

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.
14-BHCG-502 -RTS

DIRECT TESTIMONY OF

JASON S. KEIL

FOR BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC

1

2 **I. NAME, BACKGROUND AND QUALIFICATION OF WITNESS**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Jason S. Keil. My business address is 1102 East First Street,
5 Omaha, Nebraska 68046.

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by Black Hills Utility Holdings, Inc. ("BHUH") as a Regulatory
8 Analyst. In that capacity, I support Black Hills Corporation's ("BHC")
9 regulatory leadership by providing analytical assistance and strategic
10 business support for BHUH's natural gas distribution assets in the
11 jurisdictions of Nebraska, Iowa and Kansas, including Black Hills/Kansas Gas
12 Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills Kansas" or
13 "Company").

14

1 **II. BACKGROUND AND QUALIFICATION OF WITNESS**

2 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL PROFESSIONAL**
3 **BACKGROUND.**

4 A. I attended Bellevue University, where I received a Bachelor of Science
5 degree in Accounting and a Master of Business Administration with an
6 emphasis in Finance. I joined BHUH in my current capacity of Regulatory
7 Analyst in July of 2013. Prior to joining BHUH, I provided credit risk
8 management leadership for ConAgra Energy Services (as Manager – Credit
9 Risk), Minnesota Power, Inc. (as Credit Manager), IDACORP, Inc. (as
10 Manager – Credit Risk), BHC (as Sr. Finance Manager / Credit Manager),
11 and NRG Energy, Inc. (as Manager – Credit Risk). In these roles, I managed
12 credit and market risk in relation to long-term strategies and goals to ensure
13 each respective company was taking proper precautions to mitigate credit
14 and market risk, and to ensure each met regulatory and compliance
15 requirements. My regulated and non-regulated utility experience spans a
16 total of seventeen years.

17
18 **III. PURPOSE OF TESTIMONY**

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

- 20 A. I am sponsoring the following pro-forma adjustments:
- 21 1. Advertising (Adjustment No. IS-8);
 - 22 2. Miscellaneous dues and contributions (Adjustment No. IS-9);
 - 23 3. Rate case expense and amortization (Adjustment No. IS-11);

- 1 4. Bad debt expense (Adjustment No. IS-14);
2 5. Depreciation expense associated with Capital addition(s) (Adjustment No. IS-
3 18); and
4 6. Capital addition(s) for the period January 1 through June 30, 2014
5 (Adjustment No. RB-2)
6

7 I am also sponsoring Black Hills Kansas proposed Accelerated Pipeline
8 Replacement Rider and Miscellaneous tariff changes.

9 **Q. ARE YOU SPONSORING ANY OF THE SCHEDULES IN THE RATE CASE**
10 **APPLICATION?**

11 A. Yes. I am sponsoring Schedule 18 of the Application which contains the
12 redlined version of the tariff sheet(s) showing the proposed changes and a
13 clean version of the proposed tariff sheet(s).
14

15 **IV. ADVERTISING EXPENSE ADJUSTMENT (ADJUSTMENT NO. IS-8)**

16 **Q. ARE ADVERTISING EXPENSES INCLUDED IN TEST YEAR EXPENSES?**

17 A. Yes, \$41,855 in allowable advertising expense is included in the cost of
18 service. These allowable expense(s) are associated with informational and
19 safety notifications to Black Hills Kansas customers.
20

1 **V. MISCELLANEOUS DUES AND CONTRIBUTIONS ADJUSTMENT**

2 **(ADJUSTMENT NO. IS-9)**

3 **Q. WHAT IS THE PURPOSE OF ADJUSTMENT NO. IS-9?**

4 A. This adjustment reclassifies 50% of Company Contributions from Account
5 426100 (“below the line”) to Account 930200 (“above the line”) per past
6 practices. In addition, 50% of Membership Fees and Dues have been
7 eliminated from utility expense to reflect past allowances regarding these
8 expenses.

9 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO CHARITABLE**
10 **CONTRIBUTIONS?**

11 A. The Company is seeking to recover 50% of the total charitable contributions,
12 excluding any expenditure(s) for civic or political activities.

13 **Q. ARE THE COSTS OF LOBBYING INCLUDED IN TEST YEAR EXPENSES?**

14 A. No. Lobbying costs have been removed from the cost of service.
15

16 **VI. RATE CASE EXPENSE AND AMORTIZATION ADJUSTMENT**

17 **(ADJUSTMENT NO. IS-11)**

18 **Q. HOW IS BLACK HILLS KANSAS PROPOSING TO RECOVER THE**
19 **EXPENSES ASSOCIATED WITH THE FILING OF ITS RATE CASE**
20 **APPLICATION?**

21 A. Black Hills Kansas has included \$530,000 in rate case expense in this filing
22 and proposes to amortize this amount over three (3) years, which results in
23 an adjustment of \$176,667 annually. Included in the rate case expense are

1 the costs of a depreciation study, expert technical witnesses, outside legal
2 counsel, the costs of the Commission and its Staff, the costs of the Citizens'
3 Utility Ratepayer Board ("CURB"), and other expenses associated with the
4 rate case filing such as publication of notices and travel expenses. These
5 costs will be trued up at the end of the proceeding to reflect the actual rate
6 case costs.

7
8 **VII. BAD DEBT EXPENSE ADJUSTMENT (ADJUSTMENT NO. IS-14)**

9 **Q. PLEASE DESCRIBE THE BAD DEBT ADJUSTMENT.**

10 A. This adjustment normalizes the non-gas portion of bad debt expense in the
11 test year by using a three (3) year average effective uncollectable rate. The
12 resulting effective uncollectable rate was then applied to the 2013 test year
13 adjusted revenues. The resulting adjustment increased operating income by
14 \$210,908 before income taxes.

15
16 **VIII. RATE BASE ADJUSTMENT FOR POST TEST YEAR CAPITAL**
17 **ADDITION(S) (ADJUSTMENT NO. RB-2) AND INCOME ADJUSTMENT**
18 **FOR DEPRECIATION EXPENSES ASSOCIATED WITH CAPITAL**
19 **ADDITIONS (ADJUSTMENT NO. IS-18)**

20 **Q. PLEASE EXPLAIN ADJUSTMENT NOS. IS-18 AND RB-2.**

21 A. These adjustments take into account the capital projects that will be
22 completed and booked to the proper accounts by June 30, 2014. Adjustment
23 No. RB-2 adds \$5,380,511 of additional rate base. Adjustment No. IS-18

1 adds \$59,346 of additional depreciation expense related to the capital
2 additions.

3 **Q. WHAT IS THE BASIS FOR INCLUDING PLANT IN RATE BASE THAT**
4 **WILL BE COMPLETED SUBSEQUENT TO THE TEST PERIOD?**

5 A. The Company included additional capital spending related to specific capital
6 projects that will be completed and placed in service by June 30, 2014.

7 K.S.A. 66-128 (2) (a) permits projects completed within one year from the end
8 of the test period to be included in rate base. The projects included in this
9 adjustment will be completed, in service and booked to the proper accounts
10 prior to June 30, 2014 and can be audited and confirmed as completed by
11 Commission Staff and CURB during their audit of this case. The company
12 intends to update this list of completed capital additions prior to the end of the
13 Staff's audit and respectfully requests any capital projects completed after
14 June 30, 2014 and prior to the conclusion of Staff's audit be included in rate
15 base.

16 **Q. HOW DOES THE COMPANY PROPOSE UPDATING THE FILING ONCE**
17 **ACTUAL AMOUNTS ARE CLOSED IN THE JUNE 30, 2014 BOOKS AND**
18 **RECORDS, SO COMMISSION STAFF AND CURB CAN CONFIRM**
19 **PROJECTS HAVE BEEN COMPLETED?**

20 A. The Company would plan to use the same method used in Company's last
21 case to update the Commission Staff and CURB. The Company will track the
22 costs, and it is anticipated that the actual costs will not vary significantly from
23 the amount included within the filing. After June 30, 2014 books are closed,

1 the Company will provide to Commission Staff and CURB updated schedules
2 that reflect the actual amounts closed to plant along with the associated
3 retirements.

4 **Q. WOULD THE COMPANY UPDATE THE ENTIRE SET OF FILING**
5 **SCHEDULES?**

6 A. No. The Company would not propose to update its complete set of filed
7 schedules, unless requested by Commission Staff or CURB. Rather, in
8 updating the specific work papers associated with these projects, the impact
9 of any variances between actual and estimated project costs can be included
10 in Commission Staff and CURB's accounting schedules.

11
12 **IX. ACCELERATED PIPELINE REPLACEMENT RIDER PROPOSAL**

13 **Q. PLEASE DISCUSS AND EXPLAIN THE COMPANY'S PROPOSAL FOR AN**
14 **ACCELERATED PIPELINE REPLACEMENT RIDER.**

15 A. Black Hills Kansas is proposing to implement an Accelerated Pipeline
16 Replacement Rider ("APRR") to recover the prudently incurred costs relating
17 to five specific safety related projects not included in the Company's Gas
18 System Reliability Surcharge (GSRs) rider. The five specific safety related
19 projects and their estimated costs are included in Mr. Meyer's testimony. The
20 investment in the projects would be made during the period January 1, 2015
21 to December 31, 2017. The project costs recovered through the rider would
22 include a return on the capital employed based upon the cost of capital
23 determined in this rate case, a return on the capital (depreciation), and

1 income taxes. The APRR does not include recovery of property taxes related
2 to the projects because Black Hills Kansas has an Ad Valorem Property Tax
3 surcharge that permits it to recover changes in property taxes. The estimated
4 amount to be spent in 2015 on these projects would begin to be collected
5 from customers beginning in January of 2016. Recovery of the APPR charge
6 will be divided between rate schedules on the class cost of service study filed
7 by Black Hills Kansas in this case. The pricing sheet will be filed with the
8 Commission at the beginning of each year for approval of any charges with
9 appropriate documentation of the actual investment made in the projects filed
10 by March 31 of that year. The surcharge includes a true up provision. The
11 surcharge would continue to be collected until Black Hills Kansas' next rate
12 case, at which time the unrecovered actual costs relating to the projects
13 would be determined and recovered in base rates and the surcharge
14 cancelled. Proposed tariff changes to the existing APR Rider are submitted
15 in this filing in Section 18.

16 **X. MISCELLANEOUS TARIFF CHANGES**

17 **Q. IS BLACK HILLS KANSAS PROPOSING ANY MISCELLANEOUS**
18 **CHANGES TO ITS EXISTING TARIFFS?**

19 A. Yes. The Company proposes the changes set forth in Schedule 18 of the
20 Application.

21 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED CHANGE(S) TO INDEX**
22 **NO. 1 SHEET 4.**

1 A. This change is an update to the Index of Communities Served to include the
2 Franchise Communities that have been added to the Company's service
3 territory through acquisitions and also include the communities of Howell and
4 Lakeside Estates that have been inadvertently missed in prior tariff updates.

5 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED CHANGE(S) TO INDEX**
6 **NO. 7 SHEET 12 OF THE GENERAL RULES, REGULATIONS, TERMS**
7 **AND CONDITIONS.**

8 A. This change is to update Black Hills Kansas Schedule of Fees and Charges
9 to be collected by the Company in accordance with the provisions of the
10 Rules and Regulations.

11 **Q. WHAT FEE(S) IS THE COMPANY PROPOSING TO CHANGE?**

12 A. Black Hills Kansas proposes to delete the Odorization Fee and change the
13 Company's Energy Diversion Trip Charge to reflect current costs.

14 **Q. WHY DOES THE COMPANY WANT TO REMOVE THE ODORIZATION FEE**
15 **FROM THE COMPANY'S TARIFF?**

16 A. The Commission Staff has recently required the Company to develop a plan
17 to odorize natural gas provided to irrigation customers served off of farm taps.
18 Because of this mandate, the Company is proposing rolling in the costs and
19 revenues that used to be recovered through its separate odorization fee into
20 the Company's overall cost of service and eliminating the separate
21 odorization fee in its tariff.

22 **Q. WHAT CHANGES IS BLACK HILLS KANSAS PROPOSING TO THE**
23 **ENERGY DIVERSION TRIP CHARGE?**

1 A. Black Hills Kansas is proposing to increase the Energy Diversion Trip Charge
2 from \$25.00 to \$50.00 to reflect current actual technician labor costs, vehicle
3 costs and related allocated costs.

4 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED CHANGE(S) TO INDEX**
5 **NO. 8 SHEET 12.**

6 A. This change is to synchronize the proposed change to the Energy Diversion
7 Trip Charge mentioned above related to Energy Diversion.

8 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED CHANGE(S) TO INDEX**
9 **NO. 9 SHEET 1 AND 4.**

10 A. This change is to comply with KCC Staff-mandated changes with respect to
11 the odorization of natural gas used by irrigation customers. Black Hills
12 Kansas plans to install odorization equipment on all Kansas farm taps serving
13 irrigation customers over a two year period.

14 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED CHANGE(S) TO INDEX**
15 **NO. 10 SHEET 5.**

16 A. The Company is proposing to delete this entire section from the tariff because
17 excess flow valves are mandatory, making this section obsolete.

18 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED CHANGE(S) TO INDEX**
19 **NO. 11 SHEET 2.**

20 A. This change is to conform the tariff to existing practices of the Company. The
21 Company does not require metering facilities at the customer's expense for
22 Interruptible, Irrigation or Oil Well Service.

1 **Q. PLEASE EXPLAIN THE COMPANY’S PROPOSED CHANGE(S) TO INDEX**
2 **NO. 37 SHEET 1.**

3 A. This minor change is to add Colorado Interstate Gas (“CIG”), which was
4 previously not listed, as a pipeline that provides natural gas to Black Hills
5 Kansas to serve Kansas customers.

6 **Q. PLEASE EXPLAIN THE COMPANY’S PROPOSED CHANGE(S) TO INDEX**
7 **NO. 37 SHEET 8.**

8 A. This change is necessary to add a specific Average Daily Index Price (ADIP)
9 to Kansas customers which are served by CIG, change the name of Kinder
10 Morgan Interstate Gas Transmission to Tallgrass due to the divestiture by
11 Kinder Morgan in late 2012, and to update Tallgrass’ surrogates to reflect
12 actual ADIP’s used.

13 **XI. RATE SCHEDULE CHANGES**

14 **Q. PLEASE EXPLAIN THE COMPANY’S PROPOSED TARIFF CHANGE(S)**
15 **TO THE RATE SCHEDULES.**

16 A. The proposed tariff changes are in redline and final form in Schedule 18 of
17 the Application and are a replication of all requests set forth in the Application.

18

19 **XII. CONCLUSION**

20 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY IN THIS**
21 **PROCEEDING?**

22 A. Yes.

State of Nebraska)
) ss
County of Sarpy)

AFFIDAVIT OF JASON S. KEIL

I, Jason S. Keil, being first duly sworn on oath, depose and state that I am the same Jason S. Keil identified in the foregoing Direct Testimony; that I have caused the foregoing Direct Testimony to be prepared and am familiar with the contents thereof, and that the foregoing Direct Testimony as identified therein is true and correct to the best of my knowledge, information, and belief as of the date of this Affidavit.



Jason S. Keil

Subscribed and sworn to before me,
A Notary Public, in and for said County
and State, this 15th day of April.



Notary Public

My Commission expires: _____

