

# BHP 2014 Formula Rate True-up Meeting

June 29, 2015





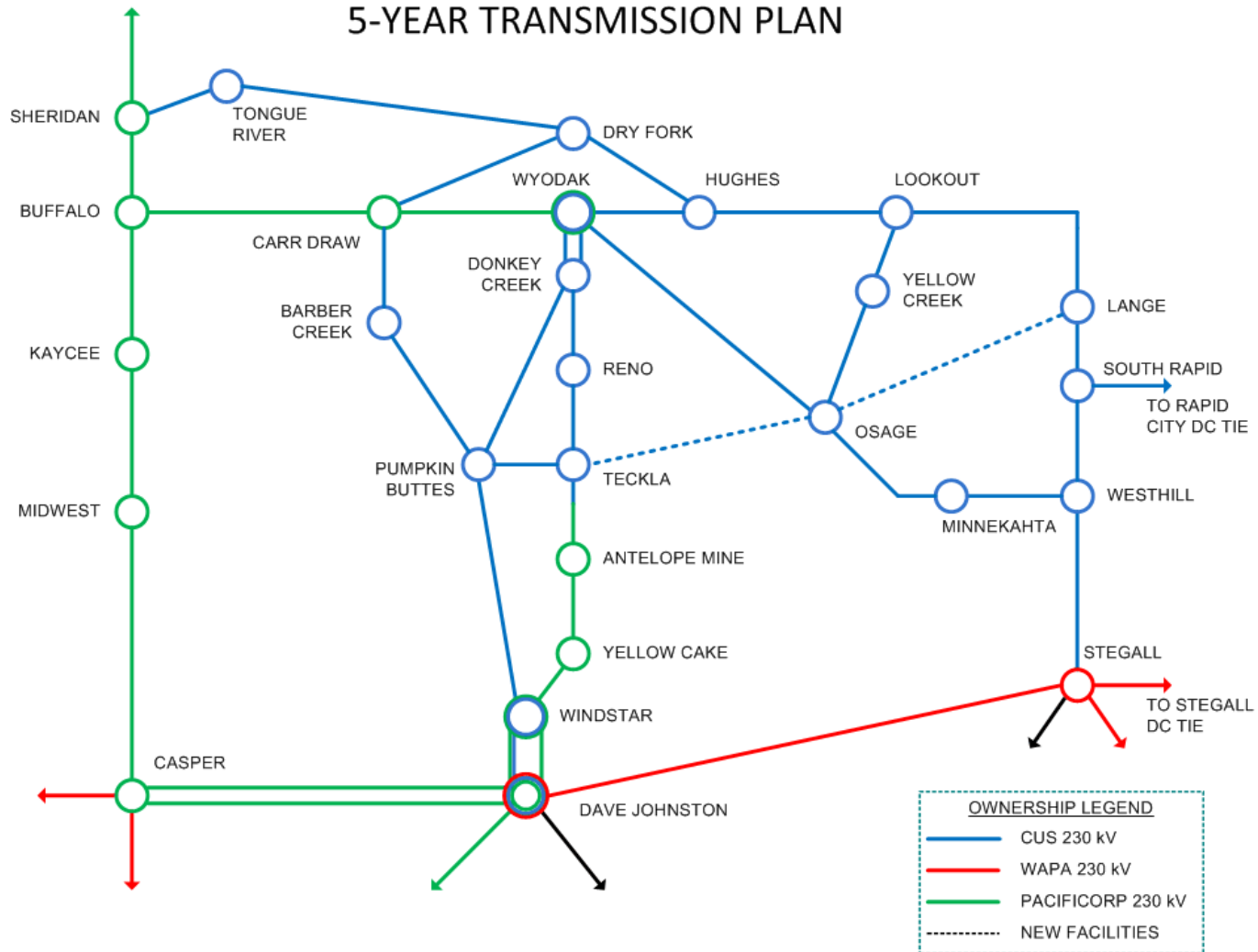
# Agenda

- Introductions
- CUS Transmission System Overview
- Black Hills Power's Formula Rate Protocols
- Discuss the 2014 Annual True-Up
- Where to Find Information and be Engaged
- Questions & Comments

# CUS Transmission System

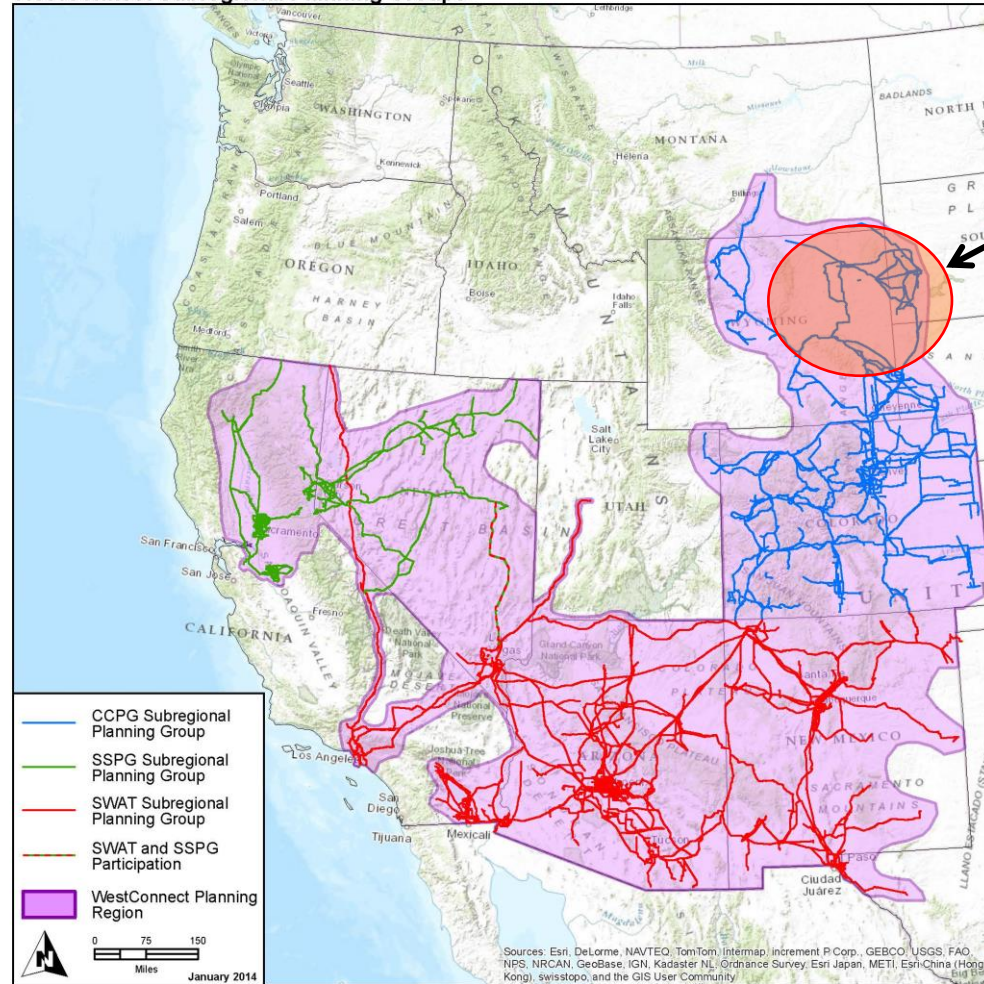
- The Common Use System (CUS) is a joint transmission system owned by Basin Electric Power Cooperative, Black Hills Power, Inc. and Powder River Energy Corporation.
- The CUS has filed with the FERC a joint open-access transmission tariff that provides transmission service over these combined assets that consist of 230 kV and limited 69 kV transmission facilities within areas of Southwestern South Dakota and Northeastern Wyoming.
- The CUS is made up of approximately 980 circuit miles

# COMMON USE SYSTEM 5-YEAR TRANSMISSION PLAN



# Where We Are in the West

WestConnect Subregional Planning Groups



BHBE / Common Use System

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

# Formula Rate Protocols

- In July 2014, the Federal Energy Regulatory Commission (FERC) requested that Black Hills update its formula rate protocols
- The updates were needed to:
  - Provide clarification on who can participate in the information exchange
  - Increase transparency
  - Create challenge procedures
- Black Hills Revised its tariff and the new formula rate protocols went into effect January 1, 2015





# Summary of Key Drivers

## Revenue Requirement

- Decrease in total revenue requirement of \$41,337
- Drivers of decrease
  - Decrease in Rate Base driven by increase in deferred tax liabilities related to bonus depreciation
  - Offset by an increase in expenses

## Annual Rate

- Increase in annual rate of \$0.46 kW-Yr
- Drivers of increase
  - Lower revenue credits from non-firm revenue
  - Decreased load from projection



# 2014 Revenue Actual vs. Estimated

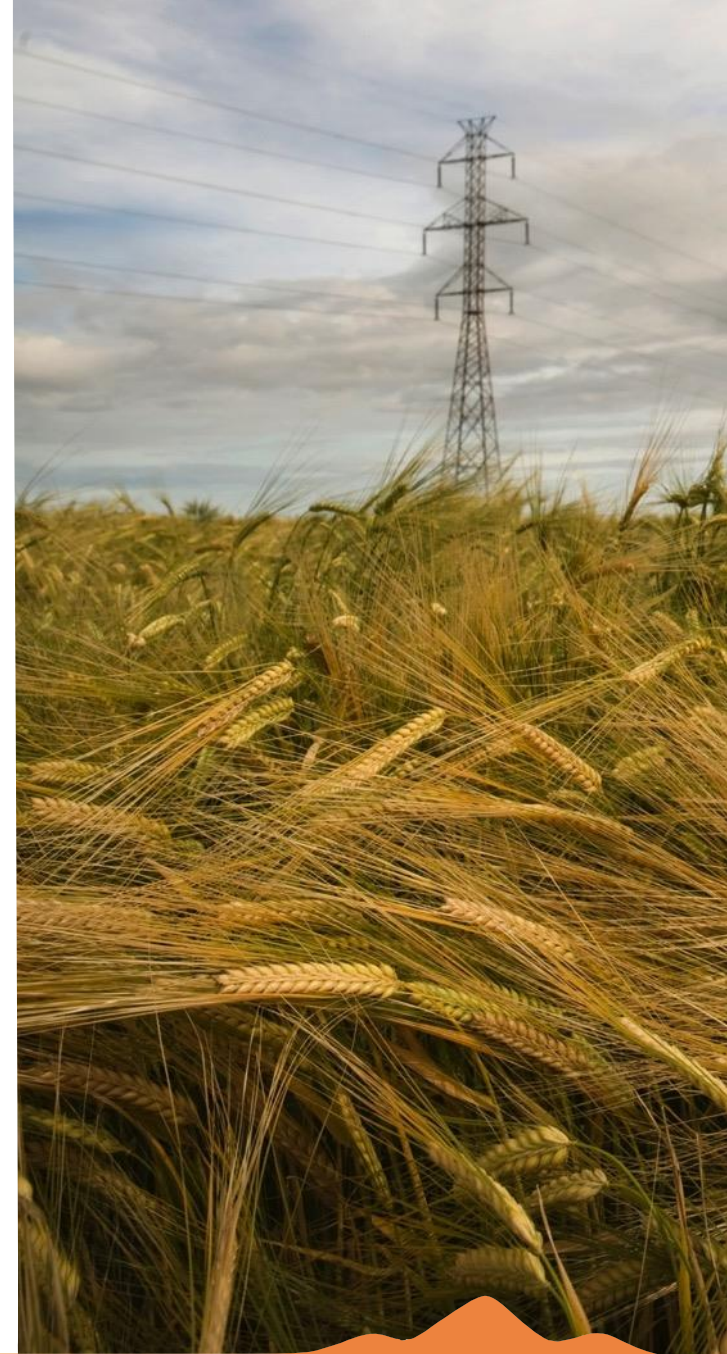
	A	B	C
<b>Black Hills Power Attachment H</b>	<b>2014 Actual</b>	<b>2014 Estimated</b>	<b>True-up</b>
1 Average Transmission Rate Base	\$ 54,243,438	\$ 56,669,374	
2 Weighted Rate of Return	8.92%	8.99%	
3 <b>Return on Average Rate Base</b>	<b>4,836,670</b>	<b>5,094,096</b>	<b>(257,426)</b>
4 Operating Expenses			
5 Operations & Maintenance	3,321,956	3,089,027	232,929
6 Depreciation	2,439,185	2,456,751	(17,566)
7 Taxes Other Than Income	739,297	658,158	81,139
8 <b>Total Operating Expenses</b>	<b>6,500,438</b>	<b>6,203,936</b>	<b>296,502</b>
9 <b>Income Taxes</b>	<b>1,798,045</b>	<b>1,878,459</b>	<b>(80,414)</b>
10 <b>Total Revenue Requirement</b>	<b>\$ 13,135,153</b>	<b>\$ 13,176,490</b>	<b>(41,337)</b>
<b>Component Annual Revenue Requirements</b>			
11 Black Hills	13,135,153	13,176,490	(41,337)
12 Basin Electric	16,482,130	16,482,130	-
13 PRECorp	1,297,602	1,297,602	-
14 <b>Total Annual Revenue Requirements</b>	<b>30,914,885</b>	<b>30,956,222</b>	<b>(41,337)</b>
15 <b>Revenue Credits</b>	<b>(902,716)</b>	<b>(912,472)</b>	<b>9,756</b>
16 <b>Net Annual Revenue Requirements</b>	<b>\$ 30,012,169</b>	<b>\$ 30,043,750</b>	<b>(31,581)</b>
17 Network Load	910,833	924,583	(13,750)
18 Rate (\$/kW-Yr)	\$ 32.95	\$ 32.49	0.46



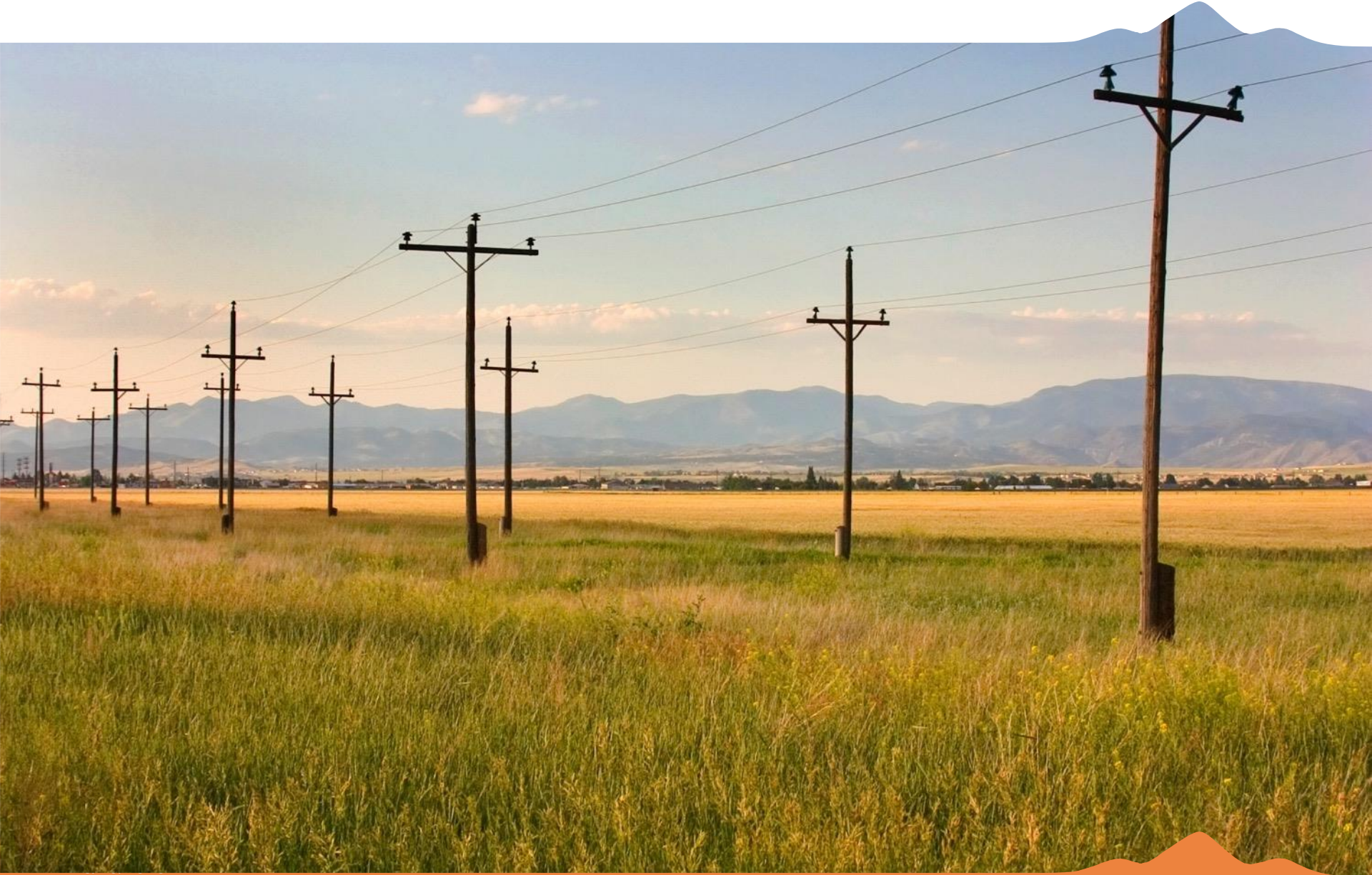
# How to be Engaged

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/BHBE/index.html>

- To sign up for the notices go to our website [www.blackhillspower.com](http://www.blackhillspower.com). In the list on the left click on *In Your Neighborhood*. Next click on *Transmission & Distribution* then *Transmission Rates*. Under More Information click on the link *Sign up for notices*. Key in your email address and click Subscribe.
- If you have any questions please contact us on our transmission line at 605-721-2220 or email [Transmissionservice@blackhillscorp.com](mailto:Transmissionservice@blackhillscorp.com).



# Questions







## Comments / Suggestions

Kenna Hagan

Manager FERC Tariff Administration & Policy

[Transmissionservice@blackhillscorp.com](mailto:Transmissionservice@blackhillscorp.com)

(605) 721-2200

