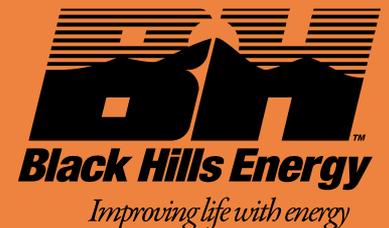


BHP 2021 Formula Rate True-Up Meeting

June 21, 2022





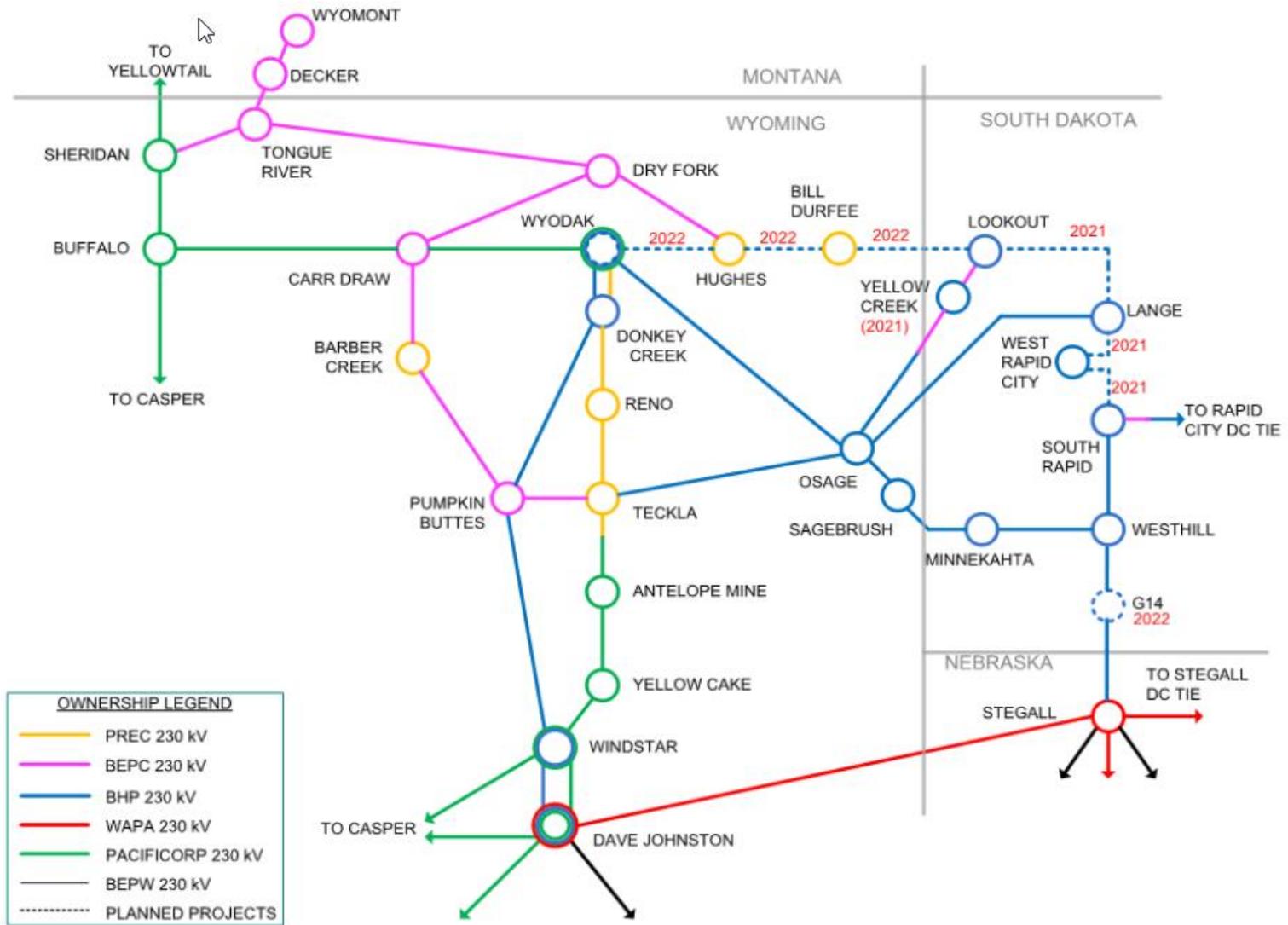
Agenda

- Introductions
- CUS Transmission System Overview
- Discuss the 2021 Annual True-Up
 - Summary of Key Drivers
 - 2021 Actual vs Estimated
- Where to Find Information and be Engaged
- Questions & Comments

CUS Transmission System

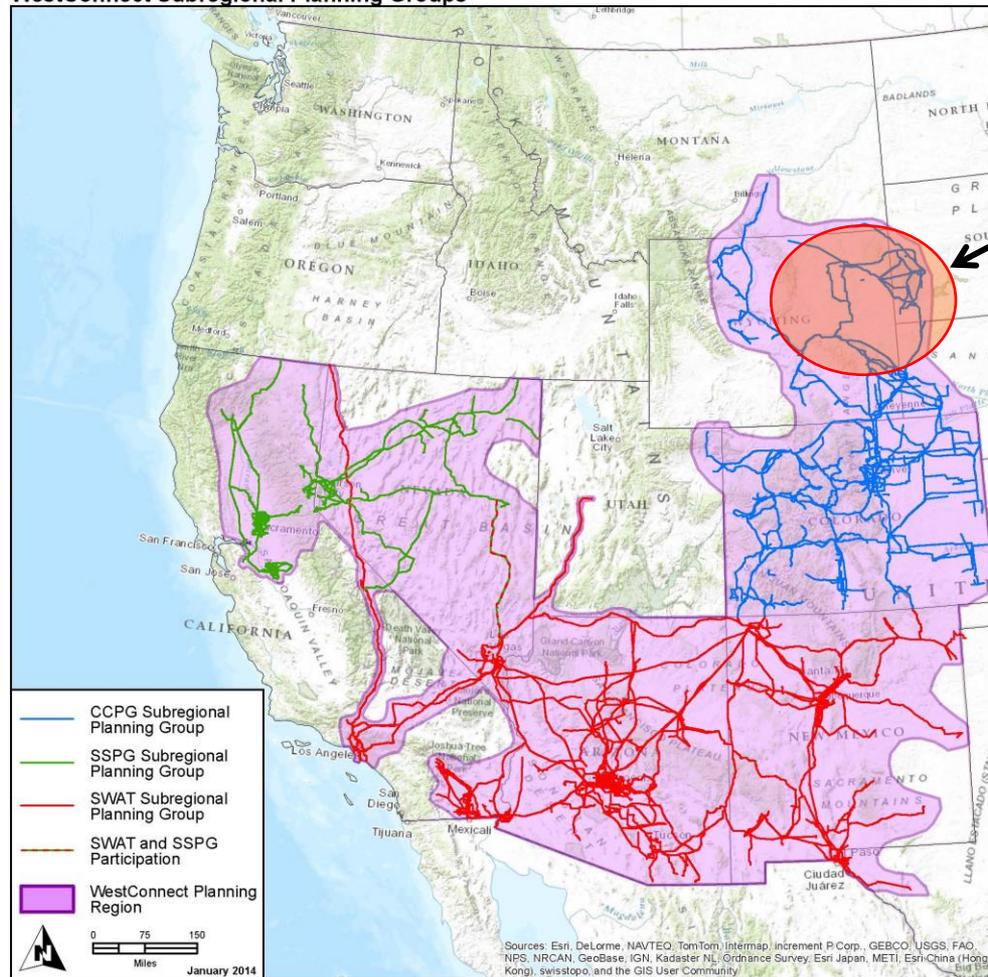
- The Common Use System (CUS) is a jointly operated transmission system. The CUS participants include Basin Electric Power Cooperative, Black Hills Power Inc. and Powder River Energy Corporation.
- The CUS has filed with the FERC a joint open-access transmission tariff that provides transmission service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

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 net annual revenue requirement of \$29,622 from the 2021 estimate.

Primary Drivers of Increase:

- Rate Base \$11.3 Million increase over the estimate (\$7.5 Million from Plant in Service and \$3.8 from TP Allocator change associated with ADIT)
 - Depreciation impact of +\$175k
 - Property Tax expense +\$90k
 - Return on Equity +\$1 million
 - Tax expense +\$185k
- O&M Expenses Decrease of (\$805k)
 - (\$513k) Transmission O&M due to increase in excluded plant of ~\$19 million and its impact on the TP Allocator.
 - (\$292k) from misc. variances in Vegetation Management, Pension, and Outside Services
- Revenue Credits Decreased (\$264k) from current customers taking more non-firm usage.
- Depreciation expense (\$365k) impact from TP Allocator offsets the increase from rate base



Additional Information

- **Transmission Plant Allocator (“TP Allocator”):**
 - The TP Allocator moving from the estimate (90.255%) to the true up (83.472%) was caused by increases of excluded plant with major drivers below:
 - The DC Tie Line \$4.7 million
 - Yellow Creek Sub (distribution) \$2.9 Million
 - SD Sub 109 – West Rapid (distribution) \$3.7 Million
 - GSU’s \$6.3 Million
 - The next slide provides the impact from estimate to true up related to the TP Allocator.
- **Generator Step Up Units (“GSU’s):**
 - Black Hills Power, Inc. (“BHP”) previously recorded GSU’s under the Production function. BHP changed its coding methodology to move all GSU’s out of Production and into a specific plant account 353.001 that rolls up to the Transmission function beginning in June 2020 with all transfers of GSU’s completed in June of 2021. Workpapers were updated to accommodate this change to reflect that the GSU’s be a component of Excluded plant.
 - BHP properly recorded GSU’s as Excluded plant in 2020, but was not significant enough to be identified as a driver.

2021

Actual vs. Estimated

	2020 Actual	2021 Actual	2021 Estimated	2021 True-up Variance from Estimate
Black Hills Power Attachment H				
1 Average Transmission Rate Base	\$ 132,352,590	\$ 142,615,827	\$ 131,283,835	\$ 11,331,993
2 Weighted Rate of Return	8.78%	8.77%	8.76%	
3Return on Average Rate Base	11,625,846.87	12,502,053.23	11,497,217.43	\$ 1,004,836
4Operating Expenses				
5 Operations & Maintenance	\$ 5,572,049	\$ 5,144,416	\$ 5,950,217	\$ (805,801)
6 Depreciation	5,088,583	5,303,696	5,488,511	(184,814)
7 Taxes Other Than Income	1,470,268	1,456,115	1,362,037	94,078
8Total Operating Expenses	\$ 12,130,900	\$ 11,904,227	\$ 12,800,765	\$ (896,537)
9Income Taxes	\$ 2,165,824	\$ 2,333,773	\$ 2,148,335	\$ 185,437
10Total Revenue Requirement	<u>\$ 25,922,570.92</u>	<u>\$ 26,740,053.16</u>	<u>\$ 26,446,317.26</u>	<u>\$ 293,736</u>
Component Annual Revenue Requirements				
11 Black Hills	\$ 25,922,571	\$ 26,740,053	\$ 26,446,317	293,736
12 Basin Electric	16,482,130	16,482,130	16,482,130	-
13 PRECorp	2,123,466	2,123,466	2,123,466	-
14Total Annual Revenue Requirements	\$ 44,528,167	\$ 45,345,649	\$ 45,051,913	\$ 293,736
15Revenue Credits	(631,954)	(799,486)	(535,372)	(264,114)
16Net Annual Revenue Requirements	<u>\$ 43,896,213</u>	<u>\$ 44,546,163</u>	<u>\$ 44,516,541</u>	<u>\$ 29,622</u>
17 Network Load kW per Year	927,750	963,667	1,026,750	(63,083)
18 Rate (\$/kW-Yr)	\$ 47.31	\$ 46.23	\$ 43.36	\$ 2.87

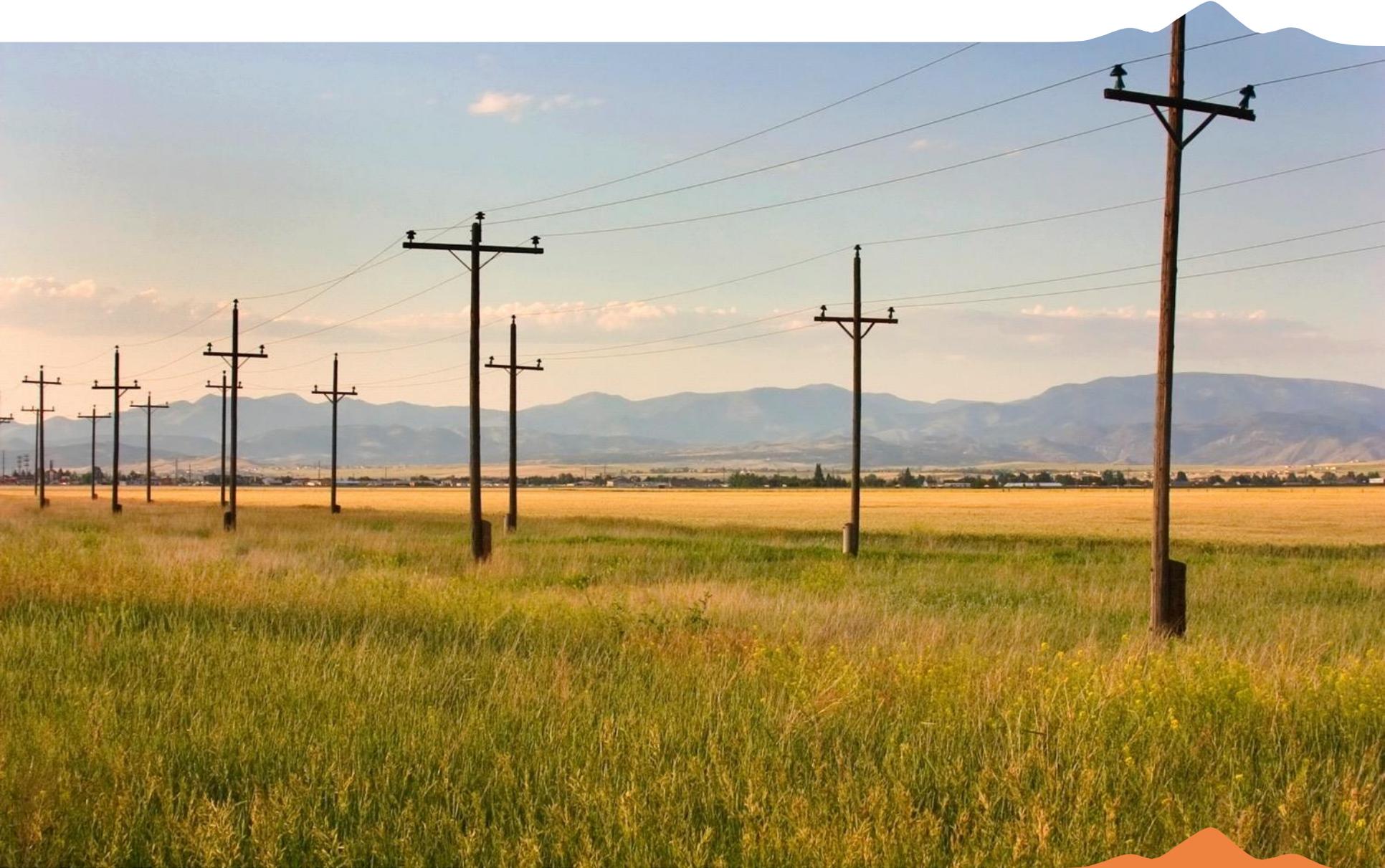
How to be Engaged

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 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.



Questions





Comments / Suggestions

Eric East

Tariff and Contract Administration

Transmissionservice@blackhillscorp.com

(605) 721-2220

Jacki Welbig-Stenson

Electric Transmission System Analyst

Jacki.Welbig@blackhillscorp.com

(605) 721-2310

