

# **BHP 2018 Formula Rate True-Up Meeting**

June 17, 2019





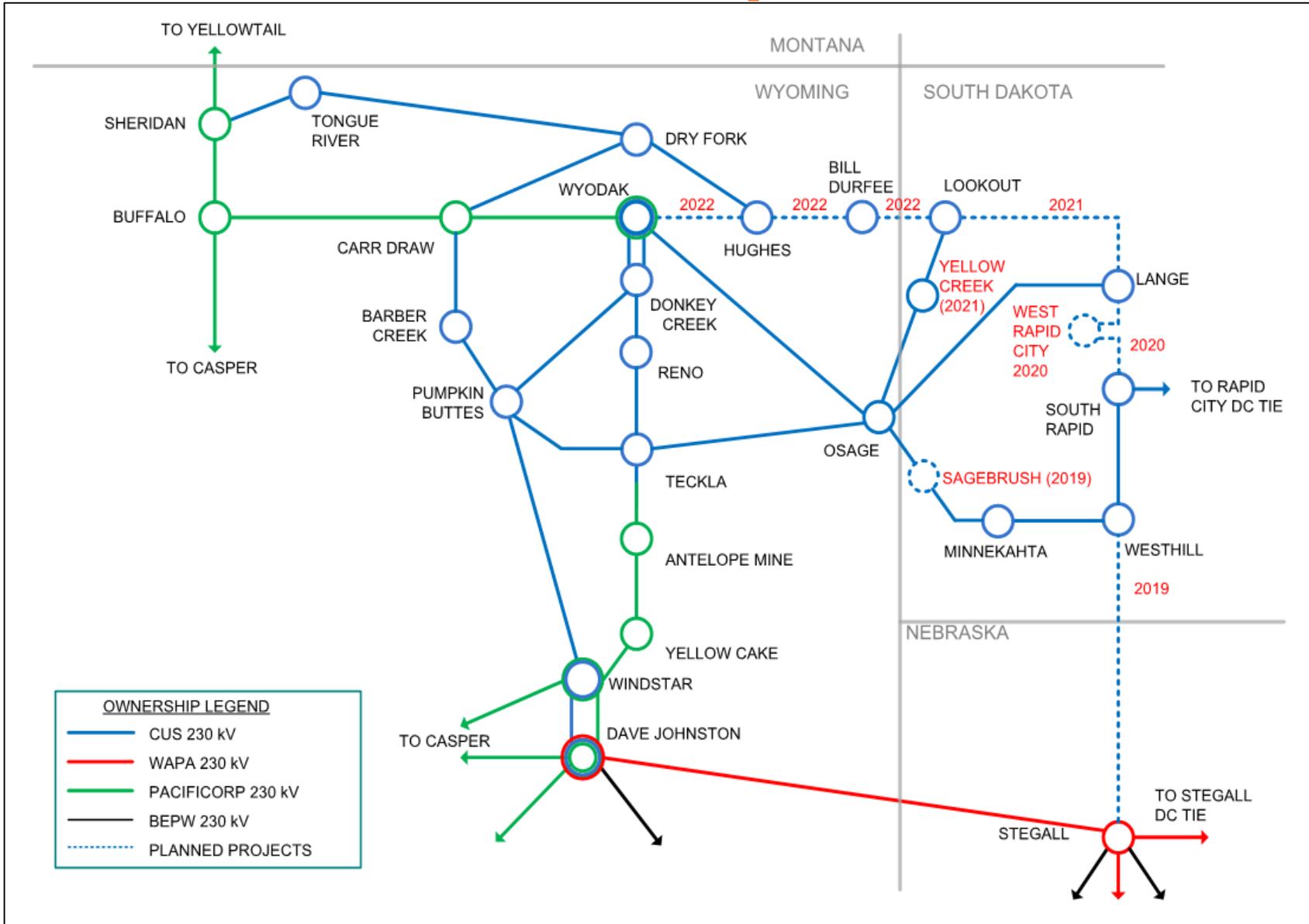
# Agenda

- Introductions
- CUS Transmission System Overview
- Black Hills Power's Formula Rate Protocols
- Discuss the 2018 Annual True-Up
- Where to Find Information and be Engaged
- Questions & Comments

# CUS Transmission System

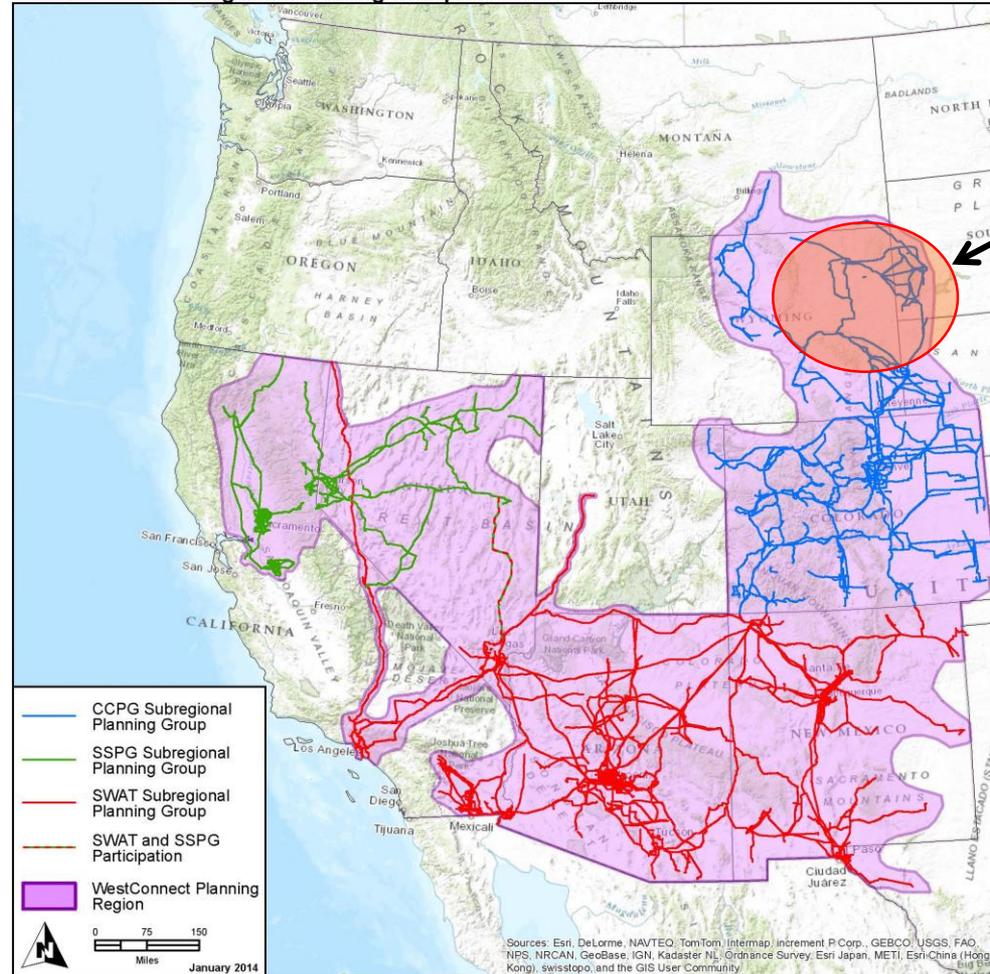
- The Common Use System (CUS) is a joint transmission system owned by Basin Electric Power Cooperative, Black Hills Power, Inc. and Powder River Energy Corporation.
- The CUS has filed with the FERC a joint open-access transmission tariff that provides transmission service over these combined assets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

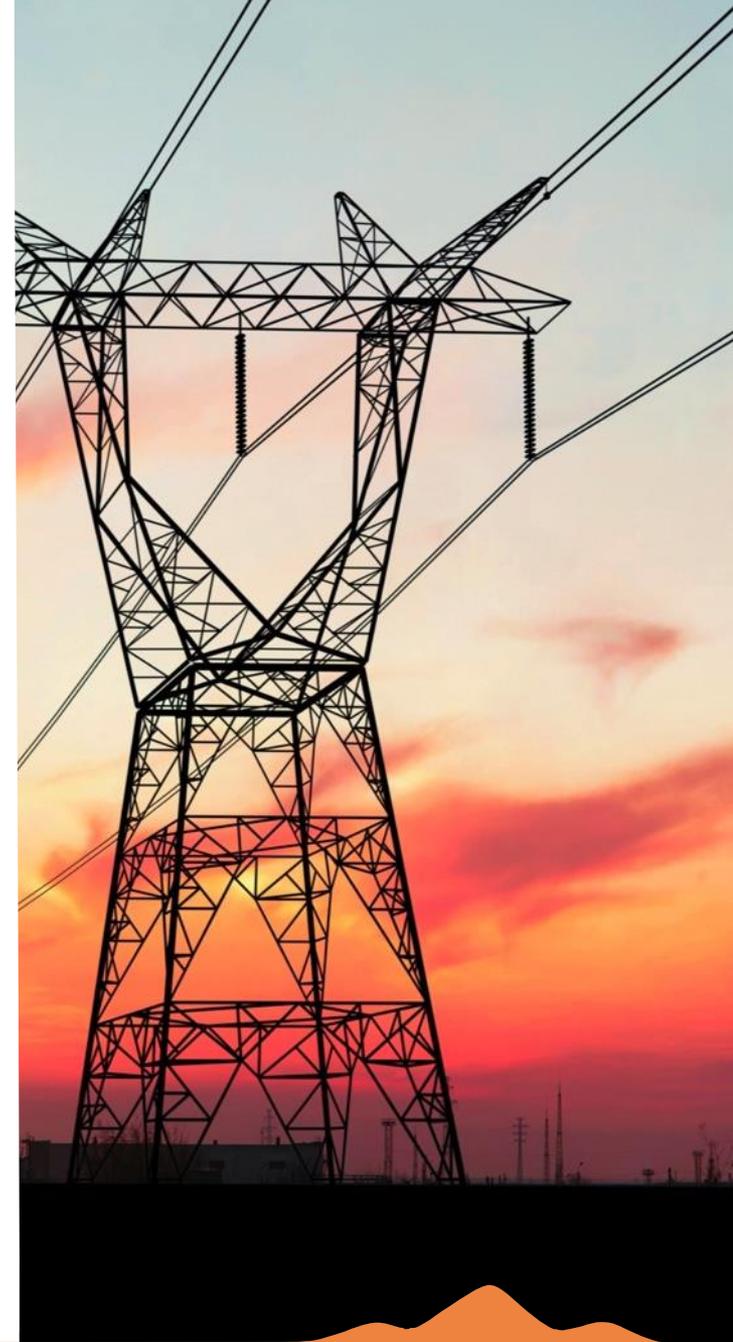


BHBE / Common Use System

CCPG—Colorado Coordinated Planning Group  
 SSPG—Sierra Subregional Planning Group  
 SWAT—Southwest Area Transmission

# 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

- Increase in total revenue requirement of \$1,344,156 from the 2018 estimate.
- Primary Drivers of Increase:
  - ADIT delta of ~\$7.8 Million
  - Lesser ADIT Credit from estimate ADIT (EDFIT is included in True-up)
  - Approx. +\$750K Revenue Requirement Impact
- Total O&M Increase of \$2.1 million
  - Transmission Maintenance Expenses +1.13 million (LIDAR patrols, Tree Trimming)
  - A&G Expenses +\$920K (Allocated costs from Service Company)
- Tax Expense Reduction from TCJA (\$1.5) Million



# 2018

## Actual vs. Estimated

<b>Black Hills Power Attachment H</b>		<b>2018 Actual</b>	<b>2018 Estimated</b>	<b>True-up</b>
1	Average Transmission Rate Base	106,527,443	\$ 97,847,435	\$ 8,680,008
2	Weighted Rate of Return	8.76%	8.76%	
3	<b>Return on Average Rate Base</b>	9,329,203.18	8,566,900.21	\$ 762,303
4	<b>Operating Expenses</b>			
5	Operations & Maintenance	\$ 6,294,774	\$ 4,242,619	\$ 2,052,155
6	Depreciation	4,308,637	4,331,179	(22,542)
7	Taxes Other Than Income	1,025,400	972,965	52,436
8	<b>Total Operating Expenses</b>	\$ 11,628,812	\$ 9,546,763	\$ 2,082,049
9	<b>Income Taxes</b>	\$ 1,743,220	\$ 3,243,417	\$ (1,500,196)
10	<b>Total Revenue Requirement</b>	<u>\$ 22,701,235.57</u>	<u>\$ 21,357,079.66</u>	<u>\$ 1,344,156</u>
<b>Component Annual Revenue Requirements</b>				
11	Black Hills	\$ 22,701,236	\$ 21,357,080	1,344,156
12	Basin Electric	16,482,130	16,482,130	-
13	PRECorp	2,123,466	2,123,466	-
14	<b>Total Annual Revenue Requirements</b>	\$ 41,306,832	\$ 39,962,676	\$ 1,344,156
15	<b>Revenue Credits</b>	(401,991)	(704,007)	302,016
16	<b>Net Annual Revenue Requirements</b>	<u>\$ 40,904,841</u>	<u>\$ 39,258,669</u>	<u>\$ 1,646,172</u>
17	Network Load kW per Year	964,000	963,807	193
18	Rate (\$/kW-Yr)	\$ 42.43	\$ 40.73	\$ 1.70

# 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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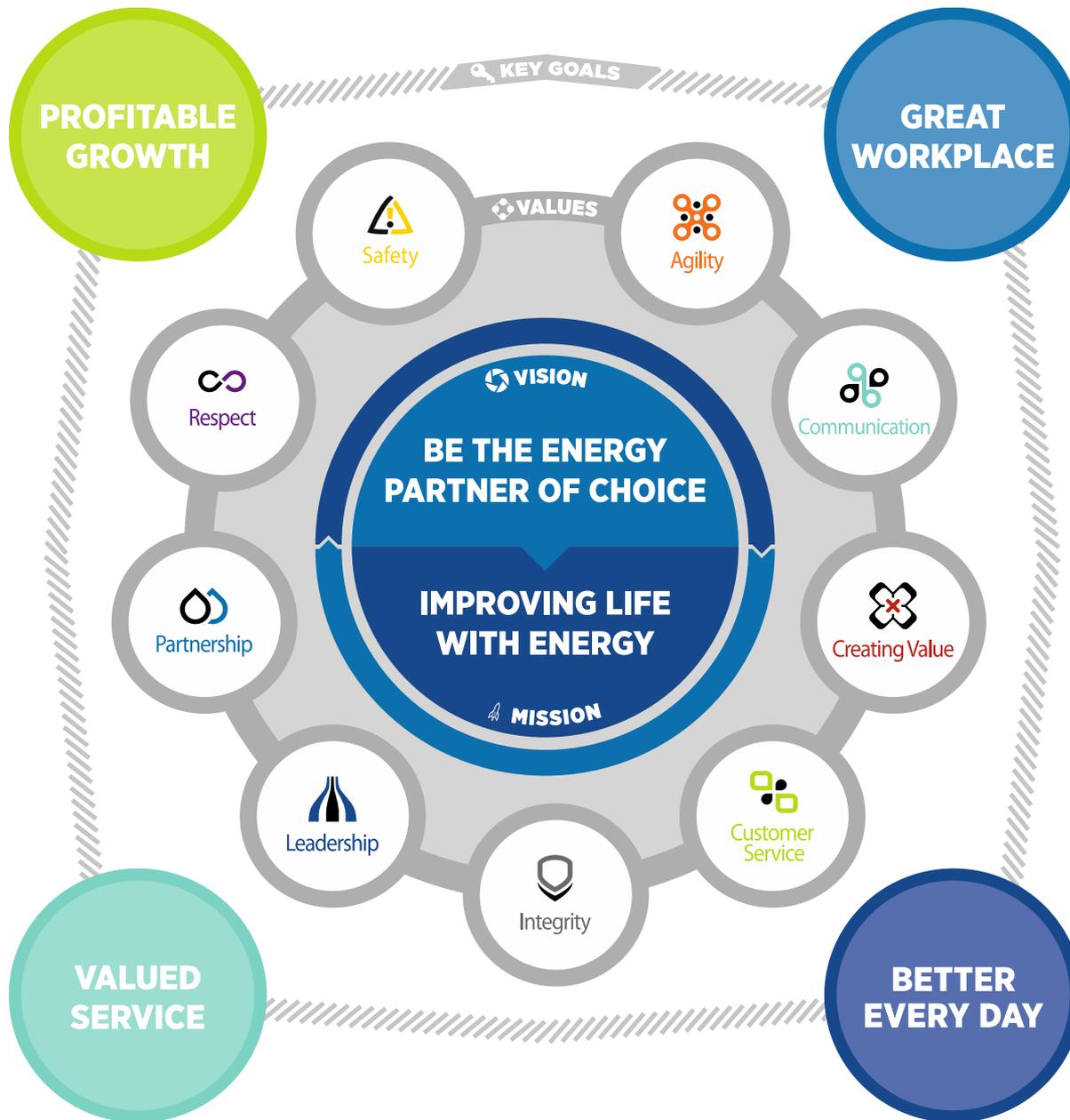
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KEY GOALS

VALUES

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MISSION



Safety



Agility



Communication



Creating Value



Customer  
Service



Integrity



Leadership



Partnership



Respect