

**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- -RTS

DIRECT TESTIMONY OF ROBERT W. DANIEL

ON BEHALF OF

**BLACK HILLS/KANSAS GAS UTILITY
COMPANY, LLC, d/b/a BLACK HILLS ENERGY**

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EXHIBIT

KSG Direct Exhibit RWD-1	Education, Employment History and Professional Experience
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1 **I. INTRODUCTION**

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

3 A. My name is Robert W. Daniel, and my business address is 655 E. Millsap Road, Suite 104,
4 Fayetteville, AR 72703.

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

6 A. I am employed by Black Hills Service Company, LLC. (“BHSC”). BHSC is a wholly-owned
7 subsidiary of Black Hills Corporation (“BHC”). I am the Manager of Regulatory & Finance
8 for Kansas.

9 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

10 A. I am testifying on behalf of Black Hills/Kansas Gas Utility Company, LLC (“Black Hills”
11 or “the Company”). Black Hills is a wholly-owned subsidiary of Black Hills Utility
12 Holdings, Inc. (“BHUH”). BHUH is a wholly-owned subsidiary of BHC.

13 **II. STATEMENT OF QUALIFICATIONS**

14 **Q. WILL YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
15 **BUSINESS EXPERIENCE?**

16 A. My education, employment history, and professional experience are provided on KSG Direct
17 Exhibit RWD-1.

18 **Q. WHAT ARE YOUR CURRENT JOB RESPONSIBILITIES?**

19 A. I am responsible for regulatory matters and financial planning and analysis for Black Hills.
20 In this role, I oversee and participate in the development of regulatory strategy, policy,
21 tariffs, and regulatory filings in Kansas. My team is also responsible for financial planning
22 and analysis, including the annual budgeting process and monthly and quarterly analysis of

1 operating results.

2 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY BODIES?**

3 A. Yes. I have previously testified before the Arkansas Public Service Commission and the
4 Oklahoma Corporation Commission.

5 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

6 A. Yes, I am sponsoring the following Direct Exhibit:

KSG Direct Exhibit RWD-1	Education, Employment History, and Professional Experience
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7 **Q. HAVE THE TESTIMONY AND EXHIBITS THAT YOU ARE SPONSORING BEEN**
8 **PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

9 A. Yes.

10 **III. PURPOSE OF TESTIMONY**

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

12 A. The purpose of my testimony is to discuss and make recommendations on tariff revisions
13 and modifications as presented in Section 18 of the Company's Application.

14 **IV. TARIFF REVISIONS AND MODIFICATIONS**

15 **Q. IS BLACK HILLS PROPOSING ANY TARIFF CHANGES OR MODIFICATIONS?**

16 A. Yes. In addition to the incorporation of new base rates into its tariff, as supported by
17 Company witness Mr. Douglas N. Hyatt in his Direct Testimony, listed below are the other
18 tariff changes Black Hills is proposing in this rate application:

1 **A. Elimination of Small Volume Interruptible Service Rate Schedule**

2 **B. Transportation Service Provisions:**

- 3 ○ Requiring telemetry equipment for Large Volume Transportation Service (“LVTS”) and Large Volume Transportation Service – Aggregated (“LVTS-A”) customers;
- 4 ○ Changing the monthly cash out charge to reflect the highest, lowest, or average daily price rather than the highest or lowest average weekly price;
- 5 ○ Including availability of a final nomination cycle;
- 6 ○ Eliminating Firm Standby Service, Return to Sales Service, Standby Service, Imbalance to Storage Balancing Option, and Aggregator Billing Service; and
- 7 ○ Charging Non-Telemetered Daily Balancing Service Charge for all non-telemetered aggregators

8 **C. General Rules, Regulations, Terms, and Conditions:**

- 9 ○ Additional clarifying language related to the security deposit provision;
- 10 ○ Removal of credit card transaction fees;
- 11 ○ Addition of a provision regarding billing errors; and
- 12 ○ Extending the payment due date from 15 days to 20 days for non-residential customers

13 **D. Clarifying, Definitional, and Other changes**

14 I will discuss examples of these in the testimony below.

15 *A. Elimination of Small Volume Interruptible Service Rate Schedule*

16 **Q. DISCUSS THE SMALL VOLUME INTERRUPTIBLE SERVICE RATE SCHEDULE AND EXPLAIN WHY BLACK HILLS IS PROPOSING TO ELIMINATE IT.**

17 **A.** The Small Volume Interruptible Service (“SVI”) rate schedule is currently available to customers, on interruptible terms only, to any individually metered, non-residential customer with annual consumption of natural gas greater than 500 MCF and less than or equal to 5,000 MCF. There are approximately 80 customers currently on the SVI rate schedule. The Company’s Large Volume Interruptible Service rate schedule applies to interruptible customers with usage greater than 5,000 MCF.

1 Several customers on the SVI rate schedule have human needs or business essential
2 services at their facilities and are not equipped to incur an interruption of service. The task
3 of vetting admittance to the service, and administering and monitoring customers on this
4 service, puts an additional burden on both the customer and the Company. Additionally,
5 given that the SVI rate schedule only applies to customers with usage less than or equal to
6 5,000 MCF, the customers who are on the SVI rate schedule do not make up a significant
7 portion of the Company's consumption load and interrupting the SVI customers has little
8 impact overall on the Company's system. Therefore, the Company is proposing to eliminate
9 the SVI rate schedule and the SVI customers will be moved to the Small Volume Firm
10 Service ("SVF") rate schedule. Based on the small aggregate load for the current SVI
11 customers, Black Hills will not need to contract for additional capacity to serve the customers
12 when they are moved to the SVF rate schedule.

13 **Q. HOW DOES THIS PROPOSAL AFFECT CUSTOMERS WHO CURRENTLY USE**
14 **THE SVI RATE SCHEDULE?**

15 A. Currently, the tariffed SVI rates are identical to the SVF rates, except for the Purchased Gas
16 Adjustment ("PGA") rate. The PGA rate is higher for SVF customers than the PGA rate for
17 SVI customers. As a result, SVI customers would experience an increase to their PGA rate
18 under the SVF rate schedule.

1 *B. Transportation Services: Index Nos. 29 through 39*

2 **Q. IS BLACK HILLS PROPOSING TO REQUIRE TELEMETRY EQUIPMENT FOR**
3 **LARGE VOLUME TRANSPORTATION CUSTOMERS?**

4 A. Yes. The requirement that all LVTS and LVTS-A customers have electronic measurement
5 provides significant benefits for the Company and its customers in managing its pipeline
6 system. Daily communicating electronic measurement allows the Company to track third-
7 party transportation daily activity to the level of individual transportation customers and
8 manage its supply to balance the system more accurately. Furthermore, it provides additional
9 transparency to transportation customers in balancing their loads and minimizing
10 imbalances.

11 Under the Company’s proposal, all new LVTS and LVTS-A customers will be
12 required to have telemetered service and will be responsible for the costs of acquiring and
13 installing the telemetry equipment at the delivery point. For existing customers, Black Hills
14 plans to move all non-telemetered customers to telemetry service within one year of
15 Commission approval of the rate schedule changes.

16 **Q. IS BLACK HILLS PROPOSING TO CHANGE THE MONTHLY CASH OUT**
17 **CHARGE TO REFLECT THE HIGHEST/LOWEST DAILY PRICE AS OPPOSED**
18 **TO THE HIGHEST/LOWEST AVERAGE WEEKLY PRICE?**

19 A. Yes. The change in the cash out pricing charge ensures that the Company and its sales
20 customers are better protected while balancing on behalf of transportation customers during
21 the highest and lowest price days. For customers located downstream of Northern Natural
22 Gas Company (“Northern”), WTG Hugoton, LP (“WTG”), and ONEOK Field Services
23 Company, L.L.C. (“ONEOK”), the cash out pricing will be based on highest, lowest, or

1 average price from the Platts Daily Price Survey Midpoint Gas Price for Northern, demarc
2 or Northern Ventura; Panhandle, TX-Okla; and Northern demarc, respectively. For
3 customers located downstream of all other pipelines, aside from Northern, WTG, and
4 ONEOK, the daily pricing will be based upon the highest, lowest, or average price from the
5 Platts Daily Price Survey Midpoint Gas Price of Panhandle, TX-Okla; Southern Star; NGPL
6 Midcontinent; or CIG Rockies indices. The daily price more appropriately protects Black
7 Hills from potential costs incurred when transportation customers are out of balance.
8 Additionally, this pricing will provide further incentive for transportation customers to
9 balance their agreements by the end of the month to minimize or avoid cash out pricing
10 altogether.

11 **Q. IS BLACK HILLS PROPOSING TO INCLUDE THE AVAILABILITY OF A FINAL**
12 **NOMINATION CYCLE?**

13 A. Yes. For example, Northern Natural Gas Company has a final 8:00 a.m. nomination cycle
14 that allows its shippers with storage to balance their nominations at the end of the gas day
15 by placing a 23rd hour storage nomination to either inject or withdraw gas into their storage
16 accounts to balance their transportation agreements. Black Hills has been supporting
17 shippers on its system, downstream of Northern Natural Gas, who use the 23rd hour
18 nomination process and is including revised tariff language to formalize Black Hills' ability
19 to support it.

1 **Q. IS BLACK HILLS PROPOSING TO ELIMINATE FIRM STANDBY SERVICE,**
2 **RETURN TO SALES SERVICE, STANDBY SERVICE, IMBALANCE TO**
3 **STORAGE BALANCING, AND AGGREGATOR BILLING SERVICE OPTIONS?**

4 A. Yes. It has been the Company's experience that customers have not relied on these optional
5 services in many years and are not expected to rely on them in the future. Therefore, the
6 Company proposes removing these options within its tariff.

7 **Q. WHY IS BLACK HILLS PROPOSING TO CHARGE THE NON-TELEMETERED**
8 **DAILY BALANCING SERVICE CHARGE FOR ALL NON-TELEMETERED**
9 **MARKETERS WHO HAVE CUSTOMERS THAT ARE NOT ON DAILY**
10 **BALANCED PIPELINES?**

11 A. Currently, the Non-Telemetered Daily Service Charge is applicable to Marketers who have
12 non-telemetered customers in aggregated pools downstream of daily balanced pipelines.
13 There is a need for all Marketer aggregated pools of non-telemetered customers to endeavor
14 to daily balance their supplies. This is not unique to only daily balanced pipelines, it is a
15 requirement of the Company on all its systems. As a result, Black Hills is proposing that all
16 Marketers with non-telemetered aggregated transportation pools pay this service charge
17 throughout the state.

18 *C. General Rules, Regulations, Terms, and Conditions: Index Nos. 1 through 13*

19 **Q. PLEASE EXPLAIN BLACK HILLS' PROPOSED ADDITIONAL LANGUAGE TO**
20 **THE SECURITY DEPOSIT PROVISION.**

21 A. The Company is proposing language on Index No. 6 that clarifies the use of funds from
22 customer deposits. Specifically, Black Hills proposed adding the following language: "The
23 deposit will be applied to amounts owed for utility service for disconnection purposes.

1 Failure to pay the billed deposit payment shall subject the Customer to procedures for
2 disconnection of service for non-payment.”

3 **Q. WHAT ADJUSTMENT IS THE COMPANY PROPOSING RELATED TO CREDIT**
4 **CARD TRANSACTION FEES?**

5 A. As described in the Direct Testimony of Ms. Rachel R. Schuldt, Black Hills is proposing to
6 include the processing costs associated with credit card transactions in base rates. Under this
7 proposal, customers will no longer be charged a fee when making a payment using a credit
8 card. This matches the usual handling of credit card fees by companies when selling
9 everyday items like groceries or fuel for vehicles since companies that sell those goods or
10 services simply include the credit card fee in the total price of the goods or services rather
11 than charge for it separately. Further, eliminating this transaction charge incentivizes
12 customers to pay electronically, which is logistically easier than mailing in a payment or
13 walking into a third-party location to pay.

14 **Q. AS A RESULT OF THE COMPANY’S PROPOSAL TO INCLUDE CREDIT CARD**
15 **TRANSACTION FEES IN ITS BASE RATES, WHAT TARIFF CHANGES ARE**
16 **NECESSARY?**

17 A. On Index No. 7, Sheet 12 of 12, the Company is proposing to remove the transaction fees in
18 4.3, part 10 associated with credit card payments.

19 **Q. PLEASE EXPLAIN BLACK HILLS’ ADDITION REGARDING PROVISIONS**
20 **AROUND BILLING OR MEASUREMENT ERRORS.**

21 A. The Company is proposing additional language to clarify its procedures if a customer is
22 either under or over-billed. If a customer is found to have been under-billed, Black Hills may
23 charge for the period during which the under-billing occurred, with such period not to exceed

1 six months. The customer will be allowed a payment arrangement for the number of billings
2 corrected.

3 If a customer is found to have been over-billed, the Company shall refund for the
4 period during which the over-billing occurred, with such period not to exceed two years.

5 **Q. IS THE COMPANY PROPOSING TO EXTEND PAYMENT DUE DATES FOR ITS**
6 **NON-RESIDENTIAL CUSTOMERS?**

7 A. Yes. Black Hills is proposing to extend the payment due date from 15 days to 20 days for
8 non-residential customers, which is in line with the amount of time allowed for residential
9 customers to make a payment. As a result, non-residential customers will have the option of
10 paying a one percent late fee every month for a time extension of 9 days, as opposed to 14
11 days currently. In total, the timeframe for non-residential customers to pay their bill will
12 remain at 29 days: 20 days with no late fee applied and 9 days with a one percent late fee
13 applied.

14 *D. Clarifying, Definitional, and Other changes*

15 **Q. WHAT CLARIFYING AND DEFINITIONAL CHANGES HAS THE COMPANY**
16 **MADE IN ITS PROPOSED TARIFF AS REFLECTED IN SECTION 18 OF ITS**
17 **APPLICATION?**

18 A. Several minor clarifying and definitional changes were made throughout the Company's
19 tariff. Some examples include:

- 20 • Changing "his" to "their" in the General Rules, Regulations, Terms, and Conditions
- 21 • Changing "out of balance" to "imbalance" in the Transportation Services provisions

- Inclusion of all other applicable charges in each Transportation rate schedule to provide additional transparency for customers

Q. ARE THERE OTHER TARIFF CHANGES THAT BLACK HILLS IS PROPOSING IN THIS CASE?

A. Yes. Black Hills has included revisions to its Transportation Services provisions to reflect effective pipeline Daily Delivery Variance Charges of Northern which were filed for approval in Docket No. 21-BHCG-345-TAR. The Commission issued a Suspension Order until November 8, 2021.

Additionally, the Company has included language in Index No. 28 related to the PGA to reflect balancing service revenues that will now be credited back through the PGA, as described in Ms. Schuldt's Direct testimony. The Company offers balancing services for a fee to its larger customers. Certain costs necessary to support balancing services flow through the PGA. As such, any benefits that result from balancing service revenue should flow to customers through the PGA as well. This appropriately aligns the costs with the associated benefits.

Q. WHAT CHANGES ARE BEING PROPOSED BY THE COMPANY FOR THE WNA RIDER?

A. As discussed in the testimony of Mr. Hyatt, Black Hills is proposing to reduce the number of weather stations it relies on to gather heating degree day data from seven stations to five. As such, the proposed revisions to the WNA Rider will reflect the Goodland, Topeka, Dodge City, Wichita, and Concordia weather stations.

1 **Q. IS THE COMPANY’S REQUEST TO RE-ESTABLISH THE AD VALOREM TAXES**
2 **REFLECTED IN THE PROPOSED TARIFF REVISIONS?**

3 A. Yes. The proposed tariff reflects that the Ad Valorem taxes will be based on the outcome of
4 the current rate proceeding and will be adjusted yearly based on any amounts under or over-
5 collected as prescribed by the tariff. Ms. Schuldt proposes the new level of Ad Valorem
6 taxes included in the Company’s Application.

7 **V. RECOMMENDATIONS**

8 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

9 A. I recommend the Commission approve the following:

- 10 • Approve the Company’s proposed elimination of the SVI rate schedule and proposal
11 to move SVI customers to the SVF rate schedule;
- 12 • Approve the Company’s proposed changes to its Transportation Services provisions;
- 13 • Approve the Company’s proposed changes to its General Rules, Regulations, Terms,
14 and Conditions;
- 15 • Approve the Company’s proposed modifications to the Weather Normalization
16 Adjustment Rider;
- 17 • Approve the Company’s proposal to reflect the outcome of the current rate
18 proceeding for the amount to be used in the Ad Valorem Tax Surcharge Rider; and
- 19 • Approve all other tariff modifications included herein.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

AFFIDAVIT OF ROBERT W. DANIEL

State of Arkansas)
) ss
County of Washington)

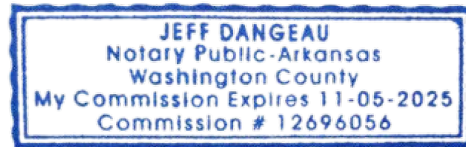
I, ROBERT W. DANIEL, being first duly sworn on oath, depose and state that I am the same Robert W. Daniel identified in the foregoing Direct Testimony; that I have caused the foregoing Direct Testimony to be prepared and am familiar with the contents thereof; and that the foregoing Direct Testimony is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


Robert W. Daniel

Subscribed and sworn to before me,
A Notary Public, in and for said County
and State, this 28th day of April, 2021.


Notary Public

My Commission expires: November 5, 2025



**EDUCATION, EMPLOYMENT HISTORY
AND PROFESSIONAL EXPERIENCE**

I graduated from the University of Central Arkansas with a Bachelor of Business Administration degree in Finance in 2006. In 2009, I received my Master of Business Administration degree from the University of Arkansas at Little Rock, with a concentration in Finance. While earning my MBA, I accepted a position as a Financial Analyst with the Arkansas Public Service Commission. Over the course of six years, I was promoted to Senior Financial Analyst and was primarily responsible for cost of capital, return on equity analysis, riders and rate mechanisms, and other rate-related issues.

In 2015, I accepted a Senior Regulatory Analyst position with CenterPoint Energy. I held various positions of increasing responsibility, including Manager of Rates and Regulatory. I supported regulatory policy and filings for Arkansas and Oklahoma.

In 2020, I joined Black Hills as Manager of Regulatory and Finance. In this role, my team and I are responsible for overseeing and participating in the development of regulatory strategy, policy, tariffs, and regulatory filings in Kansas. My team is also responsible for financial planning and analysis, including the annual budgeting process and monthly and quarterly analysis of operating results.