

BRACEWELL

February 26, 2021

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

Re: *Black Hills Power, Inc.*
Docket No. ER21-____-000
2021 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 hereby submits its annual Informational Filing required by Section V of its formula rate protocols (“Informational Filing”). 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, 2021, and also includes information relating to Black Hills Power’s annual true-up performed in June of 2020.¹

I. COMMUNICATIONS

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

¹ The most recent annual true-up was accomplished in June of 2020 and applied to the 2019 service 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. The formula rate protocols also require Black Hills Power to submit, in its Informational Filing, the formula rate template and underlying workpapers for both its projected revenue requirement and its most recent annual true-up in native format fully populated with formulas intact.

III. ATTACHMENTS

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

- This Transmittal Letter;
- 2019 BHP Attachment H Transmission Rate True-Up.xls;
- 2019 BHP Attachment H True-Up Supplemental Supp.xlsx;
- 2021 BHP Attachment H Transmission Rate Estimate.xlsx;
- 2021 BHP Attachment H Transmission Rate Estimate Supp.xlsx; and
- BHP Refund Summary.xlsx

IV. CORRECTIONS, ADJUSTMENTS, ACCOUNTING CHANGES, AND CHALLENGES

The formula rate protocols require that the Informational Filing describe any corrections, adjustments, or accounting changes that could impact the formula rate or its inputs during the operative reporting period. Black Hills Power has not identified any accounting changes that would have impacted its 2021 projected net revenue requirement or the annual true-up performed in 2020.

Black Hills Power did issue certain refunds coincident with its annual true-up performed in June of 2020 (applicable to 2019 service year rates) and is reporting those broadly as “corrections” or “adjustments” despite the fact the fact that the refunds did not directly impact 2019 formula rate inputs. As part of the customer meetings to discuss its annual true-up and coincident with that true-up process, Black Hills Power provided its customers with refunds in two areas: (1) refunds directly required by a Federal Energy Regulatory Commission (“FERC” or “Commission”) audit that covered years 2013-2018 and (2) refunds that were not directly required by the audit but which were discovered during the course of the FERC audit.

In its final audit report, issued in Docket No. FA16-3-000 on December 14, 2018, the FERC audit team noted four specific issues for rate adjustments/refunds.² At the time of the most recent annual-true-up, the only specific findings that remained pending for refund were Audit Findings Nos. 2, 3 and 4.³ As part of the audit remediation process, Black Hills Power determined the impact these issues had on its ATRR during the relevant audit year(s), calculated a proposed refund based on the ATRR differential, provided the proposed refund calculations to the FERC audit team for review, and indicated its intent to issue those refunds to customers coincident with its annual true-up process. The FERC audit team concurred in this remediation process.

During the pendency of the audit, Black Hills Power discovered a discrepancy between the depreciation rate included in the depreciation expense portion of its formula rate and the accumulated depreciation component of its formula rate. Specifically, between 2009 and 2018, Black Hills Power used the Commission approved depreciation rate in determining its depreciation expense; however, Black Hills Power calculated accumulated depreciation with reference to a different rate. Because Black Hills Power discovered this discrepancy while the audit was ongoing, Black Hills Power notified the FERC audit team of its discovery and of its

² This included Audit Finding Nos. 1, 2, 3 and 4.

³ During the course of the audit, the FERC audit team and Black Hills Power agreed that it was appropriate to issue the refund related to Audit Finding No. 1 while the audit was ongoing, and that refund was issued in July of 2018. The early completion of this remediation activity was noted in the final audit report. See *Black Hills Power, Inc.*, Audit Report, Docket No. FA16-3-000 (Dec. 14, 2018).

intent to also issue refunds relating to the depreciation issue coincident with its annual true-up process. Finally, while compiling the audit related refunds, Black Hills Power determined that two additional items that had been noted by the FERC audit team in the final audit report, but which had not specifically included a refund recommendation, had resulted in an overcollection; and thus, were appropriate for refund.⁴

Black Hills Power discussed both categories of refunds at its June 2020 annual true-up customer meeting. Black Hills Power included both categories of refunds as credits on its annual true-up invoices issued in July of 2020 with accumulated interest calculated in accordance with 18 C.F.R. §35.19a. Thereafter, Black Hills Power advised the FERC audit team that the audit refunds had occurred.

Before the audit was closed, Black Hills Power discovered an excel formula error had occurred during its preparation of Audit Finding Nos. 2, 3 and 4 for invoicing. Consequently, in September of 2020, Black Hills Power corrected and re-invoiced the audit related refunds. At this same time, Black Hills Power updated its interest calculation to better match the interest with the time of its original refunds and corrected refund. Black Hills Power provided revised invoices to the FERC audit team, which revised invoices reflected the audit-related refund correction and all updated interest. Thereafter, on September 30, 2020, the FERC audit team notified Black Hills Power that its audit remediation, including audit-related refunds, was complete.

Together with this Informational Filing, Black Hills Power is providing documentation of its total refund calculation for both categories of refunds and of Black Hills Power's allocation of the total refund to each of its affected customers, including interest.⁵ Black Hills Power allocated the total refund among affected customers in accordance with the Joint Tariff and based on the transmission service provided to each of those customers.

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 or Black Hills Power's projected net revenue requirement is the subject of an ongoing dispute under the informal or formal challenge procedures set forth in Section IV of the formula rate protocols.

⁴ These two items were discussed in Audit Finding No. 5 and 6. *Id.* Black Hills Power utilized the same process to calculate all of the refunds described herein.

⁵ See *attached* BHP Refund Summary.xlsx.

V. DEADLINES AND ADMINISTRATIVE REQUIREMENTS

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.⁶

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.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 and Post on Website and OASIS	June 1, 2020	May 29, 2020
Send notice by email exploder list of the posting of the True-Up calculation	June 9, 2020	June 3, 2020
Send notice by email exploder list and post on website and OASIS the date of its of Annual True-Up meeting	June 10, 2020	June 8, 2020

⁶ Joint Tariff, Attachment H §§ II.1-2.

⁷ *Id.* §§ II.6-7.

Hold Annual True-Up Meeting	July 1, 2020	June 17, 2020
Determine Projected Net Revenue Requirement and Post on Website and OASIS	September 30, 2020	September 30, 2020
Send Notice by email exploder list of the posting of Attachment H Rates	October 8, 2020	September 30, 2020
Send notice by email exploder list and post on website and OASIS of date of its Annual Projected Rate Meeting	October 19, 2020	October 5, 2020
Hold Annual Projected Rate Meeting	October 30, 2020	October 22, 2020

VI. 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

Blake R. Urban

Counsel to Black Hills Power, Inc.