

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Received
on

SEP 16 2011

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 for Gas System Reliability)
Surcharge per K.S.A. 66-2201 through 66-2204)

by
State Corporation Commission
of Kansas

Docket No. 12-BHCG-055-TAR

RESPONSE TO STAFF REPORT AND RECOMMENDATION

COMES NOW Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills Energy"), and in response to the Staff Report and Recommendation filed in the captioned docket on September 12, 2011, and Amended Staff Report and Recommendation filed on September 14, 2011 (collectively, "Staff Report"), states as follows:

I. **INTRODUCTION**

1. Black Hills Energy accepts the recommendations made by Staff and has no objection to the conditions contained in the Staff Report, with one clarification. Black Hills Energy has discussed the clarification with Staff and Staff concurs with it. The clarification relates to the issue of replacement projects due to third party damage. Black Hills Energy agrees with Staff that main replacement projects due to third party damage do not meet the requirements of GSRS. However, as set forth in detail below, Black Hills Energy requests that an adjustment to Staff's recommendations and its proposed revenue requirement be made to account for the actual cost relating to third party damage replacement projects and the credit applied to the cost to reflect the amounts recovered from the third parties.

II. **CLARIFICATION RELATING TO REPLACEMENTS DUE TO THIRD PARTY DAMAGE**

2. In its Report and Recommendation, Staff estimated the cost related to replacement

projects due to third party damage. The Staff estimate was \$495,000. Staff made the estimate by multiplying the number of third party replacement projects included in SR-69, which was 99 projects, times an estimated average cost of \$5,000 per project.

3. In response to Staff Data Request No. KCC-14, Black Hills Energy provided the Staff with the accounting information showing the actual cost relating to the 99 replacement projects due to third party damage. The actual cost was \$125,935. Black Hills also provided accounting information showing \$109,934 of the \$125,935 was recovered from the third parties and was credited to the blanket work orders reducing the \$125,935.00 amount to \$16,001. For the remaining \$16,001, the third party was deemed not at fault. The \$16,001 was not billed to any third party nor credited to the blanket work orders, and should not have been included in the GSRS filing. A copy of Black Hills Energy's response to Staff Data Request No. KCC-14 is attached hereto and incorporated herein by reference. Staff did not receive Black Hills' response to Staff Data Request No. KCC 14 until after the filing of the Staff Report.

4. The information included in the response to Staff Data Request No. KCC-14 shows that with the exception of the \$16,001 relating to the no-fault third party damage, none of the cost relating to replacement projects due to third party damage was included for recovery through the GSRS (in other words, project costs are offset by a corresponding credit when the third party is billed for the damages).

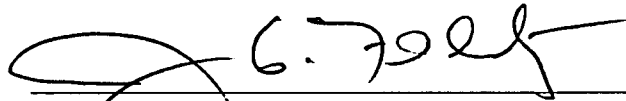
5. Black Hills Energy has discussed this matter with the Staff. Staff concurs based upon its review of the information in the response to Staff Data Request No. KCC-14 the \$495,000 amount included in Staff's memo should be reduced to \$16,001. In addition, Black Hills Energy has discussed with Staff the elimination of an additional amount of \$753.99 relating to the replacement of pipe at

401 Jubilee in Andale, Kansas, which was included in blanket work order 5215100113, and which is part of SR-70. Black Hills Energy agrees that said amount should not be recovered through the GSRS. Therefore, the total disallowance is \$16,754.99.

III. CONCLUSION

6. Based upon the above-mentioned clarification agreed to between Black Hills Energy and Staff, Black Hills Energy requests that the Staff Report be revised, reducing the total disallowance as described above.

WHEREFORE, for the reasons set forth herein, Black Hills Energy requests the Commission accept Staff's Amended Report and Recommendation subject to the clarification and adjustments to the increase in revenue requirement as set forth herein.




James G. Flaherty, #11177
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Attorneys for Black Hills/Kansas Gas Utility Company,
LLC d/b/a Black Hills Energy

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF FRANKLIN)

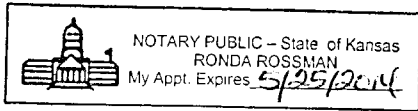
James G. Flaherty, of lawful age, being first duly sworn on oath, states:


That he is the attorney for Black Hills/Kansas Gas Utility Company, LLC d/b/a Black Hills Energy, named in the foregoing Response to Staff Report and Recommendation, and is duly authorized to make this affidavit; that he has read the foregoing Response, and knows the contents thereof; and that the facts set forth therein are true and correct.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 16th day of September, 2011.





Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was mailed, postage prepaid, this 16th day of September, 2011, addressed to:

NIKI CHRISTOPHER
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604

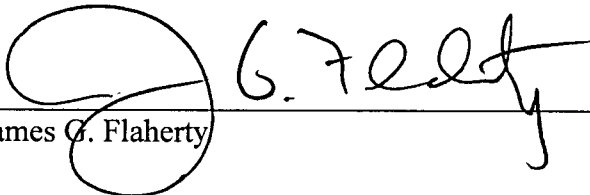
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James G. Flaherty

BLACK HILLS ENERGY
DOCKET NO. 12-BHCG-055-TAR
RESPONSE TO KANSAS CORPORATION COMMISSION
DATA REQUEST NO.KCC-14

DATE OF REQUEST: September 9, 2011

DATE RESPONSE DUE: September 19, 2011

ANSWERED BY: Jerry Watkins

DATE RESPONDED: September 14, 2011

RE: Exhibit JAW-2, SR-69, DR-9

QUESTION:

Please Provide the Following:

For the 99 replacements due to third party damage shown in Data Request 9 and included in SR-69:

- 1) What is the total dollar amount that Black Hills Energy has received in compensation from at-fault parties for said damages?
- 2) Please list each replacement where compensation has been received and the amount received.

RESPONSE:

1. A total of \$109,934 was billed and credited to the associated blanket work order due to at-fault third party damages. An additional \$16,001 was not billed (nor credited to the associated blanket work order) due to no-fault third party damages.
2. See attached file itemizing amounts by replacement.

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find 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/ Meg McGill

Date: 9/14/2011

Dkt 12-BHCG-055-TAR
KCC-14

Sum of total				year				Grand Total	
billed	ds_crewhq	wo ir	cd wr	2007	2008	2009	2010		
BILLED	Dodge City Gas Network	5215103111 / 55...	366746	2,255.53				2,255.53	
		5215103111 / 55... Total			2,255.53				2,255.53
		5215106111 / 55...	349064	1,406.71					1,406.71
			399106		2,946.59				2,946.59
			407036			936.19			936.19
			424628				1,354.52		1,354.52
	5215106111 / 55... Total			1,406.71	3,882.78	1,354.52		6,644.01	
	Dodge City Gas Network Ops Total				3,662.24	3,882.78	1,354.52	8,899.54	
	Garden City Gas Network	5215113111 / 55...	378463	806.34					806.34
			411745		2,839.47				2,839.47
			428645			1,659.36			1,659.36
			429739				846.44		846.44
		5215113111 / 55... Total			806.34	2,839.47	2,505.80		6,151.61
		5215114111 / 55...	407009			356.49			356.49
		421662				1,629.65		1,629.65	
		425883					829.37	829.37	
	5215114111 / 55... Total				356.49	2,459.02		2,815.51	
	Garden City Gas Network Ops Total				806.34	3,195.96	4,964.82	8,967.12	
	Lawrence Gas Network	5215099111 / 55...	349727	486.86					486.86
			354783	1,171.69					1,171.69
			361049	381.89					381.89
			367131	2,014.13					2,014.13
			368577	1,042.84					1,042.84
			369403	770.66					770.66
			378104	957.07					957.07
			398162			753.04			753.04
			408489				767.65		767.65
412615						630.85		630.85	
417079							730.77	730.77	
418899							634.77	634.77	
422630							1,119.39	1,119.39	
425391							917.03	917.03	
430501							866.02	866.02	
430502							792.37	792.37	
431146							6,641.50	6,641.50	
432742					1,394.53	1,394.53			
441337						1,225.63	1,225.63		
441365						708.84	708.84		
445092						1,259.89	1,259.89		
5215099111 / 55... Total			6,825.14	2,151.54	13,096.38	3,194.36	25,267.42		
Lawrence Gas Network Ops Total				6,825.14	2,151.54	13,096.38	3,194.36	25,267.42	
Liberal Gas Network O	5215121111 / 55...	413562		566.77				566.77	
	5215121111 / 55... Total			566.77				566.77	
	5215126111 / 55...	347635	9,248.09					9,248.09	
		381596	280.20					280.20	
	442826					778.10	778.10		
5215126111 / 55... Total			9,528.29			778.10	10,306.39		
Liberal Gas Network Ops Total				9,528.29	566.77		778.10	10,873.16	
Wichita Gas Network C	5215104111 / 55...	362100	1,601.28					1,601.28	
		363811	1,867.88					1,867.88	
	5215104111 / 55... Total			3,469.16				3,469.16	
	5215118111 / 55...	406010		1,526.16				1,526.16	
	5215118111 / 55... Total				1,526.16			1,526.16	
	5215127111 / 52...	447192				1,005.72		1,005.72	
	5215127111 / 52... Total					1,005.72		1,005.72	
	5215127111 / 55...	393591		1,034.77				1,034.77	
	5215127111 / 55... Total				1,034.77			1,034.77	
5215132111 / 55...	349072	519.93					519.93		
	375346	531.31					531.31		

Dkt 12-BHCG-055-TAR
KCC-14

Sum of total				year				Grand Total	
billed	ds crewhg	wo ir	cd wr	2007	2008	2009	2010		
BILLED	Wichita Gas Network	5215132111 / 55... Total			1,051.24			1,051.24	
		5215143111 / 52...	449568				1,103.17	1,103.17	
			450363					3,411.32	3,411.32
			455235					4,245.73	4,245.73
		5215143111 / 52... Total						8,760.22	8,760.22
		5215143111 / 55...	348894	456.28					456.28
			350969	293.64					293.64
			351150	789.84					789.84
			357703	1,476.18					1,476.18
			357768	1,340.33					1,340.33
			361301	2,963.88					2,963.88
			363829	1,085.98					1,085.98
			364005	972.05					972.05
			369169	1,149.83					1,149.83
			376210	932.44					932.44
			377921	587.16					587.16
			384368		2,703.58				2,703.58
			389529		980.92				980.92
			391445		888.87				888.87
			392350		1,205.15				1,205.15
			393129		369.30				369.30
			393143		224.60				224.60
			396407		3,003.31				3,003.31
			400264		934.00				934.00
			407085		786.78				786.78
			408187		1,016.14				1,016.14
			408802		907.75				907.75
			408833		947.66				947.66
			409973		531.32				531.32
			409986		531.32				531.32
	410523		456.72				456.72		
	413890		758.97				758.97		
	417875				1,055.69		1,055.69		
	418692				863.36		863.36		
	419146				803.58		803.58		
	422482				877.59		877.59		
	422604				815.70		815.70		
	425557				839.60		839.60		
	426913				999.84		999.84		
	428060				1,099.68		1,099.68		
	428433				1,449.75		1,449.75		
	434231				1,273.33		1,273.33		
	436743						707.86		
	5215143111 / 55... Total			12,047.61	16,246.39	10,078.12	707.86	39,079.98	
	Wichita Gas Network Ops Total			16,568.01	18,807.32	10,078.12	10,473.80	55,927.25	
BILLED Total				37,390.02	28,604.37	29,493.84	14,446.26	109,934.49	
NOT BILLED	Garden City Gas Network	5215113111 / 55...	422853			899.52		899.52	
			426475			600.82		600.82	
		5215113111 / 55... Total					1,500.34		1,500.34
		5215114111 / 55...	431521				1,551.20		1,551.20
		5215114111 / 55... Total					1,551.20		1,551.20
		Garden City Gas Network Ops Total					3,051.54		3,051.54
NOT BILLED	Lawrence Gas Network	5215099111 / 55...	356110	103.19				103.19	
			367231	466.73				466.73	
			367241	813.47				813.47	
			377973	1,305.51				1,305.51	
			418919			1,055.80		1,055.80	
			425259			1,329.73		1,329.73	
			427350			1,272.23		1,272.23	

Dkt 12-BHCG-055-TAR
KCC-14

Sum of total				year				Grand Total	
billed	ds_crewhq	wo ir	cd wr	2007	2008	2009	2010		
NOT BILLED	Lawrence Gas Network	5215099111 / 55...	445624				2,168.02	2,168.02	
		5215099111 / 55... Total		2,688.90		3,657.76	2,168.02	8,514.68	
	Lawrence Gas Network Ops Total				2,688.90		3,657.76	2,168.02	8,514.68
	Wichita Gas Network	5215143111 / 55...	343846		1,912.08				1,912.08
			349528		1,442.54				1,442.54
			349536		1,080.56				1,080.56
		5215143111 / 55... Total			4,435.18				4,435.18
Wichita Gas Network Ops Total				4,435.18				4,435.18	
NOT BILLED Total				7,124.08		6,709.30	2,168.02	16,001.40	
Grand Total				44,514.10	28,604.37	36,203.14	16,614.28	125,935.89	

LAW OFFICES OF
ANDERSON & BYRD

A Limited Liability Partnership

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ROBERT A. ANDERSON
(1920-1994)
RICHARD C. BYRD
(1920-2008)

September 16, 2011

Sent by Facsimile
Original Mailed 9/16/11

Ms. Patrice Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 S. W. Arrowhead Road
Topeka, Kansas 66604-4027

Received
on

SEP 16 2011

by
State Corporation Commission
of Kansas

Re: Black Hills Energy
Docket No. 12-BHCG-055-TAR

Dear Ms. Petersen-Klein:

Please file the enclosed Response to Staff Report and Recommendation on behalf of Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy, in the above captioned matter. I would appreciate receiving a file stamped copy of this cover letter as well as a file stamped copy of the Response for my files. An envelope is included for your convenience.

Thank you for your assistance. If you have any questions, please call.

Sincerely,

James G. Flaherty

James G. Flaherty
jflaherty@andersonbyrd.com

JGF:tr
Enclosure