue Credits	(76,649)	(90,629)	(90,641)	12
16					
17	Prior Year True Up Adjustment			(671,005)	671,005
18	Net Annual Revenue Requirements	\$ 11,072,726	\$ 13,754,470	\$ 15,518,594	\$ (1,764,124)
19					
20	Network Load kW per Year	267,750	287,750	266,932	20,818
21	Rate (\$/kW-Yr)	\$ 41.35	\$ 47.80	\$ 58.14	\$ (10.34)

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 excluded the assets in Actual Attachment H, Page 4 line 3
- Cheyenne Light 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
- Cheyenne Light has implemented a software solution that allows the Company to track state depreciation expense and FERC depreciation expense as well as the impact this difference has on Accumulated Depreciation. This information is included on page 219 of the FF1, including the Section B. footnote and page 336 of the FF1, including footnote A.
- The Company recently noted an error in the footnote calculations but utilized correct information in the Annual True-Up.
- The Company will be filing an amended FF1 by July 15, 2024.
- 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 reference changes in the 2023 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.
- No new prepayments were included in the 2023 True-Up.

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.
- Cheyenne Light also has an obligation to identify the magnitude of any affiliate cost allocations; this information is shown on FERC Form 1 page 429 and was posted to OASIS with the True-Up filing

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

Act Att-H, Page 3, Line 9-10 Adjustment – Depreciation and amortization expense

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

A-2, Line 21, PBOP Adjustment – PBOP Net Periodic expense

A-3, Line 3, 4, 18-22 Adjustment – Accumulated deferred income taxes

A-4, Pg. 1, Lines 15-28 Adjustment – Transmission accumulated depreciation workpaper

GSU – Net GSU

Corriedale Depreciation Adjustment

King Ranch Depreciation Adjustment

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

Electric Transmission Services

Transmissionservice@blackhillscorp.com

Strategic Objectives

