

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

<b>In the Matter of the Application of Black</b>	)	
<b>Hills/Kansas Gas Utility Company, LLC,</b>	)	
<b>d/b/a Black Hills Energy, for Approval of</b>	)	<b>Docket No. 25-BHCG-298-RTS</b>
<b>the Commission to Make Certain Changes</b>	)	
<b>in its Rates for Natural Gas Service</b>	)	

**DIRECT TESTIMONY OF KIRK HEGER**

**ON BEHALF OF**

**FREEDOM PIPELINE, LLC**

1   **I. INTRODUCTION**

2   **Q. Please state your name and business address.**

3   A. My name is Kirk Heger. My business address is 1901 University Drive, Lawrence, Kansas. I  
4   am appearing on behalf of Freedom Pipeline Company ("Freedom") in this matter.

5   **Q. What is the nature of your affiliation with Freedom?**

6   A. I am the Chairman of Freedom Pipeline.

7   **Q. What is the purpose of your testimony?**

8   A. The purpose of my testimony is to address Black Hills Energy's proposed expansion of daily  
9   imbalance charges and other related tariff revisions. Freedom transports natural gas on Black Hills  
10   Energy's HRDS transportation line in Stevens and Seward Counties, Kansas. Specifically, I am  
11   offering testimony regarding the real-world impact of these proposals on Freedom Pipeline and its  
12   customers, and to suggest a more balanced and reasonable approach that maintains system  
13   reliability without unfairly penalizing diligent third-party transporters.

14   **Q. Can you briefly describe the history of Freedom and its role in the regional economy?**

15   A. Freedom is a Kansas limited liability company formed to own and operate an intrastate natural  
16   gas delivery system. It is owned by six nonprofit utilities (NPU): SWKI Stevens North, Inc.;  
17   SWKI Spikes North, Inc.; SWKI Stevens Southeast, Inc.; SWKI Seward West Central, Inc.; SWKI  
18   Stevens NE, Inc.; and SWKI Stevens HSW, Inc. These member-owners serve agricultural users in  
19   Western Kansas. Freedom was established to provide reliable and cost-effective gas delivery to  
20   these entities, who in turn serve the region's farmers—delivering energy for irrigation, grain  
21   drying, cotton ginning, feedlots, and home heating. Freedom is operated by individuals with deep  
22   roots in the agricultural community and is a vital part of supporting farming operations in  
23   Southwest Kansas.

1    **II. CONCERNS WITH DAILY BALANCING CHARGES**

2    **Q. Have you reviewed the testimony of Mr. Samuel B. Tobin?**

3    A. Yes.

4    **Q. Do you agree with his assertion that the proposed changes are intended to incentivize**  
5    **better management of transportation imbalances?**

6    A. I do not. Customers already have strong incentives to manage transportation imbalances due to  
7    the structure of monthly cash-out charges. Mr. Tobin's statement suggests that current transporters  
8    are not actively managing imbalances, which does not reflect the reality in Southwest Kansas.  
9    Freedom and its member utilities work diligently to stay within balance despite the inherent  
10   challenges of serving weather-sensitive agricultural loads.

11   **Q. Can you explain the monthly cash-out charges?**

12   A. Monthly cash-out charges reconcile the volumes customers place on the system with the  
13   volumes actually delivered. If more gas is taken than nominated, charges are assessed based on the  
14   highest daily price during that month, multiplied by a factor ranging from 1.0 to 1.4 depending on  
15   the size of the imbalance. This structure imposes significant financial consequences for imbalances  
16   and strongly incentivizes accurate nominations.

17   **Q. What challenges does Freedom face in remaining balanced?**

18   A. Freedom serves a wide agricultural territory across Grant, Stevens, and Seward Counties. The  
19   demand is largely driven by irrigation, which is extremely weather-dependent. Gas nominations  
20   are made daily and must be submitted in advance, including for weekends. If, for example,  
21   unanticipated rainfall reduces irrigation over a weekend, usage drops, but nominations cannot be  
22   adjusted retroactively. Even with careful planning and diligent oversight, weather anomalies can  
23   cause unavoidable daily imbalances.

1 **Q. How does this impact Freedom under the current and proposed tariffs?**

2 A. Freedom already incurs daily imbalance penalties under the current tariff applicable to certain  
3 pipelines. Despite proactive and ongoing communication with our marketer and continuous  
4 management efforts, we still face penalties. These penalties are being levied on operators like  
5 Freedom that are acting responsibly, not engaging in careless or negligent behavior. The system  
6 fails to distinguish between intentional non-compliance and circumstances beyond a transporter's  
7 control.

8 **Q. Are these penalties the result of mismanagement?**

9 A. Absolutely not. Freedom maintains constant communication with its gas marketer and makes  
10 every reasonable effort to match daily usage and nominations. These penalties occur even when  
11 we are operating responsibly and within our means to manage volatility. The structure as currently  
12 implemented penalizes good-faith efforts.

13 **Q. Can you describe the conflict between daily balancing requirements and the monthly**  
14 **cash-out process?**

15 A. Yes. If an unexpected weather event early in the month causes a significant imbalance, Freedom  
16 may try to correct this by adjusting nominations later in the month. However, those corrective  
17 nominations may themselves exceed daily limits, triggering additional penalties. The rigid  
18 structure thus punishes transporters twice: once for the original imbalance and again for trying to  
19 correct it. A more flexible balancing framework is needed to support operators like Freedom.

20 **Q. Has Black Hills provided adequate support for expanding the daily imbalance charge?**

21 A. No. Black Hills did not provide compelling justification for this proposal in its direct testimony.  
22 Attempts to introduce such justification through rebuttal testimony should be rejected, as it

undermines procedural fairness. Stakeholders deserve the opportunity to review and challenge the full basis for a proposed tariff change.

**Q. What is your position on expanding these charges statewide?**

A. We oppose it. The expansion would amplify operational risk and financial strain for transporters acting in good faith. It would discourage participation in Kansas' transportation market and could ultimately reduce usage of the Black Hills system, weakening their customer base and undermining revenue. The Commission should take this opportunity not only to reject the expansion but also to reassess the entire balancing framework to ensure it supports responsible operators.

**Q. Does the proposal target a particular sector?**

A. While not explicit, the structure has a disproportionate impact on the irrigation sector. Irrigation demand is uniquely weather-driven, making perfect balancing impossible despite best efforts. Penalizing this sector, which is vital to Kansas agriculture, risks disincentivizing responsible transporters from participating at all.

**III. RECOMMENDATIONS TO THE COMMISSION**

**Q. Do you have an alternative proposal?**

A. Yes. The Commission should direct Black Hills to create an Operational Balancing Agreement (OBA) option. An OBA would provide flexibility for responsible operators like Freedom by recognizing the operational challenges faced by irrigation load and protecting such operators from penalties when acting in good faith.

**Q. Why is an OBA appropriate?**

A. An OBA provides a mechanism that aligns financial penalties with actual behavior. Responsible operators acting in good faith could qualify for relief from imbalance penalties, while repeat violators could lose eligibility. This preserves system integrity while promoting fairness. OBAs

are a well-established regulatory tool in other jurisdictions and would be a constructive addition to Black Hills' framework.

#### **IV. CONCLUSION**

##### **Q. What requests is Freedom Pipeline making in this docket?**

A. Freedom Pipeline respectfully requests that the Commission:

1. Reject the proposed statewide expansion of daily imbalance penalties;
2. Direct Black Hills to develop and implement an Operational Balancing Agreement for qualified third-party transporters;
3. Initiate a broader review of the company's balancing practices to ensure that diligent operators are not penalized for circumstances beyond their control.

We appreciate the Commission's consideration of this testimony and urge a resolution that promotes fairness, supports agricultural energy needs, and ensures the long-term viability of Kansas' natural gas transportation infrastructure.

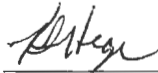
##### **Q. Does that conclude your testimony?**

A. Yes.

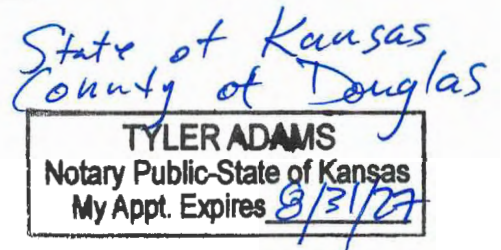
## VERIFICATION

STATE OF KANSAS            )  
  ) ss  
COUNTY OF DOUGLAS    )

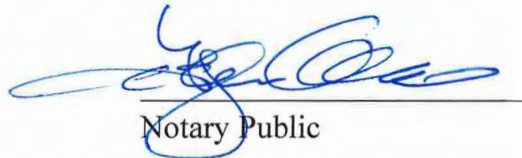
The undersigned, Kirk Heger, upon oath first duly sworn, states that he is the Chairman of Freedom Pipeline, LLC, that he has reviewed the foregoing Testimony submitted on Behalf of Freedom Pipeline, LLC, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.



Kirk Heger



Subscribed and sworn to before me this 9<sup>th</sup> day of May, 2025.



Notary Public

My appointment expires:

8/31/2027

**CERTIFICATE OF SERVICE**

25-BHCG-298-RTS

I hereby certify that a copy of the above and foregoing was electronically filed with the Kansas Corporation Commission on May 9, 2025, and that one copy was delivered electronically to all parties on the service list as follows:

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*/s/ Will B. Wohlford*

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