

128 FERC ¶ 61,289  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

September 30, 2009

In Reply Refer To:  
Basin Electric Power Cooperative  
Docket No. ER09-1511-000

Bruder, Gentile & Marcoux, L.L.P.  
1701 Pennsylvania Avenue, NW.  
Suite 900  
Washington, DC 20006-5807

Attention: Nicole S. Allen, Esq.  
Counsel for Basin Electric Power Cooperative

Reference: Modification to Revenue Requirement under Joint Open Access  
Transmission Tariff

Dear Ms. Allen:

1. On July 29, 2009, Basin Electric Power Cooperative (Basin Electric) filed, pursuant to section 205 of the Federal Power Act,<sup>1</sup> a revised tariff sheet to increase its component of the revenue requirement under the joint open access transmission tariff of Black Hills Power, Inc. (Black Hills), Basin Electric, and Powder River Energy Corporation (Joint Tariff), and thereby fully incorporate the cost of new transmission facilities on its portion of the Common Use System (July 29 Filing).<sup>2</sup> Basin Electric requests an effective date of October 1, 2009.

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<sup>1</sup> 16 U.S.C. § 824d (2006).

<sup>2</sup> The Common Use System is the transmission system located in the Western Interconnection whose facilities are owned and operated by Black Hills, Basin Electric, and Powder River Energy Corporation (collectively, the Common Use Utilities). The Common Use System Utilities provide open access transmission service on the Common

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2. Previously, on September 29, 2008, Basin Electric filed in Docket No. ER08-1600-000, a proposed increase to its revenue requirement under the Joint Tariff to include the costs of new transmission facilities with in-service dates of 2008 and 2009, using a 2009 projected test year (September 29 Filing). The Commission set the matter for hearing, but held the hearing in abeyance pending settlement procedures.<sup>3</sup> On July 13, 2009, the parties filed an uncontested settlement which was approved by the Commission.<sup>4</sup> Pursuant to the settlement, Basin Electric's revenue requirement was set at approximately \$13.3 million.<sup>5</sup>

3. Basin Electric states that because the September 29 Filing was based on a 2009 test year, and the rate base used to develop its cost of service was based on the average monthly balances for 2009, none of the new facilities with 2009 in-service dates have been included in rate base for a full 12 months. Basin Electric proposes to modify its revenue requirement based on a projected 2010 test year in order to include these facilities in rate base for a full 12 months. Based on a test period ending December 31, 2010, Basin Electric's transmission revenue requirement for facilities included in the Common Use System will increase from \$13.3 million to \$18.3 million (an increase of 37 percent). The resulting Joint Tariff rates would increase from \$2.01/kW/month to \$2.44/kW/month, or an increase of 21 percent.<sup>6</sup>

4. Basin Electric's rates are derived using a 10.8 percent return on common equity. Basin Electric states that, consistent with past practice and the uncontested settlement agreement, it is adopting this rate of return from Black Hills' recent rate application as a proxy for its own cost of equity.<sup>7</sup> Basin Electric also uses a Gross Plant allocator, which was agreed to by the parties in the uncontested settlement in Docket No. ER08-1600-000.

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Use System under their Joint Tariff. The annual revenue requirement under the Joint Tariff is the sum of the revenue requirements of the three Common Use System Utilities, and each of the Utilities may unilaterally modify its revenue requirement pursuant to a filing with the Commission.

<sup>3</sup> *Basin Electric Power Cooperative*, 127 FERC ¶ 61,010 (2009).

<sup>4</sup> *Basin Electric Power Cooperative*, 128 FERC ¶ 61,274 (2009).

<sup>5</sup> *Basin Electric Power Cooperative*, 128 FERC ¶ 63,012, at P 5 (2009).

<sup>6</sup> July 29 Filing, Exhibit No. BEP-1 at 11.

<sup>7</sup> On September 29, 2008, Black Hills filed, in Docket No. ER08-1584-000, proposed rate revisions to reflect an updated transmission revenue requirement based on

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5. Basin Electric proposes to make a filing, no later than June 1, 2011, to true-up its projected cost of service based on actual costs incurred in 2010. At that time, Basin Electric will also revise the charges for network integration transmission service, firm and non-firm point-to-point service for the period to reflect the true-up cost of service. According to Basin Electric, if the true-up results in a reduction in rates, it will issue refunds, including interest, to network customers and point-to-point customers for that period; if the true-up results in an increase in rates, then network customers and point-to-point customers will be assessed a surcharge, including interest.<sup>8</sup>

6. Notice of Basin Electric's filing was published in the *Federal Register*, 74 Fed. Reg. 39,312 (2009), with interventions and comments due no later than August 19, 2009. Black Hills and Municipal Energy/Gillette filed timely motions to intervene. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>9</sup> the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

7. Basin Electric properly uses the Gross Plant allocator as agreed to in the settlement and the return on equity recently accepted by the Commission. In addition, Basin Electric will file a true up to the actual costs for 2010. Accordingly, we find that Basin Electric's proposed increase to its revenue requirement is just and reasonable and not unduly discriminatory or preferential, and we accept the revised sheet to the Joint Tariff,<sup>10</sup> as designated, to be effective October 1, 2009, as requested.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.

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the increase in capital-related costs associated with new transmission investment it was expecting to place into service. The filing also replaced its stated transmission rates with a formula rate methodology. In an order issued on February 10, 2009, the Commission accepted Black Hills' filing. *See Black Hills Power, Inc.*, 126 FERC ¶ 61,104 (2009).

<sup>8</sup> Transmittal Letter at 4.

<sup>9</sup> 18 C.F.R. § 385.214 (2009).

<sup>10</sup> Black Hills Power, Inc., FERC Electric Tariff, Second Substitute First Revised Volume No. 4, Second Revised Sheet No. 160.