



**Catherine M. Sabers**  
Associate General Counsel  
Cathy.Sabers@blackhillscorp.com

7001 Mt. Rushmore Road  
Rapid City, SD 57702  
P: 605-721-1914

February 28, 2025

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. ER25-\_\_\_\_-000  
2025 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, 2025. Colorado Electric’s Projected Net Revenue Requirement for 2025 is based on actual data for 2023 and estimated data for 2025. In addition, this Informational Filing includes data and information relating to the 2023 Annual True-Up.

## **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;**
- **2025\_BHCOE\_Attach\_H\_Trans\_Formula\_Projection.xlsx**
  - Workpapers Associated with the 2025 BHCOE Projection are listed immediately below:
    - 2025 Projection - 2023\_Monthly\_System\_Peak\_Workpaper.xlsx
    - 2025 Projection - 2024\_Monthly\_System\_Peak\_Workpaper.xlsx
    - 2025 Projection - A2\_A\_&\_G\_(PBOP).xlsx
    - 2025 Projection - Actual\_Attachment\_H\_-\_Cost\_of\_Debt.xlsx
    - 2025 Projection - Actual\_Attachment\_H\_-\_Excluded\_Plant.xlsx
    - 2025 Projection - Actual\_Attachment\_H\_-\_Excluded\_Plant\_-\_OATT\_ancillary\_services\_or\_GSUs.xlsx
    - 2025 Projection - Actual\_Attachment\_H\_-\_Income\_Tax.xlsx
- **2023 True-Up - BHCOE\_Attach\_H\_Trans\_Formula\_True-Up.xlsx**
  - Workpapers Associated with the original 2023 BHCOE True-Up are listed immediately below:
    - 2023 True-Up - 2023\_BHCE\_A3.1\_EDIT-DDIT\_&\_A3.2\_EDIT-DDIT.dtl.xlsx
    - 2023 True-Up - 2023\_COE\_Trans\_Formula\_Schedule\_1\_True-Up.xlsx
    - 2023 True-Up - BHCE\_2023\_Workpaper\_Source\_Index.xlsx
    - 2023 True-Up - BHCE\_A3-ADIT.xlsx
    - 2023 True-Up - BHCE\_Attach\_Supplemental\_Workpapers.xlsx
    - COE\_2023\_FERC\_Form1\_Page\_429\_Affiliate\_Cost\_Allocation.pdf<sup>1</sup>

---

<sup>1</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\_2023\_FERC\_Form1\_Page\_429\_Affiliate\_Cost\_Allocation.pdf" was sourced from the Company's 2023 FERC Form 1 at page 429 wherein all non-power goods or services provided by affiliated entities are reported.

- **Revised V1\_2023\_BHCOE\_Attach\_H\_Trans\_Formula\_True-Up (as posted 10.11.2024).xlsx<sup>2</sup>**
  - Workpapers Associated with the first revised 2023 BHCOE True-Up are listed immediately below:
    - 2023 True-Up – Revised V1\_2023\_A1-RevCred (as posted 10.11.2024).xlsx
    - 2023 True-Up – Revised V1\_2023\_A4-Rate\_Base (as posted 10.11.2024).xlsx
    - 2023 True-Up – Revised V1\_2023\_COE\_Load\_Workpaper (as posted 10.11.2024).xlsx
    - 2023 True-Up – Revised V1\_2023\_COE\_Trans\_Formula\_Schedule\_1\_True-Up (as posted 10.11.2024).xlsx
    - 2023 True-Up – Revised V1\_2023\_Schedule\_1 (as posted 10.11.2024).xlsx
  
- **2023 True-Up - Revised V2-BHCOE\_Attach\_H\_Trans\_Formula\_True-Up.xlsx<sup>3</sup>**
  - Workpapers Associated with the second revised 2023 BHCOE True-Up are listed immediately below:
    - 2023 True-Up - Revised V2-Schedule 1.xlsx
    - 2023 True-Up - Revised V2-A3.1\_EDIT-DDIT\_&\_A3.2\_EDIT-DDIT.xlsx
    - 2023 True-Up - Revised V2-A6-Divisor.xlsx

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

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

Through the Informational Filing, Colorado Electric describes any corrections, adjustments, or accounting changes made during the periods relevant to this Informational Filing. In addition, Colorado Electric is required to identify any informal or formal challenges relating to its most recent Annual True-Up and Projected Net Revenue Requirement.

---

<sup>2</sup> This file and its supporting workpapers relate to Colorado Electric's initial revision of the 2023 Annual True-Up which is discussed in more detail on page 4 of this Transmittal.

<sup>3</sup> This file and its supporting workpapers relate to Colorado Electric's second revision of the 2023 Annual True-Up which is discussed in more detail on page 5 of this Transmittal.

Consistent with the deadlines set forth in its Protocols, Colorado Electric originally posted its 2023 Annual True-Up on June 3, 2024.<sup>4</sup> Colorado's original calculation of the 2023 Annual True-Up did include 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 the A4-Rate Base tab of the FERC Formula Rate Template: Asset Retirement Obligation; Finance Lease, and Right of Use Operating Lease. These modifications can be seen in the Supplemental Workpapers – A4-Rate Base Reconciliation to FERC Form 1.

Additionally, Black Hills located a referencing error in the Accumulated Depreciation section of the A-4 Rate Base tab. The FERC Form 1 reference 201.14.e is included in both the "General & Intangible" column and the "Other" column. This reference should only be included in the column labeled "Other." To avoid double counting, the balance from 201.14.e was only included in the "Other" amount on Tab A-4 Rate Base in relation to Accumulated Depreciation.

Subsequent to posting the original 2023 Annual True-Up, Colorado Electric identified three errors in its determination of the original 2023 Annual True-Up. To correct those errors, Colorado Electric posted a revised 2023 Annual True-Up in October of 2023 ("First Revised True-Up"). In the First Revised 2023 True-Up, Colorado Electric corrected a data conversion error between raw meter readings and reported values for its Impacted Generation (as that term is defined in the Black Hills Colorado Tariff). The data conversion error affected Colorado Electric's determination of its monthly system peak and created an error in the rate divisor (making the divisor larger than it should have been). As part of the First Revised True-Up, Black Hills Colorado corrected this error. It also re-calculated and re-posted a revised true-up, posted a revised monthly system load workpaper (the workpaper that is used to develop the peak and ensure Impacted Generation is included in Black Hills Colorado's Network Load) and included a revised Black Hills Colorado Network Load on page 400 of the a revised FERC Form 1.<sup>5</sup> With the revision to the FERC Form 1, the A6-Divisor tab will tie to the FERC Form 1.

---

<sup>4</sup> While the Protocols deadline for posting the Projected Net Revenue Requirement is June 1, the deadline fell on a weekend and the Protocols prescribe that, in such an instance, the action should be taken on the next business day. *See* Colorado Electric Formula Rate Protocols at Section 2, Paragraph 1-2.

<sup>5</sup> See the following attached files for both versions of Page 400 of the FERC Form 1: "As Filed 2023 COE FF1 Page 400.pdf" and "Revised 2023 COE FF1 Page 400.pdf."

In the First Revised True-Up, Colorado Electric also corrected an error associated with the revenue credit for short-term firm and non-firm transmission that is found in Attachment H. Specifically, Colorado Electric increased the revenue credit to account for its own non-firm usage on the Colorado Electric transmission system. Finally, Colorado Electric identified and remedied an error in its Schedule 1 calculation wherein network integration and long-term transmission point to point revenues were inappropriately included in the Schedule 1 revenue credit. The First Revised True-Up corrected this error and appropriately included only short-term and non-firm revenues in the Schedule 1 revenue credit. After posting the First Revised True-Up, Colorado Electric re-calculated the per customer true-up required by its Protocols.<sup>6</sup>

In January of 2025, Colorado Electric identified additional errors relative to the 2023 True-Up. The errors identified in January impacted the rate divisor and Tab A3.1, which tracks the annual amortization of EDIT and/or DDIT. Colorado Electric performed a second revised true-up to correct those errors (“Second Revised True-Up”). The Second Revised True-Up was posted to OASIS on February 27, 2025. The corrections included in the Second Revised True-Up are described below.

Black Hills Colorado Electric erroneously pulled the load information for the rate divisor on page on Tab A-6. Specifically, the divisor was erroneously sourced from a workpaper rather than the FERC Form 1 page 400. As a result, the divisor incorrectly utilized Long-Term Point-to-Point usage as opposed to the full value of the Long-Term Point-to-Point reservations. This error made the divisor smaller than it would have been and thus impacted the rate. Black Hills Colorado has corrected this error in the Second Revised True-Up. On this matter, no revisions to the FERC Form were required as the FERC Form 1 was correct, and the divisor as noted in the Second Revised True-Up will tie to the revised FERC Form.<sup>7</sup>

Colorado Electric identified three issues related to its Tab A 3.1, however, only one of those issues impacted rates and is described immediately below.

The first issue involved allocated Black Hills Service Company EDIT (“BHSC EDIT”). In its prior 2022 Partial Year True-Up, Colorado Electric’s A3.1-EDIT-DDIT worksheet erroneously did not include the allocated Black Hills Service Company EDIT (“BHSC EDIT”) within the “Total Protected Property EDIT” at Template line 201, Column

---

<sup>6</sup> The First Revised True-Up also had a small correction to address an inadvertent adjustment of a General Plant ARO. This correction was located on Tab A4-Rate Base, column e, line 14 and column b, line 42 and had no impact on rates.

<sup>7</sup> This same error was discovered on the P3-Divisor tab of the 2025 Projection. However, no correction was made in the projection as the impacts will be caught in the 2025 True-up.

(b) due to a sourcing error. This sourcing error impacted the 2022 True Up since the rate base reduction did not include this EDIT. The error propagated into the 2023 Annual True-Up through the beginning balance listed for Account 254 (which tied to the 2022 A3.1 EDIT-DDIT Worksheet). Though the BHSC EDIT was correctly included in the 2023 ending balance of A3.1 EDIT-DDIT, the 2023 True-Up was impacted since the rate base reduction is an average of the 2022 and 2023 Account 254 balance. This issue has been corrected in the Second Revised True-Up. Black Hills Colorado is in the process of re-calculating its per customer true-up in relation to the rate divisor and BHSC EDIT issues and will be issuing refunds to the extent that is appropriate.

The two remaining issues identified in relation to Tab A3.1 do not impact rates, but they are mentioned here because certain data inputs within this tab do not tie to the FERC Form 1. The Cost of Removal (“COR”) Deficient Deferred Income Taxes (“DDIT”) that was included on the FERC Form 1, page 232 182.3, line 10, was reclassified to Total Protected Property-EDIT, account 254 Regulatory Liabilities on A3.1-EDIT-DDIT line 201. In retrospect, for clarity, the COR DDIT should have been included in the expandable lines starting at Template line 204 in column (b) and (e) with a label such as “Total Non-Protected Property-DDIT.” While this reclassification did not have an impact on customer rates, Colorado Electric did change its presentation in the Second Revised True-Up so that the Account 254 Balance ties to the FERC Form 1.

The last item in this group involves another reconciling item from the FERC Form 1 to A3.1 EDIT-DDIT. While there is a difference between the FERC Form 1 and the input for Total Protected Property - EDIT on line 201, columns (b) – (e) of the A3.1 EDIT-DDIT tab this is not an error. Colorado state EDIT included in the FERC Form 1, Page 278, line 3- Account 254 balance should have been netted against the State DDIT in 182.3 in the FERC Form 1, page 232 Account 182.3 as the total of these amounts is a net DDIT. Both of these items were correctly excluded from the Formula Transmission Template.

The net state DDIT is correctly omitted from A3.1-EDIT-DDIT as it is the result of an accounting change rather than a change in the statutory state income tax rate. The accounting change was the result of switching the state income tax rates at each of our legal entities from a blended combined rate to each state’s specific statutory rate in 2018. Exclusion of this net State DDIT balance from the transmission formula rate is favorable to Black Hills Colorado Electric wholesale customers. Beginning with the 2024 FERC Form 1, the DDIT reported on page 232 in Account 182.3 will be separated into two balances so the amount reported on the A3.1-EDIT-DDIT workpaper can be traced to the FERC Form 1 page 232.

## 2. Accounting Changes

Colorado Electric has not identified any accounting changes that would have impacted the 2023 FERC Form 1 Information, which constitutes part of the data set it used for the 2025 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. One customer raised an informal challenge to the 2023 Annual True-Up. Black Hills Colorado Electric's response to that informal challenge is posted on its OASIS in the following directory: BHCT OATT/Annual True-Up/2023 Informal Challenge.

### 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 2023, Colorado Electric received allocated or directly assigned costs from Black Hills Service Company, LLC ("BHSC") and Black Hills Power, Inc.

Costs from BHSC can be directly charged to Colorado Electric or indirectly allocated when the cost is 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 2023 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\_2023\_FERC\_Form1\_\_Page\_429\_Affiliate\_Cost\_Allocation.pdf.” This document was sourced from the Company's 2023 FERC Form 1 at page 429 wherein non-power goods or services provided by affiliated entities are reported.<sup>10</sup>

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 2023 BHSC allocated \$15,730,726 in net plant to Colorado Electric and \$2,036,806 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. Black Hills Colorado did not make any changes to the 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.

### **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>8</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.

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.

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 2023 and Post on Website and OASIS <sup>9</sup>	06/01/2024	06/03/2024
Send notice by email exploder list of the posting of the True-Up calculation	06/11/2024	06/10/2024

<sup>8</sup> OATT, Attachment H-2 § II.1.

<sup>9</sup> While the Protocols deadline for posting the Projected Net Revenue Requirement is June 1, the deadline fell on a weekend and the Protocols prescribe that, in such an instance, the action is to be taken the next business day. See Colorado Electric Formula Rate Protocols at Section 2, Paragraph 1-2.

Send notice by email exploder list and post notice of meeting on website and OASIS of Annual True-Up meeting	No less than 14 days before the Annual True-Up Meeting	06/13/2024
Hold Annual True-Up Meeting	08/01/2024	06/19/2024
Determine Projected Net Revenue Requirement for Rate Year 2024 and Post on Website and OASIS	09/30/2024	09/30/2024
Send Notice by email exploder list of the posting of Attachment H Projected Rates	10/10/2024	10/10/2024
Send notice by email exploder list and post notice of meeting on website and OASIS of Annual Projected Rate Meeting	No less than 14 days before the Annual True-Up Meeting	10/14/2024
Hold Annual Projected Rate Meeting	10/30/2024	10/28/2024

## II. COMMUNICATIONS

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

Catherine M. Sabers  
 Associate General  
 Counsel  
 Black Hills Service Company,  
 LLC PO Box 1400  
 Rapid City, SD 57709-1400  
 Phone: (605)721-1914  
 Cathy.Sabers@blackhillscorp.com

Ms. Debbie-Anne A. Reese, Secretary  
Federal Energy Regulatory Commission  
February 28, 2025  
Page 11

### 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