

# **BHP 2019 Formula Rate True-Up Meeting**

June 17, 2020





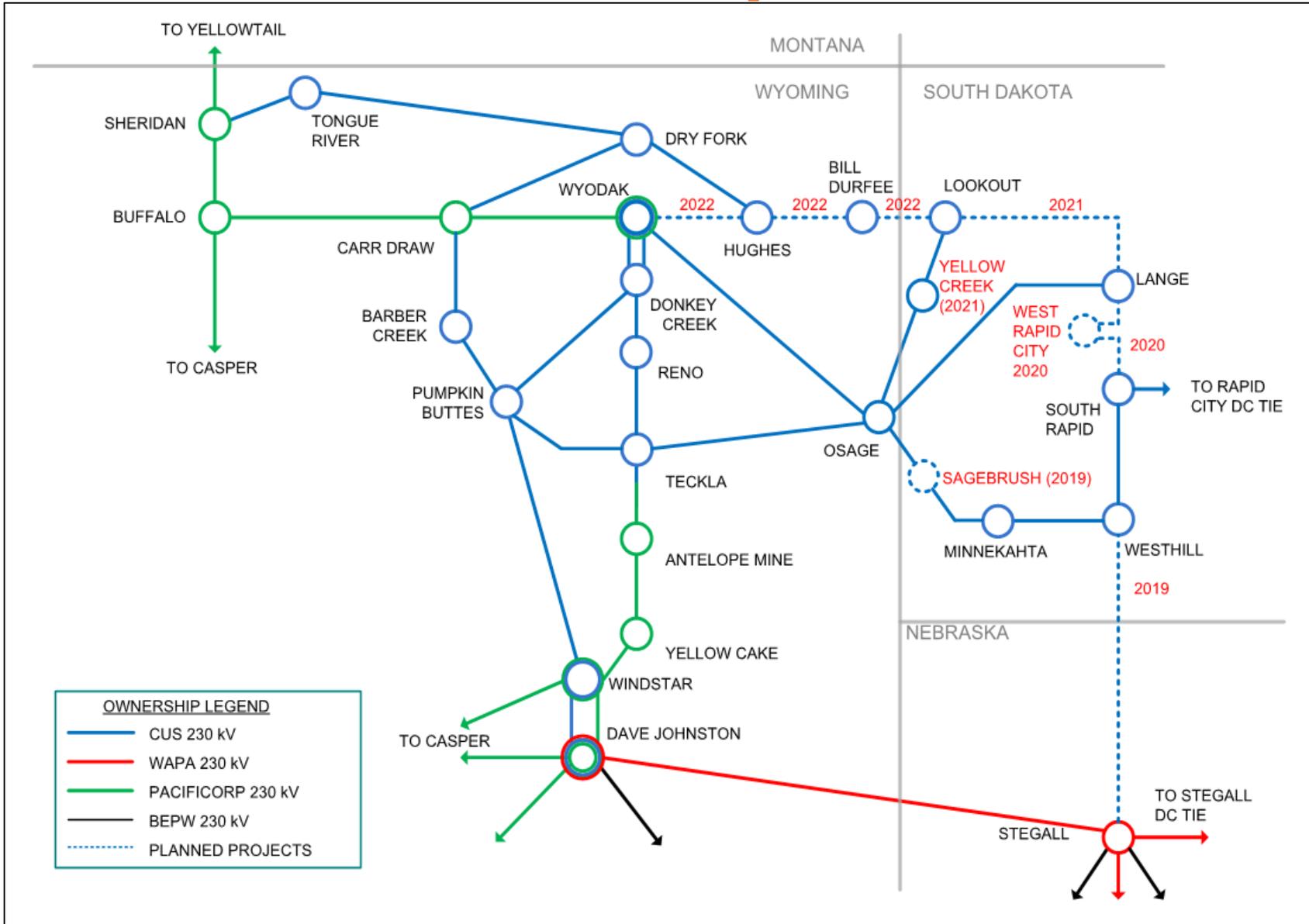
# Agenda

- Introductions
- CUS Transmission System Overview
- Discuss the 2019 Annual True-Up
- Refund Overview and Details
- Where to Find Information and be Engaged
- Questions & Comments

# CUS Transmission System

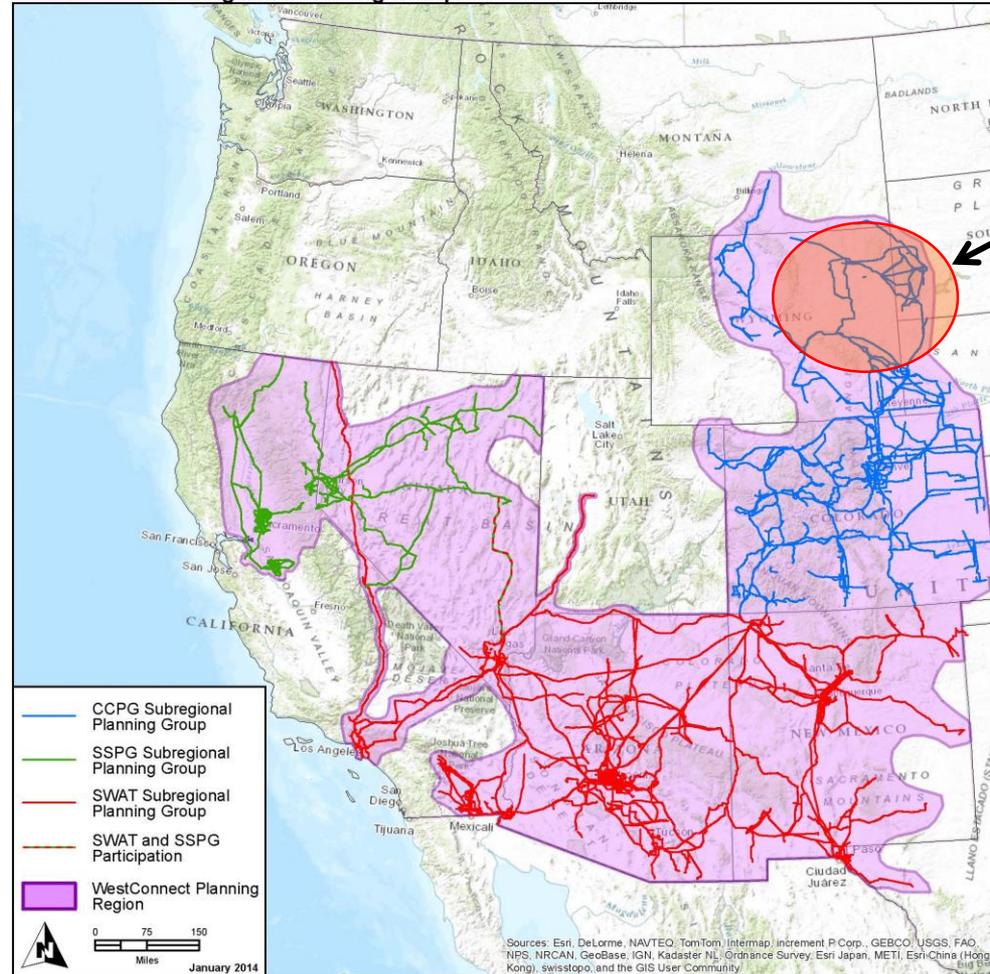
- The Common Use System (CUS) is a joint transmission system owned by Basin Electric Power Cooperative, Black Hills Power, Inc. and Powder River Energy Corporation.
- The CUS has filed with the FERC a joint open-access transmission tariff that provides transmission service over these combined assets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



# 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

# Summary of Key Drivers

- Increase in total revenue requirement of \$1,233,945 from the 2019 estimate.

## Primary Drivers of Increase:

- Total O&M Increase of \$1 million
  - Transmission Maintenance Expenses (LIDAR patrols, Tree Trimming)
  - A&G Expenses
  - Rents Expense
- Depreciation Expense Increase – \$300K



# 2019

## Actual vs. Estimated

<b>Black Hills Power Attachment H</b>		<b>2019 Actual</b>	<b>2019 Estimated</b>	<b>2019 True-up</b>
1	Average Transmission Rate Base	\$ 119,320,785	\$ 121,259,764	\$ (1,938,979)
2	Weighted Rate of Return	8.76%	8.76%	
3	<b>Return on Average Rate Base</b>	10,449,587.59	10,616,735.07	\$ (167,147)
4	<b>Operating Expenses</b>			
5	Operations & Maintenance	\$ 5,877,037	\$ 4,883,516	\$ 993,521
6	Depreciation	4,891,174	4,588,719	302,455
7	Taxes Other Than Income	1,280,346	1,143,500	136,846
8	<b>Total Operating Expenses</b>	\$ 12,048,557	\$ 10,615,735	\$ 1,432,822
9	<b>Income Taxes</b>	\$ 1,952,571	\$ 1,984,301	\$ (31,730)
10	<b>Total Revenue Requirement</b>	\$ 24,450,716.09	\$ 23,216,771.40	\$ 1,233,945
<b>Component Annual Revenue Requirements</b>				
11	Black Hills	\$ 24,450,716	\$ 23,216,771	1,233,945
12	Basin Electric	16,482,130	16,482,130	-
13	PRECorp	2,123,466	2,123,466	-
14	<b>Total Annual Revenue Requirements</b>	\$ 43,056,312	\$ 41,822,367	\$ 1,233,945
15	<b>Revenue Credits</b>	(535,372)	(704,007)	168,635
16	<b>Net Annual Revenue Requirements</b>	\$ 42,520,940	\$ 41,118,361	\$ 1,402,580
17	Network Load kW per Year	964,000	963,807	193
18	Rate (\$/kW-Yr)	\$ 44.11	\$ 42.66	\$ 1.45

# Refund Overview

- The refund relates to items identified through a FERC audit covering 2013 through 2018 and also to an item Black Hills identified on its own.
- The final FERC audit report is filed in Docket FA16-3-000 and identified the following items:
  - Specific limited legal invoices coded to the wrong account (2013 & 2014)
  - Lobbying costs coded to the wrong account (2016)
  - Software and Hardware maintenance costs capitalization verses expense (2013-2018)
  - Employee Benefit expenses previously recorded in functional O&M accounts (following labor costs) instead of retaining those expenses in A&G account 926 (2013 to 2018)
  - Using an incorrect method to calculate the annual cost of debt (2014)
- Additionally, the Company identified one item on its own and is making that adjustment. These included:
  - Although depreciation expense was calculated consistent with approved depreciation rates, accumulated depreciation used a different rate (2009 forward)

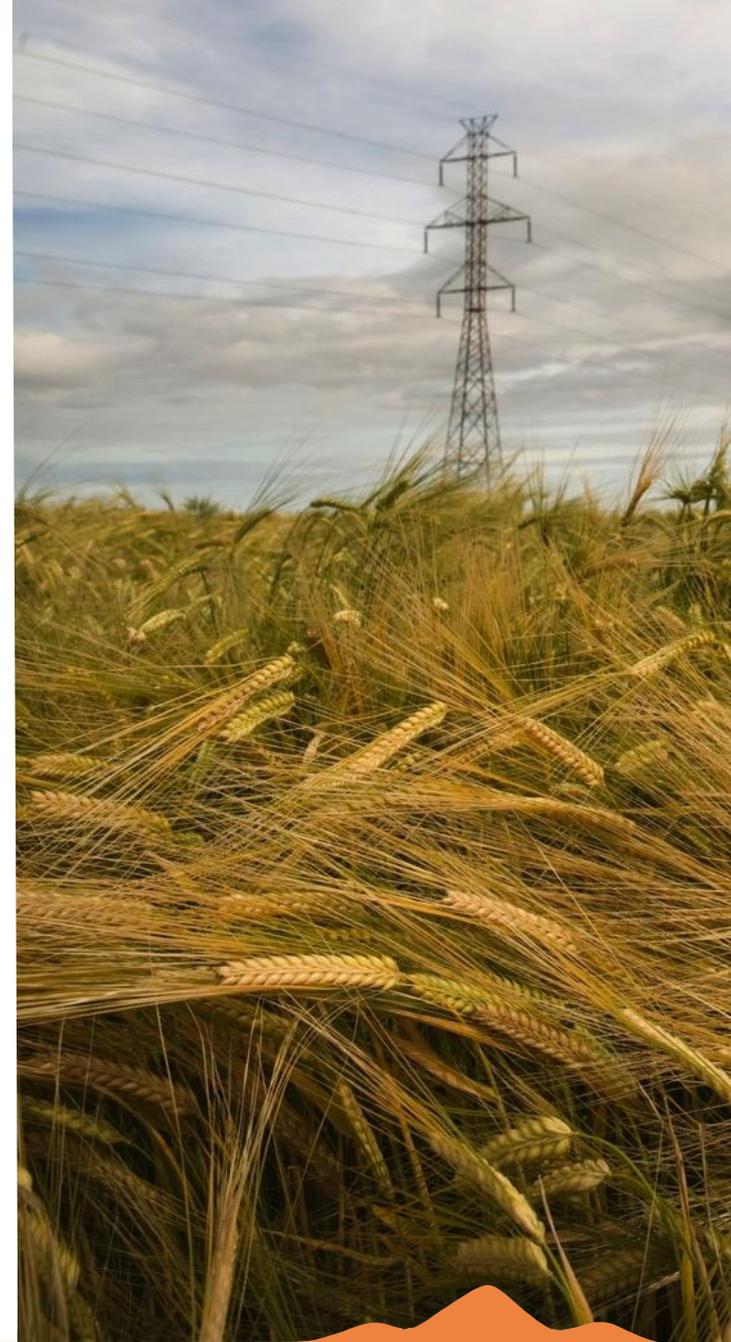
# Refund Details

- ❖ You will find two line items on your invoice as refunds
- ❖ The refunds are grouped together on your invoice as FERC Audit Related or Other Updates and Corrections.
  - ❖ **FERC Audit related**
    - ✓ Specific limited legal invoices (2013 & 2014)
    - ✓ Lobbying costs (2016)
    - ✓ Software and Hardware Maintenance Costs (2013-2018)
  - ❖ **Other Updates and Corrections**
    - ✓ Employee Benefit expenses previously recorded in functional O&M accounts (2013 to 2018)
    - ✓ Cost of Debt (2014)
    - ✓ Accumulated Depreciation (2009 forward)

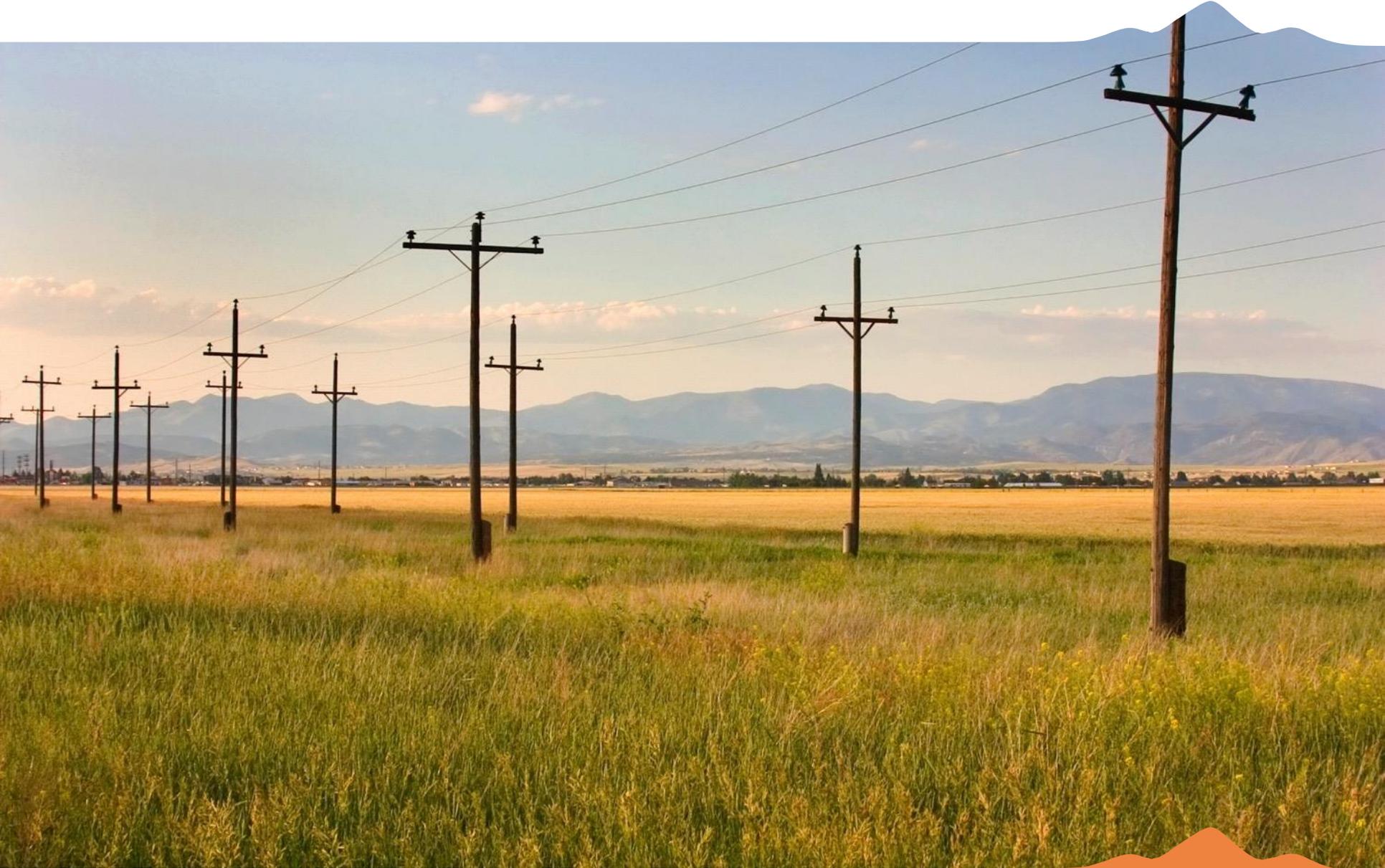
# How to be Engaged

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](http://www.blackhillsenergy.com). In the upper right click on *About Black Hills Energy*. 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

Eric East

Tariff and Contract Administration

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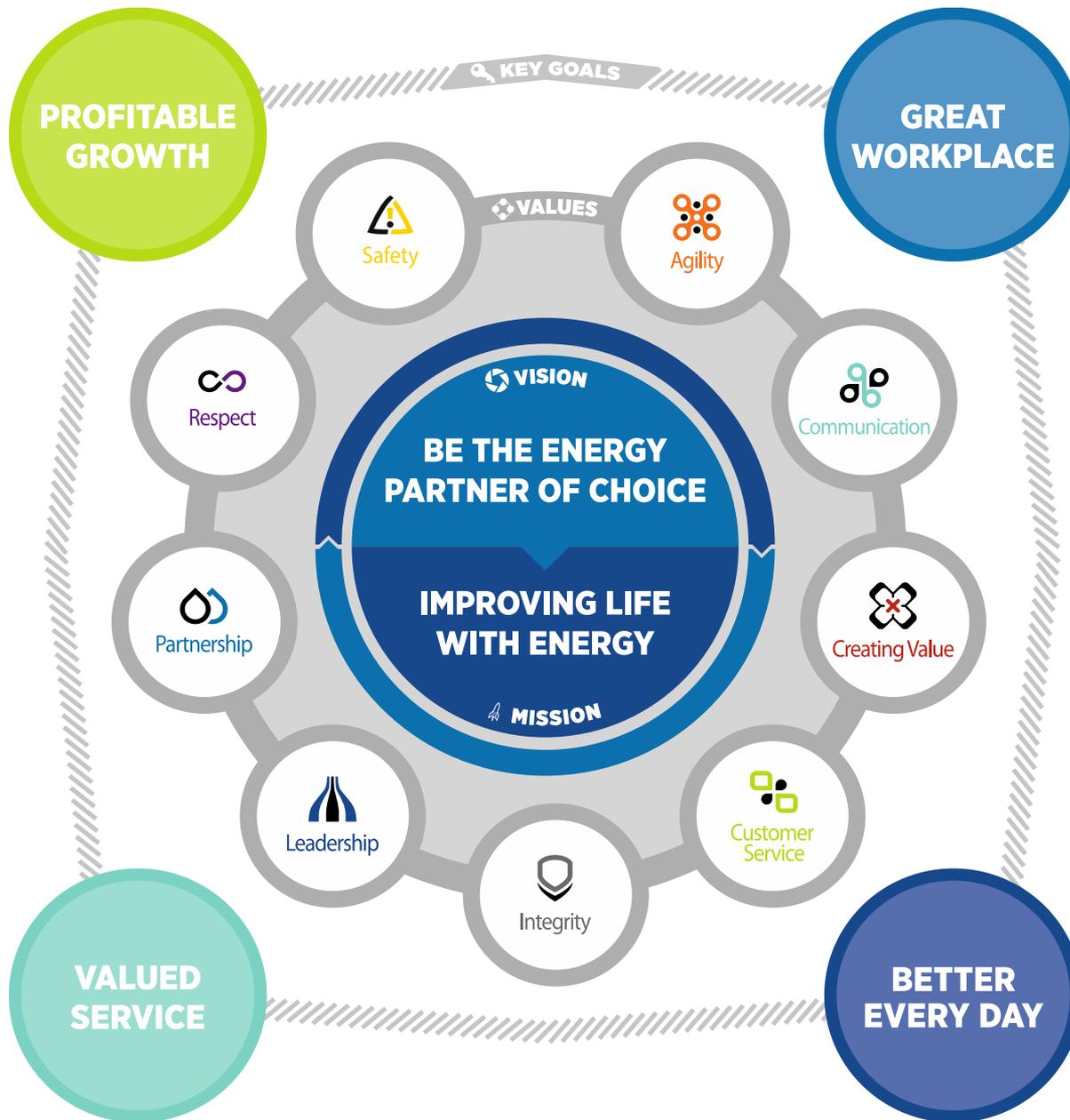
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KEY GOALS

VALUES

VISION

MISSION



Safety



Agility



Communication



Creating Value



Customer  
Service



Integrity



Leadership



Partnership



Respect