

BRACEWELL

February 28, 2020

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: *Black Hills Power, Inc.*
Docket No. ER20-____-000
2020 Annual Formula Rate Update Informational Filing

Dear Secretary Bose:

Pursuant to the formula rate protocols set forth in Attachment H of the Joint Open Access Transmission Tariff of Black Hills Power, Inc. (“Black Hills Power”), Basin Electric Power Cooperative, and Powder River Energy Corporation (“Joint Tariff”), Black Hills Power, as the Tariff Administrator, hereby submits its annual Informational Filing required by Section V of its formula rate protocols (“Informational Filing”).¹ The Informational Filing includes information relating to Black Hills Power’s projected net revenue requirement, which will be used to recover Black Hills Power’s Annual Transmission Revenue Requirement (“ATRR”), effective January 1, 2020 and also includes information relating to Black Hills Power’s annual true-up performed in June of 2019.²

I. COMMUNICATIONS

Please direct all communications and correspondence in this proceeding to the individuals indicated below:

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¹ Pursuant to the Federal Energy Regulatory Commission’s (“Commission”) directives, Black Hills Power is submitting this Informational Filing in a new docket. *See Black Hills Power, Inc.*, 148 FERC ¶ 61,035, at P 28 (2014); *Midcontinent Indep. Sys. Operator, Inc.* 146 FERC ¶ 61,212, at P 71 (2014).

² The annual true-up is accomplished in June of 2019 and applies to the 2018 rate year.

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II. INFORMATIONAL FILING

Section V of Black Hills Power's formula rate protocols provides that, by March 1 of each year, Black Hills Power shall submit to the Commission an informational filing relating to its projected net revenue requirement and annual true-up. Section V further provides that the informational filing is to include information reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that Black Hills Power has properly applied the formula rate and the formula rate protocol procedures; (3) the accuracy of data and the consistency with the formula rate of the net revenue requirement and rates under review; (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. In sum, the formula rate protocols require Black Hills Power to submit, in its Informational Filing, the formula rate template and underlying workpapers in native format fully populated with formulas intact and identify accounting changes that impacted the prior's years annual true-up or Black Hills Power's projection of its net revenue requirement.

A. Attachments

In accordance with the requirements under Section V of the formula rate protocols, Black Hills Power provides the following:

- This Transmittal Letter;
- 2018 BHP Attachment H Transmission Rate True-Up.xls;
- 2018 BHP Attachment H True-Up Supplemental Supp.xlsx;
- 2020 BHP Attachment H Transmission Rate Estimate.xlsx; and
- 2020 BHP Attachment H Transmission Rate Estimate Supp.xlsx.

B. Corrections, Adjustments or Accounting Changes, and Challenges

The formula rate protocols also require that the informational filing describe any corrections or adjustments made during the period, and describe any accounting changes that could impact the formula rate or its inputs. In this regard, Black Hills Power reports that it clarified its software and hardware capitalization policy. Particularly, the software and hardware capitalization policy revisions sought to clarify how support costs should be recorded during software and hardware implementations.

In addition, Black Hills Power further reports that, consistent with its proposal in *Black Hills Power Inc.*, Docket No. ER18-1583-000 (filed May 14, 2018), during the 2018 Service Year Black Hills Power collected charges from its transmission formula rate customers that were based on the pre-2017 Tax Cuts and Jobs Act corporate federal income tax rate of 35%. It then refunded its formula rate transmission customers to compensate for the change in tax rate (35% to 21%) for the period of January 1, 2018 through December 31, 2018 through its June 2019 True-Up adjustment process, since it was the June 2019 True Up which accounted for any difference in the projected 2018 ATRR and 2018 actual costs.³

Section V of the formula rate protocols requires Black Hills Power to describe any aspect of the formula rate or its inputs that is the subject of dispute under the informal or formal challenge procedures available under Attachment H. At the time of this filing, no aspect of Black Hills Power's formula rate, Black Hills Power's Annual True-Up for Service Year 2018, or Black Hills Power's projected net revenue requirement for Service Year 2020 is the subject of an ongoing dispute under the informal or formal challenge procedures set forth in Section IV of the formula rate protocols.

C. Deadlines and Administrative Requirements

Additionally, the Attachment H formula rate protocols require that Black Hills Power's Annual True-Up for the preceding Service Year and projected net revenue requirement for the following Service Year be posted on its website and OASIS by June 1 and September 30 of each year, respectively. Further, within ten (10) days of posting the Annual True-Up and projected net revenue requirement, Black Hills Power is required to provide notice of such postings to interested parties via an email exploder list for which interested parties may subscribe on the Black Hills Power website.⁴

Following the posting of the Annual True-Up and projected net revenue requirement, Sections II.6-7 of the formula rate protocols require that Black Hills Power hold open meetings with Interested Parties to permit Black Hills Power to explain and clarify its Annual True-Up and projected net revenue requirement, and to provide interested parties an opportunity to seek information and clarifications from Black Hills Power regarding the same. The open meeting on the Annual True-Up is to be held by July 1 each year, and the open meeting on the projected net revenue requirement is to be held by October 30 each year.⁵

³ Black Hills' proposal to accomplish refunds associated with the 2017 Tax Cuts and Jobs Act through its June 2019 True-Up Adjustment was approved together with certain revisions to its formula rate template to effectuate the 2017 Tax Cuts and Jobs Act change as well as future changes to the corporate federal income tax rate. See *AEP Appalachian Transmission Co., Inc.*, 165 FERC ¶ 61,092 (2018) (accepting Black Hills Power's formula rate revisions in response to the Commission's order to show cause).

⁴ Attachment H §§ II.1-2.

⁵ Attachment H §§ II.6-7.

The following table summarizes Black Hills Power's compliance with the specific deadlines and administrative requirements set forth in the protocols:

Activity	Due Date	Date Activity Completed
Determine Annual True-Up for Rate Year 2018 and Post on Website and OASIS	June 1, 2019	May 29, 2019
Send notice by email exploder list the posting of the True-Up calculation	June 9, 2019	May 29, 2019
Send notice by email exploder list and post on website and OASIS of Annual True-Up meeting	June 7, 2019	June 6, 2019
Hold Annual True-Up Meeting	July 1, 2019	June 17, 2019
Determine Projected Net Revenue Requirement for Rate Year 2020 and Post on Website and OASIS	September 30, 2019	September 27, 2019
Send Notice by email exploder list the posting of Attachment H Rates	October 8, 2019	October 3, 2019
Send notice by email exploder list and post on website and OASIS of Annual Projected Rate Meeting	October 19, 2019	October 7, 2019
Hold Annual Projected Rate Meeting	October 30, 2019	October 14, 2019

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III. SERVICE

In accordance with Section V.1 of the Attachment H formula rate protocols, Black Hills Power will provide notice of this Informational Filing via an email exploder list and by posting the docket number assigned to this Information Filing on Black Hills Power's website and OASIS within five (5) days.

Thank you for your attention to this matter. Please contact the undersigned if you have any questions concerning this Informational Filing.

Respectfully submitted,

/s/ Blake R. Urban

Catherine P. McCarthy
Blake R. Urban

Counsel to Black Hills Power, Inc.