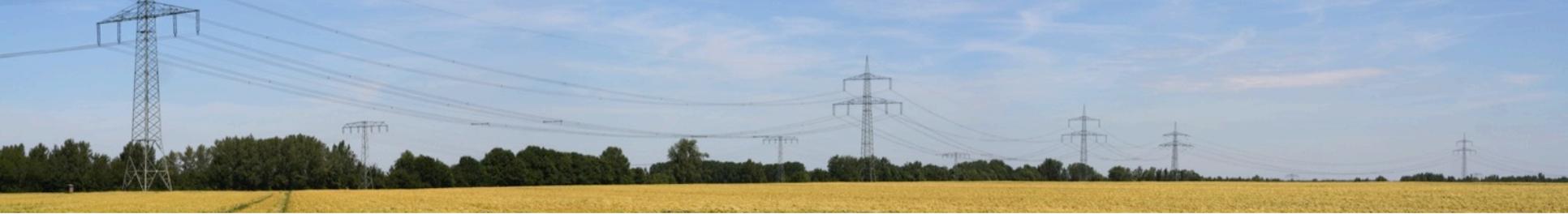


BHP 2019 Projected Net Revenue Requirement Meeting

October 18, 2018 2:00 PM MDT

Black Hills Energy
7001 Mt Rushmore Rd
Rapid City, SD 57702





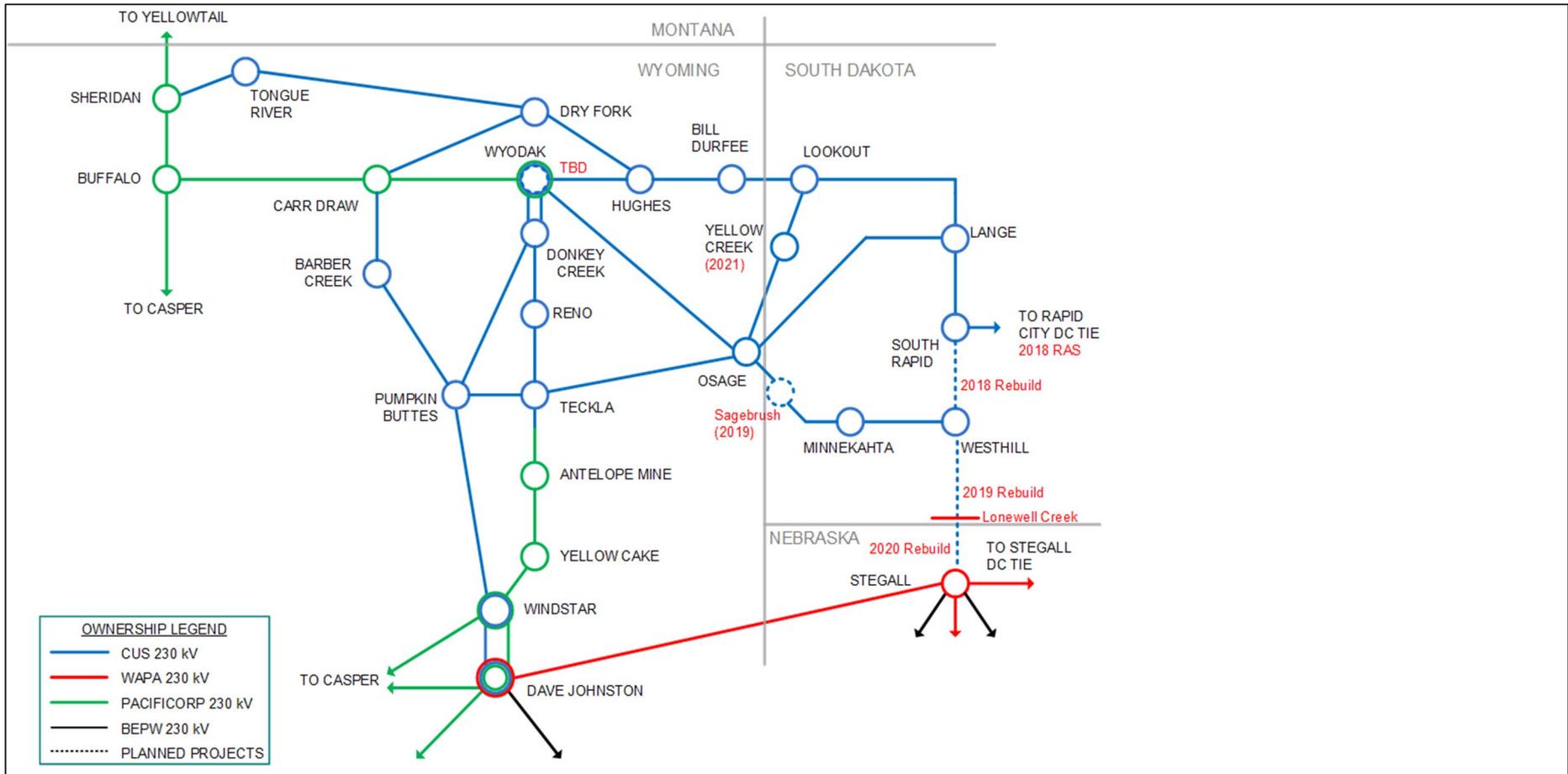
Agenda

- Introductions
- CUS Transmission System Overview
- Black Hills Power's Formula Rate Protocols
- Discuss the 2019 Projected Net Revenue Requirement
- Where to Find Information and be Engaged
- Questions & Comments

CUS Transmission System

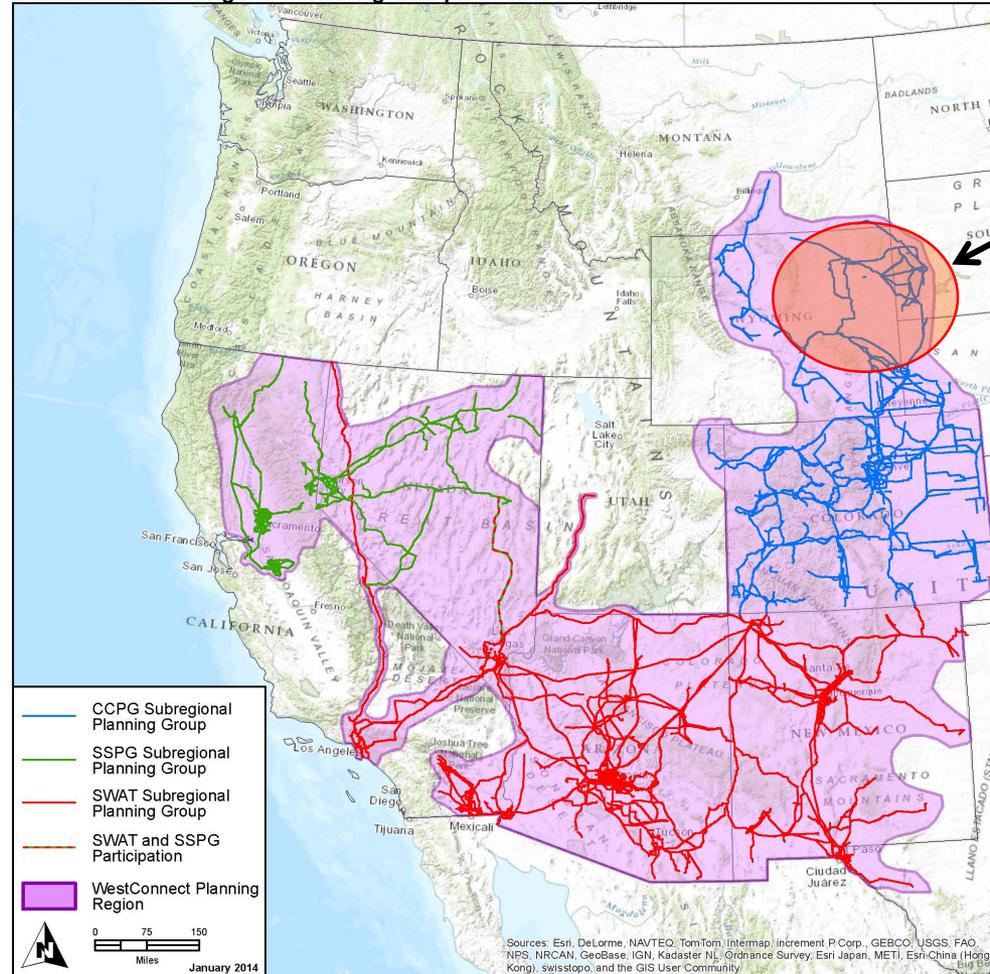
- The Common Use System (CUS) is a joint transmission system owned by Basin Electric Power Cooperative, Black Hills Power, Inc. and Powder River Energy Corporation.
- The CUS has filed with the FERC a joint open-access transmission tariff that provides transmission service over these combined assets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



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

- The Black Hills 2019 total projected revenue requirement increases \$1,859,654 or 8.71% over the 2018 estimate.
- The 2019 projected annual rate is \$42.77 kW-Yr, an increase of \$2.03 kW-Yr over 2018 estimate.
- Primary Drivers of Increase
 - Capital Additions:
 - Rebuild of a transmission line SRC – West Hill 230 KV (Went into service 07/25/18 - \$14,801,684)
 - Projected transmission rebuild for West Hill – State Line 230 KV (2018 – \$9,536,012)
 - Projected transmission line for West Rapid City 230 KV (2019 - \$1,534,061)
 - Projected rebuild for State Line – Stegall 230 KV (2019 - \$31,876,799)
 - Projected Sagebrush & West Rapid City substations 230 KV (2019 - \$7,084,004)
- Reduction in Federal Income Tax from 35% to 21%
 - Decreased the Revenue Requirement \$2,036,262



2019 Projected Revenue Requirement

Black Hills Power Attachment H		<u>2019 Projected</u>	<u>2018 Projected</u>	<u>2017 Actual</u>
1	Average Transmission Rate Base	\$ 121,259,765	\$ 97,847,435	\$ 91,275,628
2	Weighted Rate of Return	8.76%	8.76%	8.76%
3	Return on Average Rate Base	\$ 10,616,697	\$ 8,567,057	\$ 7,991,660
4 Operating Expenses				
5	Operations & Maintenance	4,883,516	4,242,619	4,718,795
6	Depreciation	4,588,719	4,331,179	3,817,169
7	Taxes Other than Income	1,143,500	972,965	926,351
8	Total Operating Expenses	10,615,735	9,546,763	9,462,315
9	Income Taxes	1,985,356	3,243,417	3,025,576
10	Total Revenue Requirement	23,223,432	21,357,080	14,928,034
Component Annual Revenue Requirements				
11	Black Hills	23,216,733	21,357,080	20,480,160
12	Basin Electric	16,482,130	16,482,130	16,482,130
13	PRECorp	2,123,466	2,123,466	2,123,466
14	Total Annual Revenue Requirements	41,822,329	39,962,676	39,085,756
15	Revenue Credits	(464,485)	(704,007)	(464,485)
16	Net Annual Revenue Requirements	\$ 41,357,845	\$ 39,258,669	\$ 32,003,760
17	Network Load	967,083	963,807	855,667
18	Rate (\$/kW-Yr)	\$ 42.77	\$ 40.73	\$ 37.40

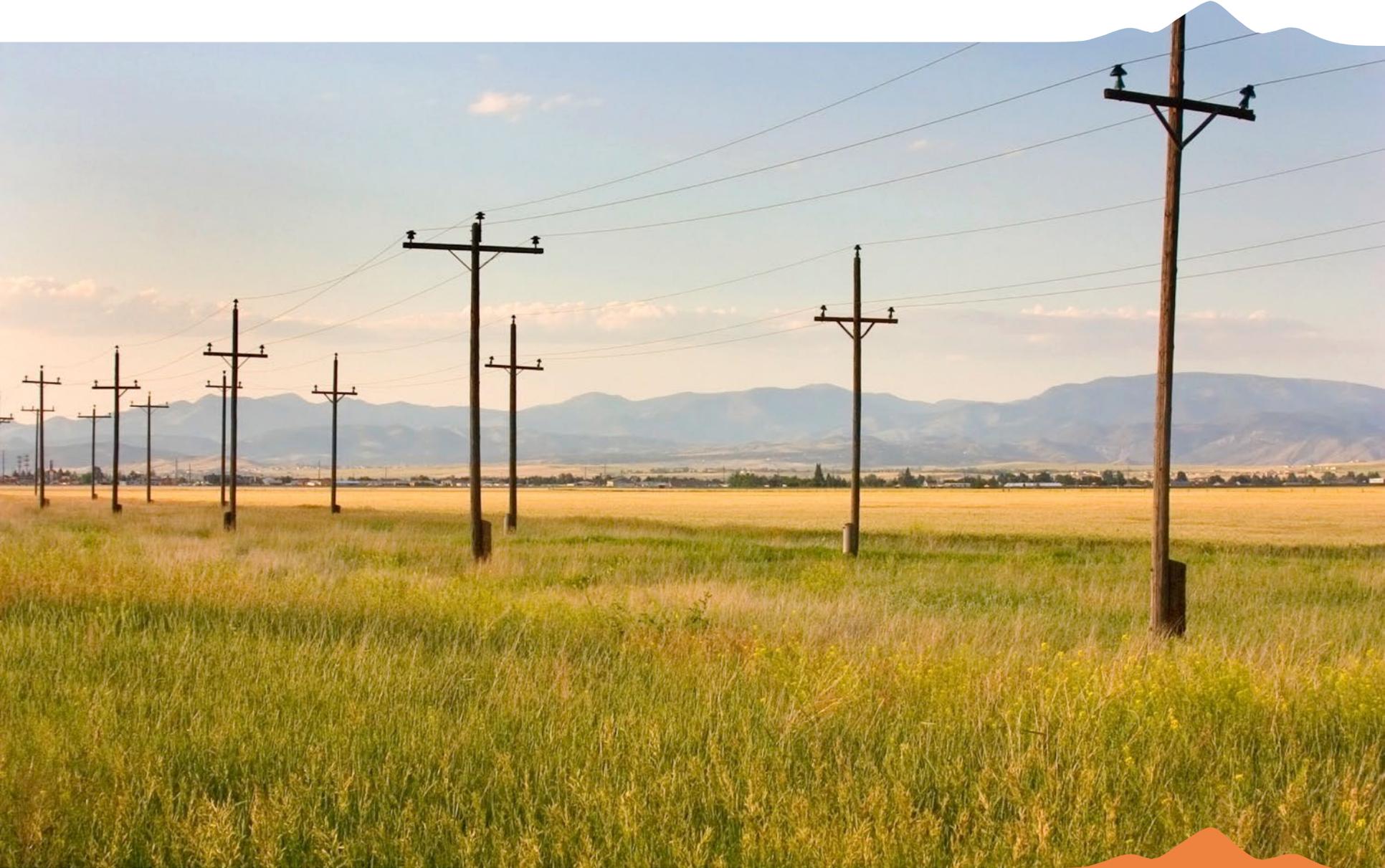
How to be Engaged

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 top left click on *About Black Hills Energy* 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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