

BHP 2018 Projected Net Revenue Requirement Meeting

October 25, 2017 10:00 AM MPT
Black Hills Energy
409 Deadwood Ave Training Room
Rapid City, SD 57702





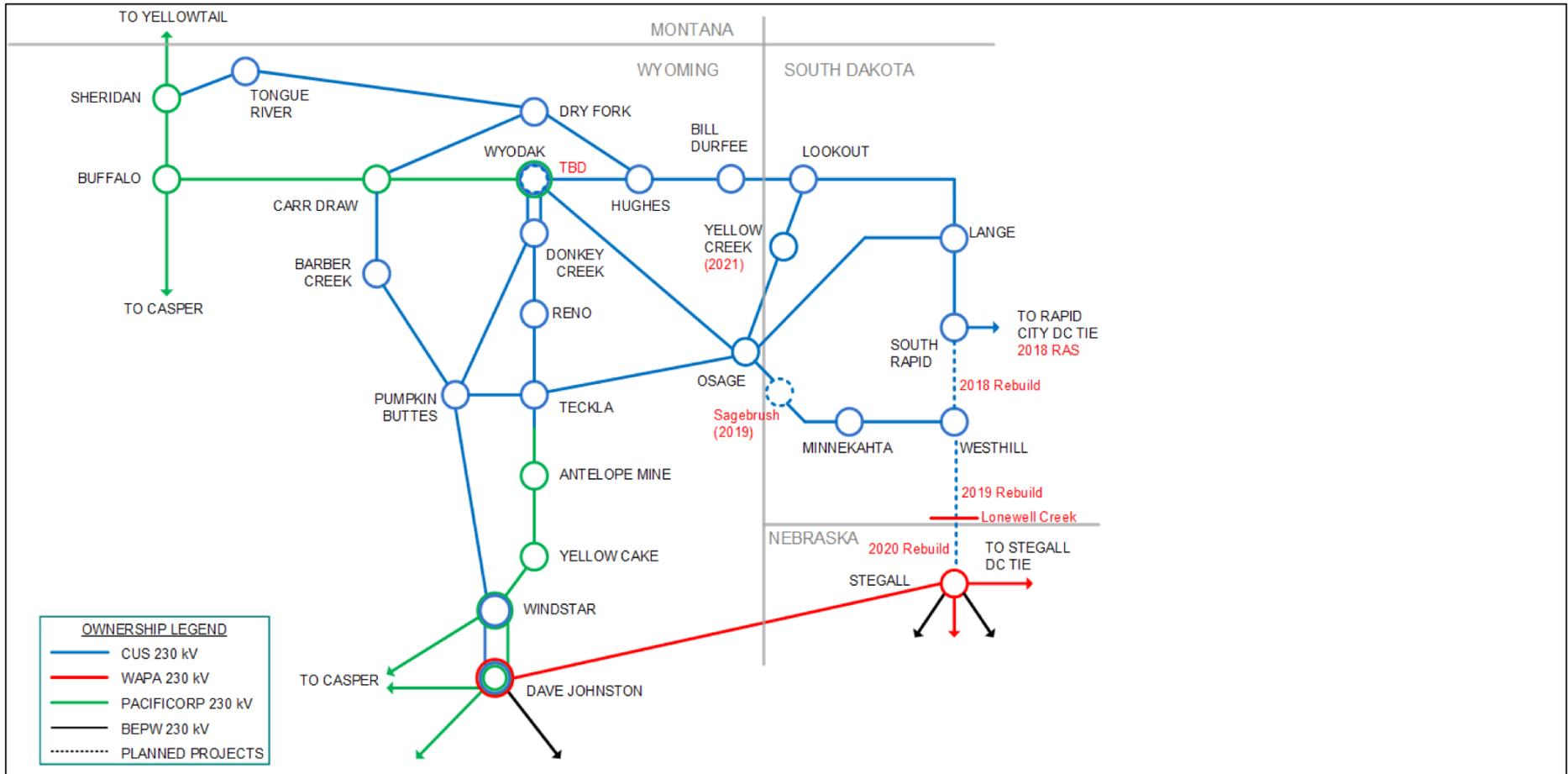
Agenda

- Introductions
- CUS Transmission System Overview
- Black Hills Power's Formula Rate Protocols
- Discuss the 2018 Projected Net Revenue Requirement
- Where to Find Information and be Engaged
- Questions & Comments

CUS Transmission System

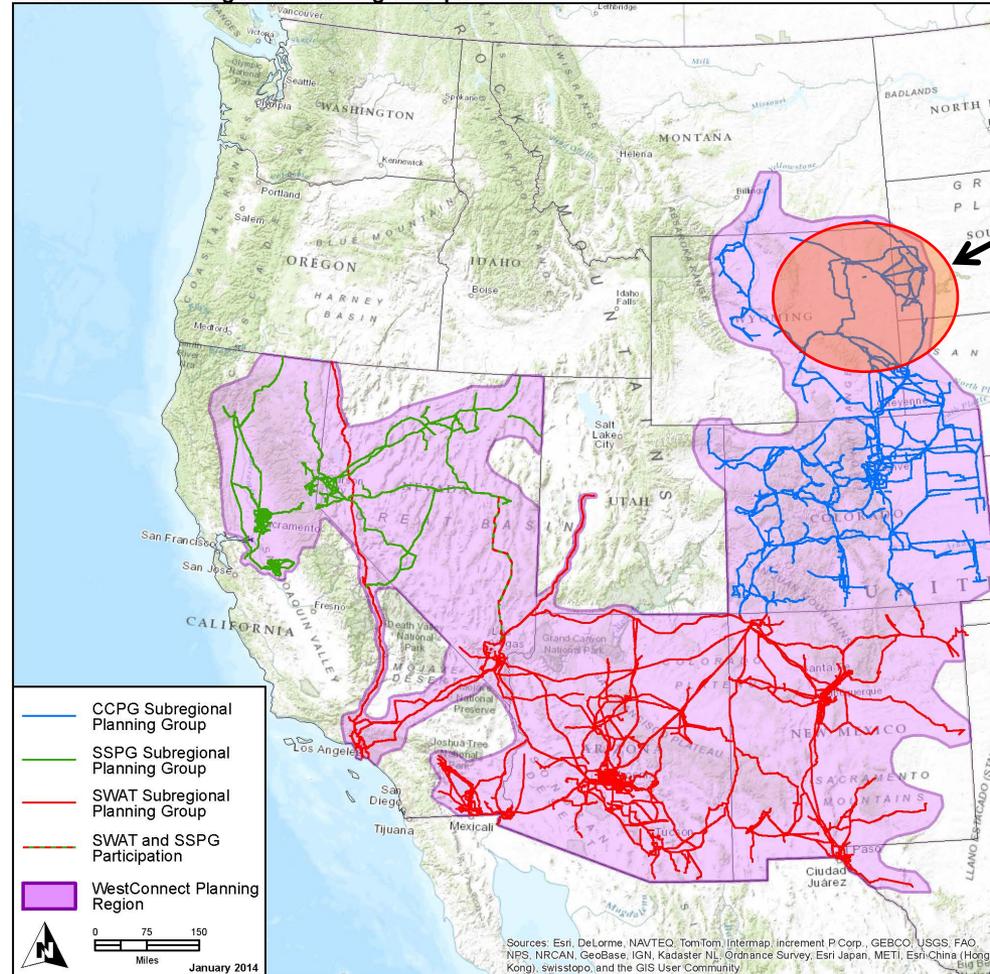
- The Common Use System (CUS) is a joint transmission system owned by Basin Electric Power Cooperative, Black Hills Power, Inc. and Powder River Energy Corporation.
- The CUS has filed with the FERC a joint open-access transmission tariff that provides transmission service over these combined assets 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 1304 circuit miles

Common Use System



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

- 2018 total projected revenue requirement increases \$3,347,185 or 18.59% over the 2017 estimate.
- 2018 projected annual rate is \$40.73 kW-Yr, an increase of \$4.37 kW-Yr over 2017.
- Primary Drivers of Increase
 - Capital Additions:
 - Addition of a transmission line Osage-Rapid City 230 KV (Went into service 5/31/2017 - \$37,037,588)
 - Projected transmission rebuild for SRC-West Hill 230 KV (2018 – \$19,587,190)
 - Projected transmission rebuild for West Hill-Stile Line (2018 - \$13,982,709)



2018 Projected Revenue Requirement

Black Hills Power Attachment H		<u>2018 Projected</u>	<u>2017 Projected</u>	<u>2016 Actual</u>
1	Average Transmission Rate Base	\$ 97,847,435	\$ 83,049,011	\$ 61,890,154
2	Weighted Rate of Return	8.76%	8.76%	8.76%
3	Return on Average Rate Base	\$ 8,567,057	\$ 7,271,377	\$ 5,418,808
4 Operating Expenses				
5	Operations & Maintenance	4,242,619	3,548,975	3,944,436
6	Depreciation	4,331,179	3,676,813	2,843,478
7	Taxes Other than Income	972,965	759,846	669,895
8	Total Operating Expenses	9,546,763	7,985,634	7,457,810
9	Income Taxes	3,243,417	2,752,883	2,051,516
10	Total Revenue Requirement	21,357,080	18,009,895	14,928,034
Component Annual Revenue Requirements				
11	Black Hills	21,357,080	18,009,895	14,928,034
12	Basin Electric	16,482,130	16,482,130	16,482,130
13	PRECorp	2,123,466	2,123,466	1,297,602
14	Total Annual Revenue Requirements	39,962,676	36,615,491	32,707,766
15	Revenue Credits	(704,007)	(807,405)	(704,007)
16	Net Annual Revenue Requirements	\$ 39,258,669	\$ 35,808,086	\$ 32,003,760
17	Network Load	963,807	984,758	855,667
18	Rate (\$/kW-Yr)	\$ 40.73	\$ 36.36	\$ 37.40

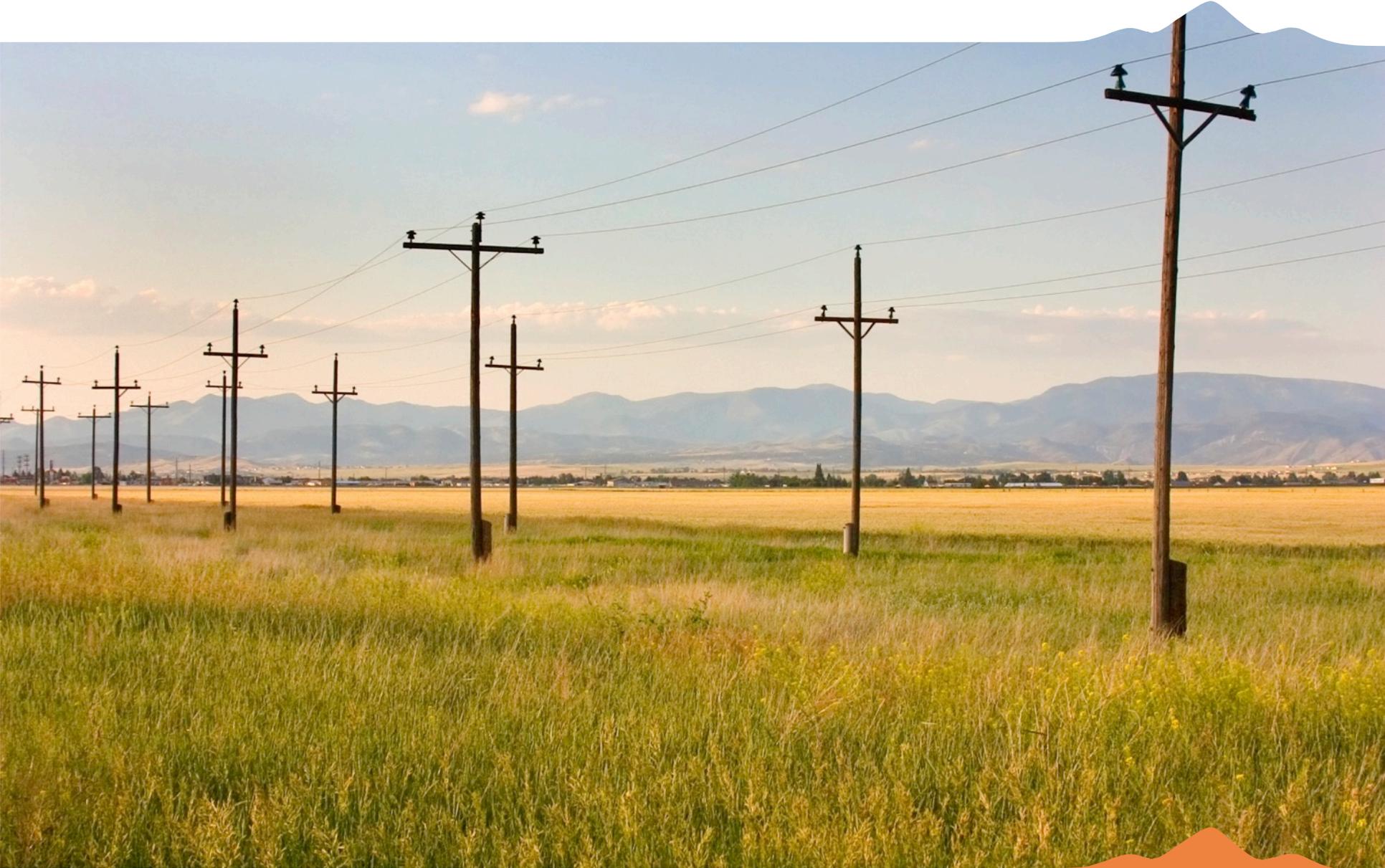
How to be Engaged

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.blackhillsenergy.com. In the list on the left click on *In Your Neighborhood* and key in your zip code. 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.



Questions





Comments / Suggestions

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