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

| | |
|---|---|
| In the Matter of the Application of Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy, for Approval of the Commission to Make Certain Changes in its Rates for Natural Gas Service. | Docket No. 21-BHCG-418-RTS |

# DIRECT TESTIMONY AND EXHIBITS

OF

ROXIE MCCULLAR

ON BEHALF OF

KANSAS CORPORATION COMMISSION STAFF

September 10, 2021

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## I. Introduction

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

A. My name is Roxie McCullar. My business address is 8625 Farmington Cemetery Road, Pleasant Plains, Illinois 62677.

**Q. What is your present occupation?**

A. Since 1997, I have been employed as a consultant with the firm of William Dunkel and Associates and have regularly provided consulting services in regulatory proceedings throughout the country.

**Q. Please describe your educational and professional background.**

A. I have over 20 years of experience consulting in regulatory rate cases and have addressed depreciation rate issues in numerous jurisdictions nationwide. I am a Certified Public Accountant licensed in the state of Illinois. I am a Certified Depreciation Professional through the Society of Depreciation Professionals. I received my Master of Arts degree in Accounting from the University of Illinois in Springfield. I received my Bachelor of Science degree in Mathematics from Illinois State University in Normal.

**Q. Have you prepared an exhibit that describes your qualifications?**

A. Yes. My qualifications and previous experiences are shown on the attached Exhibit RMM-1.

**Q. On whose behalf are you testifying?**

A. I am testifying on behalf of Staff of the Kansas Corporation Commission ("Staff").

## II. Summary

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

A. The purpose of my testimony is to address certain depreciation related issues presented in Black Hills/Kansas Gas Utility Company, LLC d/b/a Black Hills Energy ("Black Hills" or "Company") testimony and filings in this proceeding.

**Q. Can you summarize your recommendations?**

A. My recommended changes to Black Hills proposed depreciation parameters are based on my review of the Black Hills 2020 Depreciation Study filed as KSG Direct Exhibit JJS-2 in this proceeding, my review of other Company witness testimonies regarding depreciation related issues filed in this proceeding, my review of the supporting information and workpapers provided in response to discovery, my review of recent previous Commission orders addressing Black Hills depreciation rates in Kansas, and my previous experience in depreciation rate studies.

As discussed, and supported in this testimony, reasonable adjustments to the depreciation parameters proposed in Black Hills Energy 2020 Depreciation Study are the use of a -5% estimated future net salvage percent for Account 367, Transmission-Mains, a -5% estimated future net salvage percent for Account 376, Distribution-Mains, and a -10% estimated future net salvage for Account 380, Services.

**Q. Did you participate in a field visit of Black Hills facilities in Kansas?**

A. Yes. On August 2, 2021, I participated in field visits of several different Black Hills facilities or project locations.[1] At each location, Company personnel and/or outside contractors discussed the facilities and ongoing projects with me.

**Q. Please compare the Staff's proposed depreciation rates with Black Hills proposed depreciation rates.**

A. The annualized accrual based on the Black Hills September 30, 2020 estimated investments using the Staff's proposed depreciation rates compared to Witness Spanos's proposed depreciation rates from the 2020 Depreciation Study, KSG Direct Exhibit JJS-2, are summarized in Table 1 below:

**Table 1: Comparison of Annual Depreciation Accrual Amount Using Projected September 30, 2020 Investments**

| | | | Black Hills Proposed | | Staff Proposed | | |
|---|---|---|---|---|---|---|---|
| Function | 9/30/20 Plant in Service | Current Approved Accrual Amount | Accrual Amount | Difference from Current | Accrual Amount | Difference from Current | Difference from Company Proposed |
| Intangible Plant | 3,140,828 | 71,638 | 112,367 | 40,729 | 112,367 | 40,729 | 0 |
| Other Storage Plant | 18,719 | 623 | 516 | (107) | 516 | (107) | 0 |
| Transmission | 44,058,801 | 573,592 | 706,192 | 132,600 | 673,162 | 99,570 | (33,030) |
| Distribution | 255,836,375 | 5,855,614 | 6,540,374 | 684,760 | 6,299,103 | 443,489 | (241,271) |
| General | 23,485,370 | 1,686,019 | 1,242,055 | (443,964) | 1,242,055 | (443,964) | 0 |
| General Plant Amortization of Reserve | 0 | 0 | (5,105) | (5,105) | (5,105) | (5,105) | 0 |
| **Total** | **326,540,093** | **8,187,486** | **8,596,399** | **408,913** | **8,322,098** | **134,612** | **(274,301)** |

The Staff proposed remaining life depreciation rates compared to Black Hill's proposed depreciation rates from the 2020 Depreciation Study, KSG Direct Exhibit JJS-2, are summarized in Table 2 below:

[1] In Wichita I visited the Black Hills office, North Town Border Station, two District Regulator Stations, and two sites where active distribution main, service, and meter projects were underway.

**Table 2: Comparison of Proposed Annual Depreciation Rate**

| | | | Black Hills Proposed | | Staff Proposed | | |
|---|---|---|---|---|---|---|---|
| Function | 9/30/20 Plant in Service | Current Approved Accrual Amount | Accrual Amount | Difference from Current | Accrual Amount | Difference from Current | Difference from Company Proposed |
| Intangible Plant | 3,140,828 | 2.28% | 3.58% | 1.30% | 3.58% | 1.30% | 0.00% |
| Other Storage Plant | 18,719 | 3.33% | 2.76% | -0.57% | 2.76% | -0.57% | 0.00% |
| Transmission | 44,058,801 | 1.30% | 1.60% | 0.30% | 1.53% | 0.23% | -0.07% |
| Distribution | 255,836,375 | 2.29% | 2.56% | 0.27% | 2.46% | 0.17% | -0.10% |
| General | 23,485,370 | 7.18% | 5.29% | -1.89% | 5.29% | -1.89% | 0.00% |
| General Plant Amortization of Reserve | 0 | | | | | | |
| **Total** | **326,540,093** | **2.51%** | **2.63%** | **0.13%** | **2.55%** | **0.04%** | **-0.08%** |

Exhibit RMM-2 support Tables 1 and 2 above.

**Q. Please describe your Exhibit RMM-2.**

A. Exhibit RMM-2 contains the calculations of the Staff's remaining life proposed depreciation rates for Black Hills Natural Gas Plant in Kansas.

## III. Definition of Depreciation

**Q. Could you please provide the definition of depreciation?**

A. Yes. The Federal Energy Regulatory Commission ("FERC") definitions contained in the FERC Uniform System of Accounts (18 CFR 201 ("FERC USOA")) state:

> 12.B. *Depreciation,* as applied to depreciable gas plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of gas plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities, and, in the case of natural gas companies, the exhaustion of natural resources.[2]

[2] FERC Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act. (18 CFR 201).

The FERC USOA definition of "depreciation" specifically states depreciation is a "loss in service value." FERC defines service value as "the difference between original cost and net salvage value of gas plant."[3]

Since this is a utility regulation proceeding, I rely on the FERC USOA definition of "depreciation" which focuses on the "loss of service value." Determining reasonable depreciation rates is necessary for establishing the loss in service value of utility cost-based plant-in-service and incorporating it into ratemaking revenue requirement to allow for recovery of that cost.

## A. Overview of Depreciation Expense Impact on Revenue Requirement

**Q. Please provide an overview of the impact of depreciation rates on the revenue requirement.**

A. The depreciation rate that the Commission adopts for an account is multiplied by the test year investment in that account to produce a calculated annual depreciation expense for that account. The calculated depreciation expense for all accounts are included in the revenue requirement that is to be recovered from the ratepayers.

As pointed out by the National Association of Regulatory Utility Commissioners' ("NARUC") text *Public Utility Depreciation Practices*:

> It is essential to remember that depreciation is intended only for the purpose of recording the periodic allocation of cost in a manner properly related to the useful life of the plant. It is not intended, for example, to achieve a desired financial objective or to fund modernization programs.[4]

[3] FERC USOA (18 CFR 201) Definition 37.
[4] Page 23, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

**Q. What impact do the depreciation rates set in this proceeding have on future proceedings?**

A. The depreciation rates, or any other adjustment to the accumulated depreciation reserve, decided in this proceeding will impact the level of the accumulated depreciation reserve in a future rate case.

The depreciation expense amounts, based on the approved depreciation rates, are added to the accumulated depreciation reserve, while the accumulated depreciation reserve is decreased at the time of a retirement for the book cost of the plant retired and the cost of removal, less any salvage value.[5]

Adjustments to the accumulated depreciation reserve amount impact the allowed return on net rate base in a future rate case.

In a rate case, the calculated net rate base is multiplied by a rate of return (ROR) to calculate the shareholders' and other investors' "return on" their investment. The calculation of the allowed return on rate based included in customer rates is expressed in a simplified way here:[6]

$$\text{allowed return} = (\text{investment} - \text{reserve}) * \text{ROR}$$

The accumulated depreciation reserve is the significant amount in the "reserve" part of the formula shown above.

[5] 18 CFR 201, Account 108.
[6] Other items such as cash working capital, materials and supplies, deferred income taxes, regulatory liabilities, regulatory assets, etc. are included in the net rate base calculation.

**B. Calculation of Depreciation Rates**

**Q. Please provide a brief discussion about the remaining life techniques for calculating depreciation rates.**

A. In the calculation of depreciation rates, the remaining life technique formula is:

$$\text{Depreciation Rate} = \frac{(100\% - \text{Book Reserve \%} - \text{Future Net Salvage \%})}{\text{Average Remaining Life}}$$

In the formula above, the book reserve percent is the actual accumulated depreciation reserve on the Company's books divided by the actual plant-in-service investment on the Company's books at the time of the Depreciation Study.

The Depreciation Study estimates the projected average service life of the assets, the retirement pattern of those assets, and the cost of removing or retiring those assets less any expected salvage from the sale, scrap, insurance, reimbursements, etc. of those assets. These estimates are referred to as depreciation parameters.

The projected average service life and retirement pattern (survivor curve) are the two parameters from the Depreciation Study that calculate the average remaining life.

The estimated future net salvage percent parameter from the Depreciation Study estimates the future cost of removing or retiring less any estimated future salvage from the sale, scrap, insurance, reimbursements, etc.

**Q. What are some considerations used when estimating the depreciation parameters used in the depreciation rate formula?**

A. When estimating a depreciation parameter for an account, an initial step is to analyze that utility's actual historic life and net salvage experience data for that account. In addition to considering the lives and net salvage indicated by the utility's experience data, the expectations of the management, any changes to the current industry practices, and informed judgement are part of the estimation process.

Informed judgement as explained in NARUC's *Public Utility Depreciation Practices* states:

> *Informed judgment* is a term used to define the subjective portion of the depreciation study process. It is based on a combination of general experience, knowledge of the properties and a physical inspection, information gathered throughout the industry, and other factors which assist the analyst in making a knowledgeable estimate.
>
> The use of informed judgment can be a major factor in forecasting. A logical process of examining and prioritizing the usefulness of information must be employed, since there are many sources of data that must be considered and weighed by importance.[7]

## IV. Mass Property Estimated Future Net Salvage

**Q. Please explain what is meant by net salvage.**

A. NARUC's *Public Utility Depreciation Practices* defines net salvage as "the gross salvage for the property retired less its cost of removal."[8] Gross salvage is defined as "the amount recorded for the property retired due to the sale, reimbursement, or reuse

[7] Page 128, *Public Utility Depreciation Practices* published by the National Association of Regulatory Utility Commissioners (NARUC), 1996.
[8] Page 322, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

of the property."[9] Cost of removal is defined as "the costs incurred in connection with the retirement from service and the disposition of depreciable plant. Cost of removal may be incurred for plant that is retired in place."[10]

NARUC also explains that careful consideration should be given to the net salvage estimate stating:

> Cost of retirement, however, must be given careful thought and attention, since for certain types of plant, it can be the most critical component of the depreciation rate.[11]

NARUC's *Public Utility Depreciation Practices* later points out that:

> Determining a reasonably accurate estimate of the average or future net salvage is not an easy task; estimates can be the subject of considerable discussion and controversy between regulators and utility personnel.[12]

**Q. What impact does the estimated future net salvage percent have on depreciation rates?**

A. Positive net salvage results in a lower depreciation rate, all other things being equal. Negative net salvage results in a higher depreciation rate, all other things being equal.

As stated in NARUC's *Public Utility Depreciation Practices*:

> Positive net salvage occurs when gross salvage exceeds cost of retirement, and negative net salvage occurs when cost of retirement exceeds gross salvage.[13]

[9] Page 320, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.
[10] Page 317, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.
[11] Page 19, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.
[12] Page 157, *Public Utility Depreciation Practices* published by the National Association of Regulatory Utility Commissioners (NARUC), 1996.
[13] Page 18, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

The estimated future net salvage is part of the annual depreciation accrual, which is credited to the depreciation reserve to cover the estimated future net salvage costs the company may incur in the future associated with plant asset retirements.

**Q. Did Black Hills provide historical net salvage data in the depreciation study?**

A. Yes. The Black Hills depreciation study included the historic data of the actual incurred and recorded net salvage and related retirements. Regarding historic net salvage, Black Hills's depreciation study states:

> The estimates of net salvage by account were based in part on historical data compiled for the years 2006 through 2020. Cost of removal and salvage were expressed as percents of the original cost of plant retired, both on annual and three-year moving average bases. The most recent five-year average also was calculated for consideration. The net salvage estimates by account are expressed as a percent of the original cost of plant retired.[14]

**Q. What is a concern regarding the historic net salvage ratios calculated in the depreciation study?**

A. As pointed out in Wolf and Fitch's *Depreciation Systems*:

> Salvage ratios are a function of inflation.[15]

Additionally, Wolf and Fitch's *Depreciation Systems*, points out that a historic net salvage ratio that includes inflated dollars in the numerator and historic dollars in the denominator is a ratio using different units, stating:

> One inherent characteristic of the salvage ratio is that the numerator and denominator are measured in different units; the numerator is measured in dollars at the time of retirement, while the denominator is measured in dollars at the time of installation. Inflation is an economic fact of life and although both numerator and denominator are

[14] KSG Direct Exhibit JJS-2 at 39.
[15] Page 267, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.

> measured in dollars, the timing of the cash flows reflects different price levels.[16]

The calculation of the historic net salvage ratio includes the impact of historic inflation rates, since the net salvage amount in the numerator is in current dollars and the cost of the plant (which may have been installed decades before) in the denominator is in historic dollars. In other words, due to inflation the amounts in numerator and denominator of the net salvage ratio are at different price levels.

**Q. Is the fact that historic inflation is included in the net salvage ratio recognized in another authoritative depreciation text?**

A. Yes. NARUC's *Public Utility Depreciation Practices*, regarding inflation states:

> The sensitivity of salvage and cost of retirement to the age of the property retired is also troublesome. Due to inflation and other factors, there is a tendency for costs of retirement, typically labor, to increase more rapidly than material prices.[17]

**Q. Why should inflation in the historic net salvage ratios be considered when estimating the future net salvage amounts to be collected from today's ratepayers?**

A. The estimated future net salvage accruals included in the revenue requirement in this proceeding are to be collected from the ratepayers in today's more valuable current dollars. Therefore, I not only reviewed the historic net salvage data as presented in the depreciation study and the underlying data provided in response to discovery, I also

[16] Page 53, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.
[17] Page 19, *Public Utility Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

evaluated the impact of collecting the more valuable current dollars from the ratepayers to pay for estimated future costs.

**Q. Based on your review do you recommend a different estimate future net salvage percent for any mass property accounts?**

A. Yes. For Account 367, Transmission-Mains, Account 376, Distribution-Mains, and Account 380, Services, I recommend estimated future net salvage ("FNS") percents that differ from Witness Spanos's proposal as shown in Table 3 below:

**Table 3: Comparison of Distribution Plant Estimated Future Net Salvage ("FNS") Percent Proposals**

| Account | Black Hills Proposed[18] | Staff Proposed FNS%[19] |
|---|---|---|
| 367, Transmission-Mains | -10% | -5% |
| 376, Distribution-Mains | -10% | -5% |
| 380, Services | -15% | -10% |

**Q. Why is the estimated future net salvage shown as a percent in the table above?**

A. The depreciation rates are calculated in the depreciation study based on the estimated per book amounts and experience as of September 30, 2020. The depreciation rates resulting from the depreciation study are then applied to the investment amounts as of the date of the test year in the rate proceeding. Since the depreciation study produces a depreciation rate, the estimated future net salvage is included in the depreciation rate formula as a percent of the estimated investment as of September 30, 2020.

[18] KSG Direct Exhibit JJS-2 at 51.
[19] Exhibit RMM-2.

**Q. Have you reviewed the recovery of estimated future net salvage costs included in Black Hills' proposed depreciation accrual and the actual net salvage costs Black Hills has incurred in today's dollars in the last few years?**

A. Yes. As a reasonableness check on the estimated future net salvage accrual amount to be included in the revenue requirement, I have compared the estimated future net salvage costs included in Black Hills' proposed depreciation accrual and the actual net salvage costs incurred by Black Hills on average over the recent five-year period, which is shown in Exhibit RMM-3.

**Q. Could the amount included for future net salvage in the annual depreciation accrual shown in Exhibit RMM-3 change in the future?**

A. Yes. The annual amount for net salvage is calculated on the investment as of September 30, 2020. In the future, as the plant-in-service investment in the account increases, the amount for estimate future net salvage would increase in proportion to the increase in investment.

**Q. Did you make any adjustments to the historic net salvage amounts shown in Exhibit RMM-3?**

A. Yes. Black Hills 2020 Depreciation Study on page 40 when discussing Account 376, Distribution-Mains and Account 380, Services states that "the majority of cost of removal for the associated 2019 and 2020 retirements have not been recorded yet."[20]

[20] KGS Direct Exhibit JJS-2 at 40.

In response to discovery Black Hills provided the cost of removal for the associated 2019 and 2020 retirements that had been recorded since September 30, 2020, I have included those cost of removal amounts in the averages shown in Exhibit RMM-3.[21]

**Q. Are your proposed estimated future net salvage percents based only on the comparison shown in Exhibit RMM-3?**

A. No. This is evidenced by the fact that my proposed estimated future net salvage accrual amounts are not equal to the average annual historical amount as shown in Exhibit RMM-3.

As discussed above estimating the depreciation parameters depreciation recommendation includes informed judgement. My analysis included the review of the historic net salvage data provided in the depreciation study and the relevant information provided in response to discovery. My proposed estimated future net salvage accrual amounts are in current dollars that consider Black Hills' historic practices, the impact of inflation, and builds a reserve for reasonable estimated future net removal costs associated with future retirements, based on the type of investments in the account, and my previous experience.

Exhibit RMM-3 is a reasonableness check on the estimated future net salvage accrual amount to be included in the revenue requirement.

[21] Black Hills response to KCC-123, attached as Exhibit RMM-4.

**A. Account 367, Transmission-Mains Future Net Salvage**

**Q. Please discuss your proposed estimated future net salvage percent for Black Hills Account 367, Transmission-Mains.**

A. It is reasonable to continue the use of the current approved -5% future net salvage estimate Account 367, Transmission-Mains.

**Q. Does your proposal to keep the current approved -5% estimated future net salvage percent result in an under-recovery of the estimated future costs?**

A. No. As shown in Exhibit RMM-3, for Account 367, Transmission-Mains, Black Hills actually incurred $4,371 on average per year.[22]

Witness Spanos proposes to collect $52,951 which is 12.1 times the average annual amount Black Hills has actually incurred for net salvage.

In my judgement, collecting annually from ratepayers for net salvage over 12 times as much as the average annual cost incurred for net salvage is excessive and should be adjusted.

My recommendation results in an annual accrual of $26,080 which is 6.0 times the average annual amount Black Hills has actually incurred for net salvage.[23] My recommendation provides recovery of the expected cost of removal in the near future and builds the reserve for future cost of removal associated with future retirements.

[22] KSG Direct Exhibit JJS-2 at 138.

[23] I am not recommending or implying a change from the "accrual" basis to the "cash" basis for the recovery of future net salvage costs. In other words, I am not recommending or implying that the depreciation accrual no longer be credited to the Accumulated Provision for Depreciation or that the net salvage costs be "expensed."

**B. Account 376, Distribution-Mains Estimated Future Net Salvage**

**Q. Please discuss your proposed estimated future net salvage percent for Black Hills Account 376, Distribution-Mains.**

A. It is reasonable to use a -5% future net salvage estimate for Account 376, Distribution-Mains. Witness Spanos proposes a -10% estimated future net salvage percent.

**Q. During your review did you make any adjustments to the historic net salvage amounts included in Black Hills 2020 Depreciation Study for Account 376, Distribution-Mains?**

A. Yes. Black Hills 2020 Depreciation Study when discussing Account 376, Distribution-Mains states that "the majority of cost of removal for the associated 2019 and 2020 retirements have not been recorded yet."[24]

The table below shows the adjustment to the 2019 and 2020 historic net salvage amounts to include the cost of removal amounts that have been recorded since September 30, 2020.

**Table 4: Account 376, Distribution-Mains Adjusted Historic Net Cost of Removal**

| Year | Net Cost of Removal Amount KSG Direct Exhibit JJS-2 p. 143 | Additional Net Cost of Removal provided in KCC-123 | Total Adjusted Net Cost of Removal |
|---|---|---|---|
| 2016 | $5,443 | | $5,443 |
| 2017 | $14,916 | | $14,916 |
| 2018 | $4,664 | | $4,664 |
| 2019 | $9,099 | $1,818 | $10,917 |
| 2020 | $5,180 | $50,390 | $55,570 |
| Total | $39,302 | $55,208 | $91,510 |
| **Average** | **$7,860** | | **$18,302** |

[24] KGS Direct Exhibit JJS-2 at 40.

**Q. Does your proposal to use a -5% estimated future net salvage percent result in an under-recovery of the estimated future costs?**

A. No. As shown in Exhibit RMM-3 and Table 4 above, for Account 376, Distribution-Mains, Black Hills actually incurred $18,302 on average per year.[25]

Witness Spanos proposes to collect $178,765 which is 9.8 times the average annual amount Black Hills has actually incurred for net salvage.

My recommendation results in an annual accrual of $87,323 which is 4.8 times the average annual amount Black Hills has actually incurred for net salvage.[26] My recommendation provides recovery of the expected cost of removal in the near future and builds the reserve for future cost of removal associated with future retirements.

## C. Account 380, Services Estimated Future Net Salvage

**Q. Please discuss your proposed estimated future net salvage percent for Black Hills Account 380, Services.**

A. It is reasonable to use a -10% future net salvage estimate for Account 380, Services. Witness Spanos proposes a -15% estimated future net salvage percent.

[25] KGS Direct Exhibit JJS-2 at 143 and Black Hills response to KCC-123, attached as Exhibit RMM-4.
[26] I am not recommending or implying a change from the "accrual" basis to the "cash" basis for the recovery of future net salvage costs. In other words, I am not recommending or implying that the depreciation accrual no longer be credited to the Accumulated Provision for Depreciation or that the net salvage costs be "expensed."

**Q. During your review did you make any adjustments to the historic net salvage amounts included in Black Hills 2020 Depreciation Study for Account 380, Services?**

A. Yes. Black Hills 2020 Depreciation Study when discussing Account 380, Services states that "the majority of cost of removal for the associated 2019 and 2020 retirements have not been recorded yet."[27]

The table below shows the adjustment to the 2019 and 2020 historic net salvage amounts to include the cost of removal amounts that have been recorded since September 30, 2020.

**Table 5: Account 380, Services Adjusted Historic Net Cost of Removal**

| Year | Net Cost of Removal Amount KSG Direct Exhibit JJS-2 p. 145 | Additional Net Cost of Removal provided in KCC-123 | Total Adjusted Net Cost of Removal |
|---|---|---|---|
| 2016 | $6,746 | | $6,746 |
| 2017 | $56,872 | | $56,872 |
| 2018 | $8,811 | | $8,811 |
| 2019 | $29,918 | $3,818 | $33,736 |
| 2020 | $320 | $19,724 | $20,044 |
| Total | $102,667 | $23,542 | $126,209 |
| **Average** | **$20,533** | | **$25,242** |

**Q. Does your proposal to use a -10% estimated future net salvage percent result in an under-recovery of the estimated future costs?**

A. No. As shown in Exhibit RMM-3 and Table 5 above, for Account 380, Services, Black Hills actually incurred $133,144 on average per year.[28]

[27] KGS Direct Exhibit JJS-2 at 40.
[28] KGS Direct Exhibit JJS-2 at 145 and Black Hills response to KCC-123, attached as Exhibit RMM-4.

Witness Spanos proposes to collect $204,512 which is 8.1 times the average annual amount Black Hills has actually incurred for net salvage.

My recommendation results in an annual accrual of $133,144 which is 5.3 times the average annual amount Black Hills has actually incurred for net salvage.[29] My recommendation provides recovery of the expected cost of removal in the near future and builds the reserve for future cost of removal associated with future retirements.

## V. Conclusion

**Q. Please summarize your recommendations.**

A. For the reasons stated above, I recommend that the Staff's proposed remaining life depreciation rates shown on Exhibit RMM-2 be approved for Black Hills in Kansas.

**Q. Does this conclude your direct testimony?**

A. Yes.

[29] I am not recommending or implying a change from the "accrual" basis to the "cash" basis for the recovery of future net salvage costs. In other words, I am not recommending or implying that the depreciation accrual no longer be credited to the Accumulated Provision for Depreciation or that the net salvage costs be "expensed."

Roxie McCullar, CPA, CDP
8625 Farmington Cemetery Road
Pleasant Plains, IL

Roxie McCullar is a regulatory consultant, licensed Certified Public Accountant in the state of Illinois, and a Certified Depreciation Professional through the Society of Depreciation Professionals. She is a member of the American Institute of Certified Public Accountants, the Illinois CPA Society, and the Society of Depreciation Professionals. Ms. McCullar has received her Master of Arts degree in Accounting from the University of Illinois-Springfield as well as her Bachelor of Science degree in Mathematics from Illinois State University. Ms. McCullar has 20 years of experience as a regulatory consultant for William Dunkel and Associates. In that time, she has filed testimony in over 50 state regulatory proceedings on depreciation issues and cost allocation for universal service and has assisted Mr. Dunkel in numerous other proceedings.

Current Position: Consultant at William Dunkel and Associates

Participation in the proceedings below included some or all of the following:

Developing analyses, preparing data requests, analyzing issues, writing draft testimony, preparing data responses, preparing draft questions for cross examination, drafting briefs, and developing various quantitative models.

Education

Master of Arts in Accounting from the University of Illinois-Springfield, Springfield, Illinois

12 hours of Business and Management classes at Benedictine University-Springfield College in Illinois, Springfield, Illinois

27 hours of Graduate Studies in Mathematics at Illinois State University, Normal, Illinois

Completed Depreciation Fundamentals training course offered by the Society of Depreciation Professionals

Relevant Coursework:

- Calculus
- Number Theory
- Linear Programming
- Finite Sampling
- Introduction to Micro Economics
- Principles of MIS
- Introduction to Managerial Accounting
- Intermediate Financial Accounting I
- Advanced Financial Accounting
- Accounting Information Systems
- Fraud Forensic Accounting
- Commercial Law
- Advanced Auditing
- Discrete Mathematics
- Mathematical Statistics
- Differential Equations
- Statistics for Business and Economics
- Introduction to Macro Economics
- Introduction to Financial Accounting
- Intermediate Managerial Accounting
- Intermediate Financial Accounting II
- Auditing Concepts/Responsibilities
- Federal Income Tax
- Accounting for Government & Non-Profit
- Advanced Utilities Regulation
- Advanced Corp & Partnership Taxation

Previous Experience of Roxie McCullar

| Year | State | Commission | Docket | Company | Description | On Behalf of |
|---|---|---|---|---|---|---|
| 2021 | Florida | Florida Public Service Commission | 20210015-EI | Florida Power & Light Company | Electric Depreciation Issues | Office of Public Counsel |
| 2020 | DC | District of Columbia Public Service Commission | FC1137 | Washington Gas & Light | Natural Gas Depreciation Issues | District of Columbia Public Service Commission |
| 2020 | DC | District of Columbia Public Service Commission | FC1156 | Potomac Electric Power Company | Electric Depreciation Issues | District of Columbia Public Service Commission |
| 2020 | North Carolina | North Carolina Utilities Commission | E-2, SUB 1219 | Duke Energy Progress, LLC | Electric Depreciation Issues | Public Staff - North Carolina Utilities Commission |
| 2020 | Kansas | Kansas Corporation Commission | 20-BLVT-218-KSF | Blue Valley Tele-Communications, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2020 | Utah | Public Service Commission of Utah | 18-035-36 | Rocket Mountain Power | Electric Depreciation Issues | Division of Public Utilities |
| 2020 | North Carolina | North Carolina Utilities Commission | E-7, SUB 1214 | Duke Energy Carolinas, LLC | Electric Depreciation Issues | Public Staff - North Carolina Utilities Commission |
| 2019 | Kansas | Kansas Corporation Commission | 20-UTAT-032-KSF | United Telephone Association | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2019 | Kansas | Kansas Corporation Commission | 19-ATMG-525-RTS | Amos Energy | Natural Gas Depreciation Issues | Kansas Corporation Commission Staff |
| 2019 | Kansas | Kansas Corporation Commission | 19-GNBT-505-KSF | Golden Belt Telephone Association | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2019 | Arizona | Arizona Corporation Commission | E-01933A-19-0028 | Tucson Electric Power Company | Electric Depreciation Issues | The Utilities Division Staff Arizona Corporation Commission |
| 2019 | North Carolina | North Carolina Utilities Commission | E-22, SUB 562 | Dominion Energy North Carolina | Electric Depreciation Issues | Public Staff - North Carolina Utilities Commission |
| 2019 | Utah | Public Service Commission of Utah | 19-057-03 | Dominion Energy Utah | Natural Gas Depreciation Issues | Division of Public Utilities |

Previous Experience of Roxie McCullar

| Year | State | Commission | Docket | Company | Description | On Behalf of |
|---|---|---|---|---|---|---|
| 2019 | Kansas | Kansas Corporation Commission | 19-EPDE-223-RTS | Empire District Electric Company | Electric Depreciation Issues | Kansas Corporation Commission Staff |
| 2019 | Arizona | Arizona Corporation Commission | T-03214A-17-0305 | Citizens Telecommunications Company | Arizona Universal Service Fund | The Utilities Division Staff Arizona Corporation Commission |
| 2018 | Kansas | Kansas Corporation Commission | 18-KGSG-560-RTS | Kansas Gas Service | Natural Gas Depreciation Issues | Kansas Corporation Commission Staff |
| 2018 | Kansas | Kansas Corporation Commission | 18-KCPE-480-RTS | Kansas City Power & Light Company | Electric Depreciation Issues | Kansas Corporation Commission Staff |
| 2018 | Rhode Island | Rhode Island and Providence Plantations Public Utilities Commission | 4800 | SUEZ Water | Water Depreciation Issues | Division of Public Utilities and Carriers |
| 2018 | Rhode Island | Rhode Island and Providence Plantations Public Utilities Commission | 4770 | Narragansett Electric Company | Electric & Natural Gas Depreciation Issues | Division of Public Utilities and Carriers |
| 2018 | North Carolina | North Carolina Utilities Commission | E-7, SUB 1146 | Duke Energy Carolinas, LLC | Electric Depreciation Issues | Public Staff - North Carolina Utilities Commission |
| 2017 | DC | District of Columbia Public Service Commission | FC1150 | Potomac Electric Power Company | Electric Depreciation Issues | District of Columbia Public Service Commission |
| 2017 | Kansas | Kansas Corporation Commission | 17-RNBT-555-KSF | Rainbow Telecommunications Association, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2017 | North Carolina | North Carolina Utilities Commission | E-2, SUB 1142 | Duke Energy Progress, LLC | Electric Depreciation Issues | Public Staff - North Carolina Utilities Commission |
| 2017 | Washington | Washington Utilities & Transportation Commission | UE-170033 & UG-170034 | Puget Sound Energy | Electric & Natural Gas Depreciation Issues | Washington State Office of the Attorney General, Public Council Unit |
| 2017 | Florida | Florida Public Service Commission | 160186-EI & 160170-EI | Gulf Power Company | Electric Depreciation Issues | The Citizens of the State of Florida |

Previous Experience of Roxie McCullar

| Year | State | Commission | Docket | Company | Description | On Behalf of |
|---|---|---|---|---|---|---|
| 2016 | Kansas | Kansas Corporation Commission | 16-KGSG-491-RTS | Kansas Gas Service | Natural Gas Depreciation Issues | Kansas Corporation Commission Staff |
| 2016 | DC | District of Columbia Public Service Commission | FC1139 | Potomac Electric Power Company | Depreciation Issues | District of Columbia Public Service Commission |
| 2016 | Arizona | Arizona Corporation Commission | E-01933A-15-0239 & E-01933A-15-0322 | Tucson Electric Power Company | Electric Depreciation Issues | The Utilities Division Staff Arizona Corporation Commission |
| 2016 | Georgia | Georgia Public Service Commission | 40161 | Georgia Power Company | Addressed Depreciation Issues | Georgia Public Service Commission Public Interest Advocacy Staff |
| 2016 | DC | District of Columbia Public Service Commission | FC1137 | Washington Gas & Light | Depreciation Issues | District of Columbia Public Service Commission |
| 2015 | Kansas | Kansas Corporation Commission | 16-ATMG-079-RTS | Amos Energy | Natural Gas Depreciation Issues | Kansas Corporation Commission Staff |
| 2015 | Kansas | Kansas Corporation Commission | 15-TWVT-213-AUD | Twin Valley Telephone, Inc. | Cost Study Issues, Allocation of FTTH Equipment, & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2015 | Kansas | Kansas Corporation Commission | 15-KCPE-116-RTS | Kansas City Power & Light Company | Electric Depreciation Issues | Kansas Corporation Commission Staff |
| 2015 | Kansas | Kansas Corporation Commission | 15-MRGT-097-AUD | Moundridge Telephone Company, Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2014 | Kansas | Kansas Corporation Commission | 14-S&TT-525-KSF | S&T Telephone Cooperative Association, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2014 | Kansas | Kansas Corporation Commission | 14-WTCT-142-KSF | Wamego Telecommunications Company, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2013 | Kansas | Kansas Corporation Commission | 13-PLTT-678-KSF | Peoples Telecommunications, LLC | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |

Previous Experience of Roxie McCullar

| Year | State | Commission | Docket | Company | Description | On Behalf of |
|---|---|---|---|---|---|---|
| 2013 | New Jersey | State of New Jersey Board of Public Utilities | BPU ER12121071 | Atlantic City Electric Company | Electric Depreciation Issues | New Jersey Rate Counsel |
| 2013 | Kansas | Kansas Corporation Commission | 13-JBNT-437-KSF | J.B.N. Telephone Company, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2013 | Kansas | Kansas Corporation Commission | 13-ZENT-065-AUD | Zenda Telephone Company, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2013 | DC | District of Columbia Public Service Commission | FC1103 | Potomac Electric Power Company | Depreciation Issues | District of Columbia Public Service Commission |
| 2012 | Kansas | Kansas Corporation Commission | 12-LHPT-875-AUD | LaHarpe Telephone Company, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2012 | Kansas | Kansas Corporation Commission | 12-GRHT-633-KSF | Gorham Telephone Company | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2012 | Kansas | Kansas Corporation Commission | 12-S&TT-234-KSF | S&T Telephone Cooperative Association, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2011 | DC | District of Columbia Public Service Commission | FC1093 | Washington Gas & Light | Depreciation Issues | District of Columbia Public Service Commission |
| 2011 | Kansas | Kansas Corporation Commission | 11-CNHT-659-KSF | Cunningham Telephone Company, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2011 | Kansas | Kansas Corporation Commission | 11-PNRT-315-KSF | Pioneer Telephone Association | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2010 | Kansas | Kansas Corporation Commission | 10-HVDT-288-KSF | Haviland Telephone Company, Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2009 | Kansas | Kansas Corporation Commission | 09-BLVT-913-KSF | Blue Valley Tele-Communications, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |

Previous Experience of Roxie McCullar

| Year | State | Commission | Docket | Company | Description | On Behalf of |
|---|---|---|---|---|---|---|
| 2009 | DC | District of Columbia Public Service Commission | FC1076 | Potomac Electric Power Company | Depreciation Issues | District of Columbia Public Service Commission |
| 2008 | Kansas | Kansas Corporation Commission | 09-MTLT-091-KSF | Mutual Telephone Company | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2007 | Kansas | Kansas Corporation Commission | 08-MRGT-221-KSF | Moundridge Telephone Company | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2007 | Kansas | Kansas Corporation Commission | 07-PLTT-1289-AUD | Peoples Telecommunications, LLC | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2007 | Kansas | Kansas Corporation Commission | 07-MDTT-195-AUD | Madison Telephone, LLC | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2007 | Kansas | Kansas Corporation Commission | 06-RNBT-1322-AUD | Rainbow Telecommunications Assn., Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2006 | Kansas | Kansas Corporation Commission | 06-WCTC-1020-AUD | Wamego Telecommunications Company, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2006 | Kansas | Kansas Corporation Commission | 06-H&BT-1007-AUD | H&B Communications, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2006 | Kansas | Kansas Corporation Commission | 06-ELKT-365-AUD | Elkhart Telephone Company, Inc. | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2005 | Kansas | Kansas Corporation Commission | 05-SCNT-1048-AUD | South Central Telephone Association, Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2005 | Utah | Public Service Commission of Utah | 05-2302-01 | Carbon/Emery Telecom, Inc. | Cost Study Issues & Depreciation Issues | Utah Committee of Consumer Services |
| 2005 | Kansas | Kansas Corporation Commission | 05-TTHT-895-AUD | Totah Communications, Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |

Previous Experience of Roxie McCullar

| Year | State | Commission | Docket | Company | Description | On Behalf of |
|---|---|---|---|---|---|---|
| 2005 | Maine | Public Utilities Commission of the State of Maine | 2005-155 | Verizon | Depreciation Issues | Office of Public Advocate |
| 2005 | Kansas | Kansas Corporation Commission | 05-TRCT-607-KSF | Tri-County Telephone Association | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2005 | Kansas | Kansas Corporation Commission | 05-CNHT-020-AUD | Cunningham Telephone Company, Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2005 | Kansas | Kansas Corporation Commission | 05-KOKT-060-AUD | KanOkla Telephone Association, Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2004 | Kansas | Kansas Corporation Commission | 04-UTAT-690-AUD | United Telephone Association, Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2004 | Kansas | Kansas Corporation Commission | 04-CGTT-679-RTS | Council Grove Telephone Company | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2004 | Kansas | Kansas Corporation Commission | 04-GNBT-130-AUD | Golden Belt Telephone Association | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2004 | Kansas | Kansas Corporation Commission | 03-TWVT-1031-AUD | Twin Valley Telephone, Inc. | Cost Study Issues | Kansas Corporation Commission Staff |
| 2003 | Kansas | Kansas Corporation Commission | 03-HVDT-664-RTS | Haviland Telephone Company | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2003 | Kansas | Kansas Corporation Commission | 03-WHST-503-AUD | Wheat State Telephone Company, Inc. | Cost Study Issues & Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2003 | Kansas | Kansas Corporation Commission | 03-S&AT-160-AUD | S&A Telephone Company | Cost Study Issues | Kansas Corporation Commission Staff |
| 2002 | Kansas | Kansas Corporation Commission | 02-JBNT-846-AUD | JBN Telephone Company | Cost Study Issues | Kansas Corporation Commission Staff |

Previous Experience of Roxie McCullar

| Year | State | Commission | Docket | Company | Description | On Behalf of |
|---|---|---|---|---|---|---|
| 2002 | Kansas | Kansas Corporation Commission | 02-S&TT-390-AUD | S&T Telephone Cooperative Association, Inc. | Cost Study Issues | Kansas Corporation Commission Staff |
| 2002 | Kansas | Kansas Corporation Commission | 02-BLVT-377-AUD | Blue Valley Telephone Company, Inc. | Cost Study Issues | Kansas Corporation Commission Staff |
| 2001 | Kansas | Kansas Corporation Commission | 01-PNRT-929-AUD | Pioneer Telephone Association, Inc. | Cost Study Issues | Kansas Corporation Commission Staff |
| 2001 | Kansas | Kansas Corporation Commission | 01-BSST-878-AUD | Bluestem Telephone Company | Cost Study Issues | Kansas Corporation Commission Staff |
| 2001 | Kansas | Kansas Corporation Commission | 01-SFLT-879-AUD | Sunflower Telephone Company, Inc. | Cost Study Issues | Kansas Corporation Commission Staff |
| 2001 | Kansas | Kansas Corporation Commission | 01-CRKT-713-AUD | Craw-Kan Telephone Cooperative, Inc. | Cost Study Issues | Kansas Corporation Commission Staff |
| 2001 | Kansas | Kansas Corporation Commission | 01-RNBT-608-KSF | Rainbow Telecommunications Association | Cost Study Issues, Support Fund Adjustments | Kansas Corporation Commission Staff |
| 2001 | Kansas | Kansas Corporation Commission | 01-SNKT-544-AUD | Southern Kansas Telephone Company, Inc. | Cost Study Issues | Kansas Corporation Commission Staff |
| 2001 | Kansas | Kansas Corporation Commission | 01-RRLT-518-KSF | Rural Telephone Service Company, Inc. | Cost Study Issues | Kansas Corporation Commission Staff |
| 2000 | Illinois | Illinois Commerce Commission | 98-0252 | Ameritech | Cost Study Issues | Government and Consumer Intervenors |

**Black Hills Energy**
**Comparison of Proposals**
**Using Plant Balances as of September 30, 2020**

| | | Current Approved | | Black Hills Proposed | | | Staff Proposal | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Function** | **9/30/20 Plant in Service** | **Accrual Rate** | **Accrual Amount** | **Accrual Rate** | **Accrual Amount** | **Difference from Current** | **Accrual Rate** | **Accrual Amount** | **Difference from Current** | **Difference from Company Proposed** |
| Intangible Plant | 3,140,828 | 2.28% | 71,638 | 3.58% | 112,367 | 40,729 | 3.58% | 112,367 | 40,729 | 0 |
| Other Storage Plant | 18,719 | 3.33% | 623 | 2.76% | 516 | (107) | 2.76% | 516 | (107) | 0 |
| Transmission | 44,058,801 | 1.30% | 573,592 | 1.60% | 706,192 | 132,600 | 1.53% | 673,162 | 99,570 | (33,030) |
| Distribution | 255,836,375 | 2.29% | 5,855,614 | 2.56% | 6,540,374 | 684,760 | 2.46% | 6,299,103 | 443,489 | (241,271) |
| General | 23,485,370 | 7.18% | 1,686,019 | 5.29% | 1,242,055 | (443,964) | 5.29% | 1,242,055 | (443,964) | 0 |
| General Plant Amortiz | 0 | | 0 | | (5,105) | (5,105) | | (5,105) | (5,105) | 0 |
| **Total** | **326,540,093** | **2.51%** | **8,187,486** | **2.63%** | **8,596,399** | **408,913** | **2.55%** | **8,322,098** | **134,612** | **(274,301)** |

**Black Hills Energy**
**Table 1: Summary of Accrual Rates and Annual Accrual Amounts**
**Using Plant Balances as of September 30, 2020**

| | | | Current Approved | | Black Hills Proposed | | | Staff Proposal | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Account | Description | 9/30/20 Plant in Service | Accrual Rate | Accrual Amount | Accrual Rate | Accrual Amount | Difference from Current | Accrual Rate | Accrual Amount | Difference from Current | Difference from Company Proposed |
| **Intangible Plant** | | | | | | | | | | | |
| 302.00 | Franchises and Consents | 74,990 | 0.81% | 607 | 0.48% | 358 | (249) | 0.48% | 358 | (249) | 0 |
| 303.00 | Miscellaneous Intangible Plant | 1,335,506 | 0.46% | 6,143 | 1.83% | 24,424 | 18,281 | 1.83% | 24,424 | 18,281 | 0 |
| 303.01 | Miscellaneous Intangible Plant - Easemer | 1,730,332 | 3.75% | 64,887 | 5.06% | 87,585 | 22,698 | 5.06% | 87,585 | 22,698 | 0 |
| **Total Intangible Plant** | | **3,140,828** | **2.28%** | **71,638** | **3.58%** | **112,367** | **40,729** | **3.58%** | **112,367** | **40,729** | **0** |
| **Production Plant** | | | | | | | | | | | |
| 336.01 | Purification Equipment | 18,719 | 3.33% | 623 | 2.76% | 516 | (107) | 2.76% | 516 | (107) | 0 |
| **Total Production Plant** | | **18,719** | **3.33%** | **623** | **2.76%** | **516** | **(107)** | **2.76%** | **516** | **(107)** | **0** |
| **Transmission Plant** | | | | | | | | | | | |
| 366.01 | Structures and Improvements | 131,402 | 1.97% | 2,589 | 0.98% | 1,282 | (1,307) | 0.98% | 1,282 | (1,307) | 0 |
| 367.00 | Mains | 39,814,131 | 1.11% | 441,937 | 1.46% | 582,465 | 140,528 | 1.38% | 549,435 | 107,498 | (33,030) |
| 368.04 | Compressor Station Equipment | 2,475 | 5.31% | 131 | 7.27% | 180 | 49 | 7.27% | 180 | 49 | 0 |
| 369.03 | Measuring and Regulating Station Equipn | 4,002,449 | 3.02% | 120,874 | 2.81% | 112,621 | (8,253) | 2.81% | 112,621 | (8,253) | 0 |
| 371.01 | Other Equipment | 108,344 | 7.44% | 8,061 | 8.90% | 9,644 | 1,583 | 8.90% | 9,644 | 1,583 | 0 |
| **Total Transmission Plant** | | **44,058,801** | **1.30%** | **573,592** | **1.60%** | **706,192** | **132,600** | **1.53%** | **673,162** | **99,570** | **(33,030)** |
| **Distribution Plant** | | | | | | | | | | | |
| 375.01 | Structures and Improvements | 937,596 | 6.62% | 62,069 | 2.45% | 23,005 | (39,064) | 2.45% | 23,005 | (39,064) | 0 |
| 376.00 | Mains | 118,761,515 | 1.74% | 2,066,450 | 1.66% | 1,966,410 | (100,040) | 1.54% | 1,828,927 | (237,523) | (137,483) |
| 377.00 | Compressor Equipment | 175,304 | 3.00% | 5,259 | 4.86% | 8,515 | 3,256 | 4.86% | 8,515 | 3,256 | 0 |
| 378.00 | Measuring and Regulating Station Equipn | 5,724,719 | 2.53% | 144,835 | 2.33% | 133,188 | (11,647) | 2.33% | 133,188 | (11,647) | 0 |
| 379.00 | Measuring and Regulating Station Equipn | 61,111 | 3.51% | 2,145 | 4.74% | 2,897 | 752 | 4.74% | 2,897 | 752 | 0 |
| 380.00 | Services | 70,054,268 | 2.34% | 1,639,270 | 2.24% | 1,567,922 | (71,348) | 2.09% | 1,464,134 | (175,136) | (103,788) |
| 381.00 | Meters | 10,897,456 | 3.05% | 332,372 | 9.23% | 1,005,857 | 673,485 | 9.23% | 1,005,857 | 673,485 | 0 |
| 381.01 | Meters - ERT and AMI | 9,756,739 | 6.69% | 652,726 | 7.10% | 692,952 | 40,226 | 7.10% | 692,952 | 40,226 | 0 |
| 382.01 | Meter Installations | 1,665,776 | 0.72% | 11,994 | 0.90% | 14,918 | 2,924 | 0.90% | 14,918 | 2,924 | 0 |
| 383.01 | House Regulators | 31,459,092 | 2.69% | 846,250 | 3.08% | 968,534 | 122,284 | 3.08% | 968,534 | 122,284 | 0 |
| 385.01 | Industrial Measuring and Regulating Stati | 6,233,437 | 1.45% | 90,385 | 2.45% | 152,986 | 62,601 | 2.45% | 152,986 | 62,601 | 0 |
| 387.00 | Other Equipment | 109,363 | 1.70% | 1,859 | 2.92% | 3,190 | 1,331 | 2.92% | 3,190 | 1,331 | 0 |
| **Total Distribution Plant** | | **255,836,375** | **2.29%** | **5,855,614** | **2.56%** | **6,540,374** | **684,760** | **2.46%** | **6,299,103** | **443,489** | **(241,271)** |

**Black Hills Energy**
**Table 1: Summary of Accrual Rates and Annual Accrual Amounts**
**Using Plant Balances as of September 30, 2020**

| | | | Current Approved | | Black Hills Proposed | | | Staff Proposal | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Account | Description | 9/30/20 Plant in Service | Accrual Rate | Accrual Amount | Accrual Rate | Accrual Amount | Difference from Current | Accrual Rate | Accrual Amount | Difference from Current | Difference from Company Proposed |
| **General Plant** | | | | | | | | | | | |
| 390.00 | Structures and Improvements | | | | | | | | | | |
| 390.01 | Owned | 9,083,466 | 2.51% | 227,995 | 2.71% | 246,529 | 18,534 | 2.71% | 246,529 | 18,534 | 0 |
| 390.51 | Leased | 26,483 | 3.41% | 903 | 0.00% | 0 | (903) | 0.00% | 0 | (903) | 0 |
| | *Total Structures and Improvements* | *9,109,949* | *2.51%* | *228,898* | *2.71%* | *246,529* | *17,631* | *2.71%* | *246,529* | *17,631* | *0* |
| | *Office Furniture and Equipment* | | | | | | | | | | |
| *391.01* | *Furniture and Equipment* | | | | | | | | | | |
| | Fully Accrued | 1,407 | 11.70% | 165 | 0.00% | 0 | (165) | 0.00% | 0 | (165) | 0 |
| | Amortized | 355,266 | 11.70% | 41,566 | 5.00% | 17,758 | (23,808) | 5.00% | 17,758 | (23,808) | 0 |
| | *Total Furniture and Equipment* | *356,672* | *11.70%* | *41,731* | *4.98%* | *17,758* | *(23,973)* | *4.98%* | *17,758* | *(23,973)* | *0* |
| *391.03* | *Computer Hardware* | | | | | | | | | | |
| | Fully Accrued | 93,868 | 19.22% | 18,042 | 0.00% | 0 | (18,042) | 0.00% | 0 | (18,042) | 0 |
| | Amortized | 701,898 | 19.22% | 134,905 | 20.00% | 140,390 | 5,485 | 20.00% | 140,390 | 5,485 | 0 |
| | *Total Computer Hardware* | *795,767* | *19.22%* | *152,946* | *17.64%* | *140,390* | *(12,556)* | *17.64%* | *140,390* | *(12,556)* | *0* |
| 391.07 | iPad Hardware | 222,824 | 25.00% | 55,706 | 20.00% | 44,566 | (11,140) | 20.00% | 44,566 | (11,140) | 0 |
| | *Total Office Furniture and Equipment* | *1,375,263* | *18.21%* | *250,383* | *14.74%* | *202,714* | *(47,669)* | *14.74%* | *202,714* | *(47,669)* | *0* |
| | *Transportation Equipment* | | | | | | | | | | |
| 392.01 | Subunit | 50,025 | 11.52% | 5,763 | 8.53% | 4,269 | (1,494) | 8.53% | 4,269 | (1,494) | 0 |
| 392.03 | Light Trucks | 7,276,262 | 13.23% | 962,649 | 7.13% | 519,111 | (443,538) | 7.13% | 519,111 | (443,538) | 0 |
| 392.04 | Medium Trucks | 62,551 | 12.40% | 7,756 | 11.60% | 7,257 | (499) | 11.60% | 7,257 | (499) | 0 |
| 392.05 | Heavy Trucks | 427,251 | 8.63% | 36,872 | 1.12% | 4,796 | (32,076) | 1.12% | 4,796 | (32,076) | 0 |
| 392.06 | Trailers | 167,615 | 5.81% | 9,738 | 1.46% | 2,455 | (7,283) | 1.46% | 2,455 | (7,283) | 0 |
| | *Total Transportation Equipment* | *7,983,704* | *12.81%* | *1,022,779* | *6.74%* | *537,888* | *(484,891)* | *6.74%* | *537,888* | *(484,891)* | *0* |
| 393.00 | Stores Equipment | 29,525 | 2.65% | 782 | 4.00% | 1,182 | 400 | 4.00% | 1,182 | 400 | 0 |
| *394.00* | *Tools, Shop, and Garage Equipment* | | | | | | | | | | |

**Black Hills Energy**
**Table 1: Summary of Accrual Rates and Annual Accrual Amounts**
**Using Plant Balances as of September 30, 2020**

| Account | Description | 9/30/20 Plant in Service | Current Approved Accrual Rate | Current Approved Accrual Amount | Black Hills Proposed Accrual Rate | Black Hills Proposed Accrual Amount | Black Hills Proposed Difference from Current | Staff Proposal Accrual Rate | Staff Proposal Accrual Amount | Staff Proposal Difference from Current | Difference from Company Proposed |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fully Accrued | 64,302 | 2.03% | 1,305 | 0.00% | 0 | (1,305) | 0.00% | 0 | (1,305) | 0 |
| | Amortized | 2,304,765 | 2.03% | 46,787 | 4.00% | 92,278 | 45,491 | 4.00% | 92,278 | 45,491 | 0 |
| | *Total Tools, Shop, and Garage Equipment* | *2,369,067* | *2.03%* | *48,092* | *3.90%* | *92,278* | *44,186* | *3.90%* | *92,278* | *44,186* | *0* |
| *395.00* | *Laboratory Equipment* | | | | | | | | | | |
| | Fully Accrued | 1,564 | 0.00% | 0 | 0.00% | 0 | 0 | 0.00% | 0 | 0 | 0 |
| | Amortized | 11,714 | 1.55% | 182 | 5.00% | 586 | 404 | 5.00% | 586 | 404 | 0 |
| | *Total Laboratory Equipment* | *13,278* | *1.37%* | *182* | *4.41%* | *586* | *404* | *4.41%* | *586* | *404* | *0* |
| 396.00 | Power Operated Equipment | 1,060,470 | 2.66% | 28,208 | 5.57% | 59,095 | 30,887 | 5.57% | 59,095 | 30,887 | 0 |
| *397.00* | *Communication Equipment* | | | | | | | | | | |
| | Fully Accrued | 17,111 | 6.85% | 1,172 | 0.00% | 0 | (1,172) | 0.00% | 0 | (1,172) | 0 |
| | Amortized | 1,509,786 | 6.85% | 103,420 | 6.67% | 100,635 | (2,785) | 6.67% | 100,635 | (2,785) | 0 |
| | *Total Communication Equipment* | *1,526,897* | *6.85%* | *104,592* | *6.59%* | *100,635* | *(3,957)* | *6.59%* | *100,635* | *(3,957)* | *0* |
| 398.00 | Miscellaneous Equipment | 17,218 | 12.21% | 2,102 | 6.67% | 1,148 | (954) | 6.67% | 1,148 | (954) | 0 |
| **Total General Plant** | | **23,485,370** | **7.18%** | **1,686,019** | **5.29%** | **1,242,055** | **(443,964)** | **5.29%** | **1,242,055** | **(443,964)** | **0** |
| **TOTAL DEPRECIABLE PLANT** | | **326,540,093** | **2.51%** | **8,187,486** | **2.63%** | **8,601,504** | **414,018** | **2.55%** | **8,327,203** | **139,717** | **(274,301)** |
| **Unrecovered Reserve for Amortization** | | | | | | | | | | | |
| 391.01 | Furniture and Equipment | | | 0 | | (40,647) | (40,647) | | (40,647) | (40,647) | 0 |
| 391.03 | Computer Hardware | | | 0 | | 5,149 | 5,149 | | 5,149 | 5,149 | 0 |
| 391.07 | iPad Hardware | | | 0 | | 1,190 | 1,190 | | 1,190 | 1,190 | 0 |
| 393.00 | Stores Equipment | | | 0 | | (365) | (365) | | (365) | (365) | 0 |
| 394.00 | Tools, Shop, and Garage Equipment | | | 0 | | (17,744) | (17,744) | | (17,744) | (17,744) | 0 |
| 395.00 | Laboratory Equipment | | | 0 | | (2,392) | (2,392) | | (2,392) | (2,392) | 0 |
| 397.00 | Communication Equipment | | | 0 | | 48,309 | 48,309 | | 48,309 | 48,309 | 0 |
| 398.00 | Miscellaneous Equipment | | | 0 | | 1,395 | 1,395 | | 1,395 | 1,395 | 0 |
| **Total Unrecovered Reserve for Amortization** | | **0** | | **0** | | **(5,105)** | **(5,105)** | | **(5,105)** | **(5,105)** | **0** |

**Black Hills Energy**
**Table 1: Summary of Accrual Rates and Annual Accrual Amounts**
**Using Plant Balances as of September 30, 2020**

| Account | Description | 9/30/20 Plant in Service | Current Approved Accrual Rate | Current Approved Accrual Amount | Black Hills Proposed Accrual Rate | Black Hills Proposed Accrual Amount | Black Hills Proposed Difference from Current | Staff Proposal Accrual Rate | Staff Proposal Accrual Amount | Staff Proposal Difference from Current | Difference from Company Proposed |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Nondepreciable and Accounts Not Studied** | | | | | | | | | | | |
| 301.00 | Organization | 186,932 | | 0 | | 0 | 0 | | | 0 | 0 |
| 303.02 | Miscellaneous Intangible Plant - Tradema | 181,000 | | 0 | | 0 | 0 | | | 0 | 0 |
| 365.01 | Land | 9,431 | | 0 | | 0 | 0 | | | 0 | 0 |
| 365.02 | Land Rights | 594,368 | | 0 | | 0 | 0 | | | 0 | 0 |
| 365.71 | Land - Farm Tap | 644 | | 0 | | 0 | 0 | | | 0 | 0 |
| 365.72 | Land Rights - Farm Tap | 2,100 | | 0 | | 0 | 0 | | | 0 | 0 |
| 374.01 | Land | 187,066 | | 0 | | 0 | 0 | | | 0 | 0 |
| 374.02 | Land Rights | 183,574 | | 0 | | 0 | 0 | | | 0 | 0 |
| 389.01 | Land | 905,127 | | 0 | | 0 | 0 | | | 0 | 0 |
| **Total Nondepreciable** | | **2,250,242** | | **0** | | **0** | **0** | | **0** | **0** | **0** |
| **TOTAL GAS PLANT** | | **328,790,335** | | **8,187,486** | | **8,596,399** | **408,913** | | **8,322,098** | **134,612** | **(274,301)** |

**Black Hills Energy**
**Table 2: Calculation of Remaining Life Annual Accrual Rate**
**Using Plant Balances as of September 30, 2020**

| Account | Description | 9/30/20 Plant in Service | 9/30/20 Book Reserve Amount | Book Reserve Percent | Future Net Salvage Percent | Remaining Life | Total Annual Calculated Accrual Rate | Total Annual Accrual Amount |
|---|---|---|---|---|---|---|---|---|
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | H)=(1-(E)-(F))/(C | (I)=(C)*(H) |
| **Intangible Plant** | | | | | | | | |
| 302.00 | Franchises and Consents | 74,990 | 72,676 | 96.91% | 0% | 6.5 | 0.47% | 356 |
| 303.00 | Miscellaneous Intangible Plant | 1,335,506 | 1,061,138 | 79.46% | 0% | 11.2 | 1.83% | 24,497 |
| 303.01 | Miscellaneous Intangible Plant - Easemer | 1,730,332 | 1,051,552 | 60.77% | 0% | 7.7 | 5.09% | 88,153 |
| **Total Intangible Plant** | | **3,140,828** | **2,185,366** | **69.58%** | | | **3.60%** | **113,006** |
| **Production Plant** | | | | | | | | |
| 336.01 | Purification Equipment | 18,719 | 12,618 | 67.41% | 0% | 11.8 | 2.76% | 517 |
| **Total Production Plant** | | **18,719** | **12,618** | **67.41%** | | | **2.76%** | **517** |
| **Transmission Plant** | | | | | | | | |
| 366.01 | Structures and Improvements | 131,402 | 101,999 | 77.62% | -5% | 28.1 | 0.97% | 1,280 |
| 367.00 | Mains | 39,814,131 | 10,258,430 | 25.77% | -5% | 57.6 | 1.38% | 547,681 |
| 368.04 | Compressor Station Equipment | 2,475 | 1,678 | 67.80% | -5% | 5.1 | 7.29% | 181 |
| 369.03 | Measuring and Regulating Station Equipn | 4,002,449 | 1,596,331 | 39.88% | -10% | 24.9 | 2.82% | 112,705 |
| 371.01 | Other Equipment | 108,344 | 38,354 | 35.40% | 0% | 7.3 | 8.85% | 9,588 |
| **Total Transmission Plant** | | **44,058,801** | **11,996,792** | **27.23%** | | | **1.52%** | **671,434** |
| **Distribution Plant** | | | | | | | | |
| 375.01 | Structures and Improvements | 937,596 | 303,181 | 32.34% | -5% | 29.6 | 2.45% | 23,017 |
| 376.00 | Mains | 118,761,515 | 41,628,843 | 35.05% | -5% | 45.3 | 1.54% | 1,833,791 |
| 377.00 | Compressor Equipment | 175,304 | 56,068 | 31.98% | -5% | 15.0 | 4.87% | 8,533 |
| 378.00 | Measuring and Regulating Station Equipn | 5,724,719 | 1,767,775 | 30.88% | -10% | 34.0 | 2.33% | 133,218 |
| 379.00 | Measuring and Regulating Station Equipn | 61,111 | 30,663 | 50.18% | -10% | 12.6 | 4.75% | 2,901 |
| 380.00 | Services | 70,054,268 | 27,703,262 | 39.55% | -10% | 33.7 | 2.09% | 1,464,583 |
| 381.00 | Meters | 10,897,456 | 952,787 | 8.74% | 0% | 9.9 | 9.22% | 1,004,512 |
| 381.01 | Meters - ERT and AMI | 9,756,739 | 4,279,910 | 43.87% | 0% | 7.9 | 7.11% | 693,269 |
| 382.01 | Meter Installations | 1,665,776 | 1,218,422 | 73.14% | 0% | 30.0 | 0.90% | 14,912 |
| 383.01 | House Regulators | 31,459,092 | 3,204,944 | 10.19% | -5% | 30.8 | 3.08% | 968,412 |
| 385.01 | Industrial Measuring and Regulating Stati | 6,233,437 | 1,842,868 | 29.56% | -5% | 30.7 | 2.46% | 153,167 |
| 387.00 | Other Equipment | 109,363 | 23,558 | 21.54% | 0% | 26.9 | 2.92% | 3,190 |
| **Total Distribution Plant** | | **255,836,375** | **83,012,281** | **32.45%** | | | **2.46%** | **6,303,507** |
| **General Plant** | | | | | | | | |
| 390.00 | Structures and Improvements | | | | | | | |
| 390.01 | Owned | 9,083,466 | 1,345,360 | 14.81% | -5% | 33.2 | 2.72% | 246,755 |
| 390.51 | Leased | 26,483 | 26,483 | 100.00% | 0% | 0.0 | 0.00% | 0 |
| | *Total Structures and Improvements* | *9,109,949* | *1,371,843* | *15.06%* | *-5%* | *33.2* | *2.71%* | *246,755* |
| | *Office Furniture and Equipment* | | | | | | | |
| *391.01* | *Furniture and Equipment* | | | | | | | |
| | Fully Accrued | 1,407 | 1,407 | 100.00% | 0% | 0.0 | 0.00% | 0 |
| | Amortized | 355,266 | 130,300 | 36.68% | 0% | 12.7 | 4.99% | 17,714 |
| | *Total Furniture and Equipment* | *356,672* | *131,707* | *36.93%* | *0%* | *12.7* | *4.97%* | *17,714* |
| *391.03* | *Computer Hardware* | | | | | | | |
| | Fully Accrued | 93,868 | 93,868 | 100.00% | 0% | 0.0 | 0.00% | 0 |
| | Amortized | 701,898 | 160,600 | 22.88% | 0% | 3.9 | 19.77% | 138,794 |
| | *Total Computer Hardware* | *795,767* | *254,468* | *31.98%* | *0%* | *3.9* | *17.44%* | *138,794* |
| 391.07 | iPad Hardware | 222,824 | 55,700 | 25.00% | 0% | 3.8 | 19.74% | 43,980 |
| | *Total Office Furniture and Equipment* | *1,375,263* | *441,875* | *32.13%* | *0%* | *4.7* | *14.58%* | *200,488* |

**Black Hills Energy**
**Table 2: Calculation of Remaining Life Annual Accrual Rate**
**Using Plant Balances as of September 30, 2020**

| Account | Description | 9/30/20 Plant in Service | 9/30/20 Book Reserve Amount | Book Reserve Percent | Future Net Salvage Percent | Remaining Life | Total Annual Calculated Accrual Rate | Total Annual Accrual Amount |
|---|---|---|---|---|---|---|---|---|
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | H)=(1-(E)-(F))/(C | (I)=(C)*(H) |
| | *Transportation Equipment* | | | | | | | |
| 392.01 | Subunit | 50,025 | 27,141 | 54.25% | 25% | 2.4 | 8.64% | 4,324 |
| 392.03 | Light Trucks | 7,276,262 | 2,510,327 | 34.50% | 25% | 5.7 | 7.11% | 516,995 |
| 392.04 | Medium Trucks | 62,551 | 33,707 | 53.89% | 25% | 1.8 | 11.73% | 7,337 |
| 392.05 | Heavy Trucks | 427,251 | 263,749 | 61.73% | 25% | 11.8 | 1.12% | 4,804 |
| 392.06 | Trailers | 167,615 | 89,584 | 53.45% | 25% | 14.7 | 1.47% | 2,458 |
| | *Total Transportation Equipment* | *7,983,704* | *2,924,506* | *36.63%* | *2%* | *9.1* | *6.71%* | *535,918* |
| 393.00 | Stores Equipment | 29,525 | 20,780 | 70.38% | 0% | 7.4 | 4.00% | 1,182 |
| *394.00* | *Tools, Shop, and Garage Equipment* | | | | | | | |
| | Fully Accrued | 64,302 | 64,302 | 100.00% | 0% | 0.0 | 0.00% | 0 |
| | Amortized | 2,304,765 | 708,500 | 30.74% | 0% | 17.3 | 4.00% | 92,270 |
| | *Total Tools, Shop, and Garage Equipment* | *2,369,067* | *772,802* | *32.62%* | *0%* | *17.3* | *3.89%* | *92,270* |
| *395.00* | *Laboratory Equipment* | | | | | | | |
| | Fully Accrued | 1,564 | 1,564 | 100.00% | 0% | 0.0 | 0.00% | 0 |
| | Amortized | 11,714 | 5,600 | 47.81% | 0% | 10.4 | 5.02% | 588 |
| | *Total Laboratory Equipment* | *13,278* | *7,164* | *53.95%* | *0%* | *10.4* | *4.43%* | *588* |
| 396.00 | Power Operated Equipment | 1,060,470 | 286,151 | 26.98% | 15% | 10.4 | 5.58% | 59,159 |
| *397.00* | *Communication Equipment* | | | | | | | |
| | Fully Accrued | 17,111 | 17,111 | 100.00% | 0% | 0.0 | 0.00% | 0 |
| | Amortized | 1,509,786 | 765,000 | 50.67% | 0% | 7.4 | 6.67% | 100,647 |
| | *Total Communication Equipment* | *1,526,897* | *782,111* | *51.22%* | *0%* | *7.4* | *6.59%* | *100,647* |
| 398.00 | Miscellaneous Equipment | 17,218 | 2,420 | 14.06% | 0% | 12.9 | 6.66% | 1,147 |
| **Total General Plant** | | **23,485,370** | **6,609,652** | **28.14%** | | | **5.27%** | **1,238,153** |
| **TOTAL DEPRECIABLE PLANT** | | **326,540,093** | **103,816,710** | **31.79%** | | | **2.55%** | **8,326,617** |
| **Unrecovered Reserve for Amortization** | | | | | | | | |
| 391.01 | Furniture and Equipment | | 203,233 | | | 5.0 | | (40,647) |
| 391.03 | Computer Hardware | | (25,744) | | | 5.0 | | 5,149 |
| 391.07 | iPad Hardware | | (5,952) | | | 5.0 | | 1,190 |
| 393.00 | Stores Equipment | | 1,827 | | | 5.0 | | (365) |
| 394.00 | Tools, Shop, and Garage Equipment | | 88,720 | | | 5.0 | | (17,744) |
| 395.00 | Laboratory Equipment | | 11,961 | | | 5.0 | | (2,392) |
| 397.00 | Communication Equipment | | (241,544) | | | 5.0 | | 48,309 |
| 398.00 | Miscellaneous Equipment | | (6,976) | | | 5.0 | | 1,395 |
| **Total Unrecovered Reserve for Amortization** | | **0** | **25,526** | | | | | **(5,105)** |
| **TOTAL GAS PLANT** | | **326,540,093** | **103,842,235** | **31.80%** | | | | **8,321,512** |

**Black Hills Energy**
**Table 3: Current and Proposed Parameters**
**Using Plant Balances as of September 30, 2020**

| Account | Description | Current Approved | | | Black Hills Proposed | | | | Staff Proposal | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Projection Life Years | Survivor Curve | Future Net Salvage Percent | Projection Life Years | Survivor Curve | Average Remaining Life Years | Future Net Salvage Percent | Projection Life Years | Survivor Curve | Average Remaining Life Years | Future Net Salvage Percent |
| **Intangible Plant** | | | | | | | | | | | | |
| 302.00 | Franchises and Consents | 0 | 0 | 0% | 30 | SQ | 6.5 | 0% | 30 | SQ | 6.5 | 0% |
| 303.00 | Miscellaneous Intangible Plant | 0 | 0 | 0% | 30 | SQ | 11.2 | 0% | 30 | SQ | 11.2 | 0% |
| 303.01 | Miscellaneous Intangible Plant - Easemei | 0 | 0 | 0% | 20 | SQ | 7.7 | 0% | 20 | SQ | 7.7 | 0% |
| **Production Plant** | | | | | | | | | | | | |
| 336.01 | Purification Equipment | 30 | S2 | 0% | 30 | S2 | 11.8 | 0% | 30 | S2 | 11.8 | 0% |
| **Transmission Plant** | | | | | | | | | | | | |
| 366.01 | Structures and Improvements | 40 | R2.5 | -5% | 50 | R2 | 28.1 | -5% | 50 | R2 | 28.1 | -5% |
| 367.00 | Mains | VARIOUS | | -5% | 70 | R1 | 57.6 | -10% | 70 | R1 | 57.6 | -5% |
| 368.04 | Compressor Station Equipment | 35 | S1.5 | -5% | 25 | S2.5 | 5.1 | -5% | 25 | S2.5 | 5.1 | -5% |
| 369.03 | Measuring and Regulating Station Equipr | 37 | S0.5 | -5% | 40 | R2 | 24.9 | -10% | 40 | R2 | 24.9 | -10% |
| 371.01 | Other Equipment | 23 | L3 | -1% | 25 | S1.5 | 7.3 | 0% | 25 | S1.5 | 7.3 | 0% |
| **Distribution Plant** | | | | | | | | | | | | |
| 375.01 | Structures and Improvements | 35 | R2.5 | -5% | 35 | S0 | 29.6 | -5% | 35 | S0 | 29.6 | -5% |
| 376.00 | Mains | VARIOUS | | 0%,-10%,-25% | 57 | R3 | 45.3 | -10% | 57 | R3 | 45.3 | -5% |
| 377.00 | Compressor Equipment | 35 | S1.5 | -5% | 25 | S2.5 | 15.0 | -5% | 25 | S2.5 | 15.0 | -5% |
| 378.00 | Measuring and Regulating Station Equipr | 40 | R2.5 | -10% | 45 | R2.5 | 34.0 | -10% | 45 | R2.5 | 34.0 | -10% |
| 379.00 | Measuring and Regulating Station Equipr | 40 | L2.5 | -10% | 35 | S1.5 | 12.6 | -10% | 35 | S1.5 | 12.6 | -10% |
| 380.00 | Services | VARIOUS | | -40%,-20% | 48 | R4 | 33.7 | -15% | 48 | R4 | 33.7 | -10% |
| 381.00 | Meters | 33 | R2 | 0% | 22 | S0 | 9.9 | 0% | 22 | S0 | 9.9 | 0% |
| 381.01 | Meters - ERT and AMI | VARIOUS | | 0% | 15 | R3 | 7.9 | 0% | 15 | R3 | 7.9 | 0% |
| 382.01 | Meter Installations | 55 | S2.5 | -5% | 50 | R1.5 | 30.0 | 0% | 50 | R1.5 | 30.0 | 0% |
| 383.01 | House Regulators | 45 | R2.5 | -15% | 37 | S0.5 | 30.8 | -5% | 37 | S0.5 | 30.8 | -5% |
| 385.01 | Industrial Measuring and Regulating Stat | VARIOUS | | -10%,-5% | 42 | R0.5 | 30.7 | -5% | 42 | R0.5 | 30.7 | -5% |
| 387.00 | Other Equipment | 28 | L3 | 0% | 32 | S2 | 26.9 | 0% | 32 | S2 | 26.9 | 0% |
| **General Plant** | | | | | | | | | | | | |
| 390.00 | Structures and Improvements | | | | | | | | | | | |
| 390.01 | Owned | 40 | R3 | 0% | 40 | R2.5 | 33.2 | -5% | 40 | R2.5 | 33.2 | -5% |
| 390.51 | Leased | 20 | S3 | 0% | 20 | S3 | 0.0 | 0% | 20 | S3 | 0.0 | 0% |
| | *Office Furniture and Equipment* | | | | | | | | | | | |
| *391.01* | *Furniture and Equipment* | | | | | | | | | | | |
| | Fully Accrued | FULLY ACCRUED | | 0% | FULLY ACCRUED | | 0.0 | 0% | | | | |
| | Amortized | 18 | SQ | 0% | 20 | SQ | 12.7 | 0% | 20 | SQ | 12.7 | 0% |
| *391.03* | *Computer Hardware* | | | | | | | | | | | |
| | Fully Accrued | FULLY ACCRUED | | 0% | FULLY ACCRUED | | 0.0 | 0% | | | | |
| | Amortized | 6 | SQ | 0% | 5 | SQ | 3.9 | 0% | 5 | SQ | 3.9 | 0% |
| 391.07 | iPad Hardware | 0 | 0 | 0% | 5 | SQ | 3.8 | 0% | 5 | SQ | 3.8 | 0% |

**Black Hills Energy**
**Table 3: Current and Proposed Parameters**
**Using Plant Balances as of September 30, 2020**

| Account | Description | Current Approved | | | Black Hills Proposed | | | | Staff Proposal | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Projection Life Years | Survivor Curve | Future Net Salvage Percent | Projection Life Years | Survivor Curve | Average Remaining Life Years | Future Net Salvage Percent | Projection Life Years | Survivor Curve | Average Remaining Life Years | Future Net Salvage Percent |
| | *Transportation Equipment* | | | | | | | | | | | |
| 392.01 | Subunit | 7 | L4 | 25% | 7 | L3 | 2.4 | 25% | 7 | L3 | 2.4 | 25% |
| 392.03 | Light Trucks | 6 | L2 | 30% | 8 | L2.5 | 5.7 | 25% | 8 | L2.5 | 5.7 | 25% |
| 392.04 | Medium Trucks | 7 | L2 | 30% | 6 | R2.5 | 1.8 | 25% | 6 | R2.5 | 1.8 | 25% |
| 392.05 | Heavy Trucks | 10 | L3 | 30% | 15 | L2.5 | 11.8 | 25% | 15 | L2.5 | 11.8 | 25% |
| 392.06 | Trailers | 19 | R2 | 20% | 20 | S1.5 | 14.7 | 25% | 20 | S1.5 | 14.7 | 25% |
| 393.00 | Stores Equipment | 25 | SQ | 0% | 25 | SQ | 7.4 | 0% | 25 | SQ | 7.4 | 0% |
| *394.00* | *Tools, Shop, and Garage Equipment* | | | | | | | | | | | |
| | Fully Accrued | FULLY ACCRUED | | 0% | FULLY ACCRUED | | 0.0 | 0% | | | | |
| | Amortized | 27 | SQ | 0% | 25 | SQ | 17.3 | 0% | 25 | SQ | 17.3 | 0% |
| *395.00* | *Laboratory Equipment* | | | | | | | | | | | |
| | Fully Accrued | FULLY ACCRUED | | 0% | FULLY ACCRUED | | 0.0 | 0% | | | | |
| | Amortized | 20 | SQ | 0% | 20 | SQ | 10.4 | 0% | 20 | SQ | 10.4 | 0% |
| 396.00 | Power Operated Equipment | VARIOUS | | -25% | 17 | S1 | 10.4 | 15% | 17 | S1 | 10.4 | 15% |
| *397.00* | *Communication Equipment* | | | | | | | | | | | |
| | Fully Accrued | FULLY ACCRUED | | 0% | FULLY ACCRUED | | 0.0 | 0% | | | | |
| | Amortized | 18 | SQ | 0% | 15 | SQ | 7.4 | 0% | 15 | SQ | 7.4 | 0% |
| 398.00 | Miscellaneous Equipment | 18 | SQ | 0% | 15 | SQ | 12.9 | 0% | 15 | SQ | 12.9 | 0% |
| **Unrecovered Reserve for Amortization** | | | | | | | | | | | | |
| 391.01 | Furniture and Equipment | | | | | | 5.0 | | | | 5.0 | |
| 391.03 | Computer Hardware | | | | | | 5.0 | | | | 5.0 | |
| 391.07 | iPad Hardware | | | | | | 5.0 | | | | 5.0 | |
| 393.00 | Stores Equipment | | | | | | 5.0 | | | | 5.0 | |
| 394.00 | Tools, Shop, and Garage Equipment | | | | | | 5.0 | | | | 5.0 | |
| 395.00 | Laboratory Equipment | | | | | | 5.0 | | | | 5.0 | |
| 397.00 | Communication Equipment | | | | | | 5.0 | | | | 5.0 | |
| 398.00 | Miscellaneous Equipment | | | | | | 5.0 | | | | 5.0 | |

**Comparison of Actually Incurred Net Salvage and Net Salvage in Proposed Depreciation Rates**

| Account | Description | Five Year Net Salvage Actually Incurred | Net Salvage Recovery included in Balck Hills' Proposed Depr Rates | Black Hills' Proposed / Actually Incurred | Net Salvage Recovery included in Staff's Proposed Depr Rates | Staff Proposed / Actually Incurred |
|---|---|---|---|---|---|---|
| | | A | B | C=B/A | D | E=D/A |
| **Transmission Plant** | | | | | | |
| 366.01 | Structures and Improvements | 162 | 61 | 0.4 | 61 | 0.4 |
| 367.00 | Mains | 4,371 | 52,844 | 12.1 | 26,164 | 6.0 |
| 368.04 | Compressor Station Equipment | 0 | 9 | | 9 | |
| 369.03 | Measuring and Regulating Station Equipment | 1,595 | 10,224 | 6.4 | 10,224 | 6.4 |
| 371.01 | Other Equipment | 0 | 0 | | 0 | |
| **Total Transmission Plant** | | **6,128** | **63,139** | **10.3** | **36,458** | **5.9** |
| **Distribution Plant** | | | | | | |
| 375.01 | Structures and Improvements | (500) | 1,094 | -2.2 | 1,094 | -2.2 |
| 376.00 | Mains | 18,302 | 179,222 | 9.8 | 87,092 | 4.8 |
| 377.00 | Compressor Equipment | 0 | 406 | | 406 | |
| *378.79* | *Measuring and Regulating Station Equipment* | *4,530* | *12,389* | *2.7* | *12,389* | *2.7* |
| 380.00 | Services | 25,242 | 204,680 | 8.1 | 133,103 | 5.3 |
| 381.00 | Meters | 0 | 0 | | 0 | |
| 381.01 | Meters - ERT and AMI | 0 | 0 | | 0 | |
| 382.01 | Meter Installations | (4) | 0 | 0.0 | 0 | 0.0 |
| 383.01 | House Regulators | 10,475 | 46,140 | 4.4 | 46,140 | 4.4 |
| 385.01 | Industrial Measuring and Regulating Station Equipmer | 3,502 | 7,272 | 2.1 | 7,272 | 2.1 |
| 387.00 | Other Equipment | 0 | 0 | | 0 | |
| **Total Distribution Plant** | | **61,546** | **451,203** | **7.3** | **287,496** | **4.7** |

Source:
KGS Direct Exhibit JJS-2 pages 136-155
Response to KCC-123 provided additional cost of removal for the years 2019 and 2020 for Accounts 376 and 380.

**BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC**
**d/b/a BLACK HILLS ENERGY**
**DOCKET NO. 21-BHCG-418-RTS**
**KANSAS CORPORATION COMMISSION**
**DATA REQUEST NO. KCC-123**

| | |
|---|---|
| DATE OF REQUEST: | 06/03/2021 |
| DATE RESPONSE DUE: | 06/14/2021 |
| REQUESTOR: | Kansas Corporation Commission |
| AUDITOR: | Roxie McCullar |
| ANSWERED BY: | John Spanos |
| DATE RESPONDED: | 06/14/2021 |
| SUBJECT: | Depreciation |
| REFERENCE: | |

REQUEST:

Page 40 of KGS Direct Exhibit JJS-2 when discussing Accounts 376.00 and 380.00 states that "the majority of cost of removal for the associated 2019 and 2020 retirements have not been recorded yet." Please provide the cost of removal and gross salvage amounts related to the 2019 and 2020 retirements separately for each account when they are available.

RESPONSE:

Since September 30, 2020 cost of removal in account 376.00 has been posted of $1,818 for 2019 and $50,390 for 2020 work orders. The cost of removal for account 380.00 has been posted in the amount of $3,818 for 2019 and $19,724 for 2020 work orders. Nothing has been posted towards gross salvage for 2019 and 2020 work orders.

ATTACHMENTS: None.

**Verification of Response**

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

**Signed: /s/ Tom Stevens**

**Date: June 14, 2021**

**VERIFICATION**

STATE OF ILLINOIS )
) ss.
COUNTY OF Sangamon )

Roxie McCullar of William Dunkel & Associates, being duly sworn upon her oath deposes and states that she is a Consultant for the Kansas Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Direct Testimony,* and that the statements contained therein are true and correct to the best of her knowledge, information and belief.

Roxie McCullar
Consultant for Staff
Kansas Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 8th day of September, 2021.

Notary Public

My Appointment Expires: July 30, 2023

PRINYA MEKDARA
Official Seal
Notary Public - State of Illinois
My Commission Expires Jul 30, 2023

# CERTIFICATE OF SERVICE

21-BHCG-418-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing testimony was sent by electronic mail this 10th day of September, 2021, to the following:

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## CERTIFICATE OF SERVICE

21-BHCG-418-RTS

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* Denotes those receiving the Confidential version