

**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. 25-BHCG-298-RTS

STAFF’S ERRATA TO THE TESTIMONY OF STAFF WITNESS LANA ELLIS, Ph.D.

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (hereafter referenced as “Staff”), makes this errata filing to correct testimony of Staff Witness Lana Ellis, Ph.D. (“Ellis”). For the convenience of the parties, this filing is provided instead of corrections at the hearing, so necessary clarifications of the testimony and position of Glass can be made available now, in advance of the hearing. The corrected testimony and redline pages of the corrections are attached. The following is an explanation of the corrected testimony:

1. An error was discovered on pages 9-11, and 13 of the testimony when it was originally filed, so we are filing an errata to correct it as set forth below.

a. Page 9, the sentences below in Lines 13 through 15 are deleted.

“Staff allocated the revenue increase across the board due to the way the rates are linked. Ordinarily, the classes with higher RORs would get a relatively smaller increase, which isn’t feasible here because of the linkage.”

b. Page 10, the below sentences are added to Lines 4 through 6.

“Classes with a negative relative rate of return received a 17.757% increase, classes with a relative rate of return between 0 and 1 received a 15.757% increase, and classes with a relative rate of return between 1 and 1.55 received a 15.644% increase.”

- c. Page 10, the original Table 7 is deleted and replaced with the following corrected Table 7:

| Customer Classes | Current Revenue | % of Current Revenue | Class GSRS Allocation \$ 4,377,415 | % of GSRS | Relative Rate of Return | Across the Board Revenue Allocation | Class Revenue Allocation \$ 9,180,966 | Class % Increase | Proposed Revenue Allocation |
|-----------------------------------|-----------------|----------------------|---------------------------------------|-----------|-------------------------|-------------------------------------|--|------------------|-----------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| Residential | \$ 37,854,045 | 65.0% | \$ 2,969,297 | 67.8% | 1.55 | 5,964,718 | \$ 5,921,803 | 15.644% | \$ 46,745,145 |
| Small Commercial - Sales | \$ 6,089,709 | 10.5% | \$ 442,734 | 10.1% | 1.44 | 959,565 | \$ 952,661 | 15.644% | \$ 7,485,104 |
| Small Commercial - Transportation | \$ 204,649 | 0.4% | \$ 9,442 | 0.2% | 1.62 | 32,247 | \$ 32,015 | 15.644% | \$ 246,106 |
| Small Volume Firm | \$ 3,316,792 | 5.7% | \$ 257,021 | 5.9% | 0.90 | 522,632 | \$ 522,632 | 15.757% | \$ 4,096,445 |
| Small Volume Transportation | \$ 1,484,103 | 2.5% | \$ 93,190 | 2.1% | 0.70 | 233,852 | \$ 233,852 | 15.757% | \$ 1,811,145 |
| Large Volume Firm | \$ 514,750 | 0.9% | \$ 86,746 | 2.0% | (0.82) | 81,110 | \$ 80,526 | 15.644% | \$ 682,022 |
| Large Volume Transportation | \$ 5,677,648 | 9.7% | \$ 251,689 | 5.7% | 1.44 | 894,635 | \$ 888,199 | 15.644% | \$ 6,817,536 |
| Large Volume Interruptible | \$ 255,682 | 0.4% | \$ 30,375 | 0.7% | 0.86 | 40,288 | \$ 39,998 | 15.644% | \$ 326,054 |
| Subtotal | \$ 55,397,377 | 95.1% | \$ 4,140,494 | 94.6% | | 8,729,047 | \$ 8,671,686 | 15.654% | \$ 68,209,557 |
| Irrigation Service | \$ 2,287,936 | 3.9% | \$ 188,315 | 4.3% | (1.89) | 360,513 | \$ 406,272 | 17.757% | \$ 2,882,524 |
| Irrigation Transportation | \$ 580,091 | 1.0% | \$ 48,606 | 1.1% | (1.83) | 91,406 | \$ 103,008 | 17.757% | \$ 731,705 |
| Total Sales and Transportation | \$ 58,265,405 | 100.0% | \$ 4,377,415 | 100.0% | | 9,180,966 | \$ 9,180,966 | 15.757% | \$ 71,823,786 |

- d. Page 13, the original Table 8 is deleted and replaced with the following corrected Table 8:

| Customer Class | Adjusted Number of Bills | Adjusted Customer Usage (Therms) | Customer Charge | Volumetric Charge | Total Customer Charge | Total Volumetric Charge | Total Base Rate Revenue |
|-----------------------------------|--------------------------|----------------------------------|-----------------|-------------------|-----------------------|-------------------------|-------------------------|
| Residential | 1,271,636 | 70,755,908 | \$20.77 | \$ 0.28447 | \$ 26,411,880 | \$ 20,127,933 | \$ 46,539,813 |
| Small Commercial - Sales | 116,141 | 14,012,944 | \$31.70 | \$ 0.28447 | \$ 3,681,670 | \$ 3,986,262 | \$ 7,667,932 |
| Small Commercial - Transportation | 2,451 | 671,742 | \$31.70 | \$ 0.28447 | \$ 77,681 | \$ 191,091 | \$ 268,771 |
| Small Volume Firm | 15,391 | 14,349,976 | \$86.11 | \$ 0.19206 | \$ 1,325,276 | \$ 2,756,056 | \$ 4,081,332 |
| Small Volume Transportation | 5,503 | 7,041,703 | \$86.11 | \$ 0.19206 | \$ 473,820 | \$ 1,352,429 | \$ 1,826,250 |
| Large Volume Firm | 506 | 4,222,250 | \$518.72 | \$ 0.09369 | \$ 262,472 | \$ 395,583 | \$ 658,055 |
| Large Volume Transportation | 1,465 | 64,981,385 | \$518.72 | \$ 0.09369 | \$ 759,925 | \$ 6,088,106 | \$ 6,848,031 |
| Large Volume Interruptible | 181 | 2,411,826 | \$518.72 | \$ 0.09369 | \$ 93,888 | \$ 225,964 | \$ 319,852 |
| Subtotal | 1,413,273 | 178,447,735 | | | \$ 33,086,612 | \$ 35,123,424 | \$ 68,210,036 |
| Irrigation Service | 15,837 | 29,291,023 | \$56.04 | \$ 0.06813 | \$ 887,505 | \$ 1,995,597 | \$ 2,883,103 |
| Irrigation Transportation | 4,069 | 7,381,668 | \$56.04 | \$ 0.06813 | \$ 228,027 | \$ 502,913 | \$ 730,940 |
| Total Sales and Transportation | 1,433,179 | 215,120,426 | | | \$ 34,202,144 | \$ 37,847,899 | \$ 71,824,079 |

Attached are the correct testimony pages 9-11 and 13.

WHEREFORE, Staff provides this errata filing.

Respectfully Submitted,

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ATTORNEYS FOR STAFF

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**In the Matter of the Application of Black)
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Black Hills Energy, for Approval of the) Docket No. 25-BHCG-298-RTS
Commission to Make Certain Changes in its)
Rates for Natural Gas Service.)**

DIRECT TESTIMONY

PREPARED BY

LANA J. ELLIS, PhD.

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

May 14, 2025

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1 I. INTRODUCTION

2 A. Qualifications

3 Q. What is your name?

4 A. Lana J. Ellis.

5 Q. By whom and in what capacity are you employed?

6 A. I am employed by the Kansas Corporation Commission (KCC or Commission) as Deputy
7 Chief of the Economics and Rates Section within the Utilities Division.

8 Q. What is your business address?

9 A. 1500 S.W. Arrowhead Road, Topeka, Kansas, 66604-4027.

10 Q. What is your educational background and professional experience?

11 A. I have a B.S.B.A with a major in Honors Economics from Missouri Western State
12 University, an M.A. in economics and an Interdisciplinary Ph.D. in economics and political
13 science from the University of Missouri-Kansas City, an M.B.A. from Rockhurst
14 University, and a J.D. from Seattle University. Before I began my employment with the
15 Commission, I worked for Sprint Corporation and The Baltimore Sun, serving primarily in
16 strategic planning and market research positions. In addition, I have taught graduate-level
17 business and economics courses as an adjunct instructor at several universities, a list of
18 which is available upon request.

19 Q. Have you previously submitted testimony before this Commission?

20 A. Yes, I filed testimony in Docket Nos. 14-KCPE-272-RTS, 14-BHCG-502-RTS, 15-
21 WSEE-181-TAR, 16-KCPE-446-TAR, 17-WSEE-147-RTS, 18-WSEE-328-RTS, 18-
22 KCPE-480-RTS, 18-KGSG-560-RTS, 19-EPDE-223-RTS, 20-SPEE-169-RTS, 21-
23 BHCG-418-RTS, 22-EKME-254-TAR, 23-ATMG-359-RTS, 23-EKCE-775-RTS, 24-
24 SPEE-415-TAR, 24-KGSG-610-RTS, and 25-EKCE-169-TAR. I have also participated,

as a member of Commission Staff (Staff), in numerous other dockets, a list of which is available upon request.

B. Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to sponsor Staff's recommendations regarding rate design and tariff changes.

C. Executive Summary

Q. How is your testimony organized?

A. My testimony is organized in three major sections. First, I discuss rate design. Then, I discuss the proposed tariff changes. Finally, I conclude by recommending the Commission approve Staff's rate design and proposed tariff changes.

II. RATE DESIGN

A. Description of Company's Request

Q. What is the proposed revenue allocation for each customer class under Black Hills' proposed rate design?

A. The annual increase of Black Hills' proposed rates by customer class is shown in Table 1.¹

Table 1: Class Revenue Impact

| Customer Class | Revenues |
|-----------------------|-----------------|
| Residential | \$13,996,106 |
| Small Commercial | \$2,187,067 |
| Small Volume | \$430,140 |
| Large Volume | \$0 |
| Irrigation | \$593,959 |
| Total | \$17,207,272 |

¹ Direct Testimony of Ethan Fritel on behalf of Black Hills, Docket No. 25-BHCG-298-RTS, (Fritel Direct), pg. 27.

1 **Q. Please provide a summary of the specific rates Black Hills is proposing.**

2 A. Black Hills is proposing the monthly customer charges and delivery charges for each
3 customer class as shown below in Table 2.²

4 **Table 2: Proposed Rates**

| Customer Class | Customer Delivery | |
|---------------------------|--------------------------|-----------------|
| | Charge | Charge |
| | \$/month | \$/therm |
| Residential | \$31.50 | \$0.21 |
| Small | | |
| Commercial | \$49.50 | \$0.21 |
| Small Volume | \$148.00 | \$0.11 |
| Large Volume | \$358.00 | \$0.08 |
| Irrigation | \$49.50 | \$0.08 |

5
6 **Q. How would the fixed monthly charge of the residential bill change under Black Hills’**
7 **proposed rates?**

8 A. Under the current rates, the fixed portion of residential customer bills is \$20.77 per month
9 (including GSRS). Black Hills’ proposed rates would raise this fixed charge to \$31.50 per
10 month, an increase of \$10.73 per month.³

11 **Q. What are the expected impacts to customers’ bills under Black Hills’ proposed rates?**

12 A. The change in the average monthly bill by customer class under Black Hills’ proposed rates
13 are shown below in Table 3 below.⁴

² Fritel Direct, pg. 28.

³ Fritel Direct, pg. 32.

⁴ Fritel Direct, pg. 33. The reduction in for the Large Volume Firm and Large Volume Interruptible and increase to the Large Volume Transportation average customer bill is due in part to the different average use of each customer class and the GSRS being set to zero. The overall impact to all Large Volume customers is zero.

Table 3: Change in Average Monthly Bill

| Customer Class | Change in Average Monthly Bill |
|-----------------------------|---------------------------------------|
| Residential | \$11.07 |
| Small Commercial Sales | \$18.54 |
| Small Commercial Transport | \$19.51 |
| Small Volume Firm | \$25.27 |
| Small Volume Transportation | \$9.88 |
| Large Volume Firm | (\$121.22) |
| Large Volume Interruptible | (\$93.06) |
| Large Volume Transportation | \$64.65 |
| Irrigation Sales | \$30.79 |
| Irrigation Transportation | \$27.20 |

Q. What is the average residential bill under current rates?

A. The average Residential bill using current rates is shown below in Table 4.⁵

Table 4: Average Monthly Residential Bill Using Current Rates

| Billing Component | Usage | Rate | Billed Amount |
|--------------------------|--------------|-------------|----------------------|
| Monthly Customer Charge | | \$18.50 | \$18.50 |
| Monthly GSRS Charge | | \$2.27 | \$2.27 |
| Delivery Charge (therms) | 50 | \$0.20 | \$10.03 |
| PGA Charge (therms) | 50 | \$0.65 | \$32.05 |
| Total | | | \$62.86 |

Q. What is the average residential bill using Black Hills' proposed rates?

A. The average Residential bill using Black Hills' proposed rates is shown below in Table 5.⁶

⁵ Fritel Direct, pg. 31. The total average customer bill was developed by multiplying the Test Year billing determinants by the current rates including the monthly customer charge, GSRS, delivery charge, and current Purchased Gas Adjustment (PGA). The WNA Rider rates and Ad Valorem Tax Surcharge (AVTS) Rider rates are removed from the calculation for simplification as these rate riders are adjusted annually and can result in either a surcharge or a sur-credit from year to year. The fixed monthly customer charge and monthly GSRS are added together for the fixed monthly portion of the average bill, and the other rates are multiplied by the average therms per bill for the volumetric portion of the average bill.

⁶ Fritel Direct, pg. 31. The total average customer bill by customer class was developed by multiplying the Test Year billing determinants by the proposed base rates, which include the monthly customer charge, delivery charge, and current PGA. The bill impact under proposed rates does not include the current GSRS as the investment recovered under the current rider is included in the proposed base rates. Similar to the calculation of the average monthly bill under current rates, the WNA Rider and AVTS Rider rates are also removed from this calculation. The average monthly bill under proposed rates includes the fixed monthly customer charge, with the other rates being multiplied by the average therms per bill for the volumetric portion of the average bill.

Table 5: Average Monthly Residential Bill Using Proposed Rates

| Billing Component | Usage | Rate | Billed Amount |
|--------------------------|-------|---------|---------------|
| Monthly Customer Charge | | \$31.50 | \$31.50 |
| Monthly GSRS Charge | | \$0.00 | \$0.00 |
| Delivery Charge (therms) | 50 | \$0.21 | \$10.38 |
| PGA Charge (therms) | 50 | \$0.65 | \$32.05 |
| Total | | | \$73.93 |

B. Company's Support for Request

Q. What guidelines did Black Hills follow in designing its proposed rates?

A. Black Hills stated it followed the following guidelines in the design of proposed rates:

1. Set rates to recover the overall revenues requested by the Company as set forth in the Application.
2. The revenues for each class should align with the class cost of service study to the extent practical.
3. The proposed customer charges should reflect customer related costs to the extent practical.
4. The delivery charge for the Residential and Small Commercial rates should be equal maintaining the existing differential.
5. The customer and delivery (non-gas portion) should be the same for the Firm and Transportation rates within the Small Volume and Irrigation customer classes, and Firm, Interruptible, and Transportation within the Large Volume customer class.
6. The Irrigation monthly customer charge should be the same as the Small Commercial charge because the Irrigation customers have a significant number of months of little or no use.⁷

Q. Did Black Hills apply any other criteria in addition to the guidelines described above?

A. Yes, Black Hills states that no customer class should receive a decrease when other classes receive an increase in base rate revenues under the proposed rates.⁸ Based on the results of Black Hills' Class Cost of Service Study (CCOSS), the Large Volume classes show a rate

⁷ Fritel Direct, pg. 26.

⁸ Fritel Direct pg. 27.

1 of return in excess of that requested by the Company and base rates for the Large Volume
2 classes would need to be reduced to achieve the requested rate of return. Thus, Black Hills
3 recommends no change to the base rates for the Large Volume classes and using the
4 revenue decrease that would otherwise result from reducing those classes rates be used
5 instead to moderate the Residential customer class increase.

6 **Q. Please describe how Black Hills' monthly customer and delivery charges were**
7 **determined for each customer class.**

8 A. According to Black Hills, its proposed customer charges are designed to recover customer-
9 related costs including services, meters & regulators, customer accounting, and 50% of
10 customer-related distribution costs.⁹ The delivery rates are adjusted to recover the portion
11 of the revenue requirement not recovered in the monthly customer charge. In the last rate
12 case filing, Black Hills proposed to recover only those customer-related costs in services,
13 meters and regulators, and customer accounting costs.

14 In this case, Black Hills proposes also recovering fifty percent (50%) of the customer-
15 related distribution costs through the monthly customer charge as an incremental step
16 towards recovering more fixed costs through the fixed charge, while still enabling
17 customers to control a large part of their monthly bill by reducing their usage.

18 **Q. Please describe the impact of Black Hills' proposed rates on rate of return.**

19 A. Black Hills' recommended rate design produces an overall rate of return of 7.63%.¹⁰ The
20 rate of return from the proposed rate design for each class is presented in Table 6 Below:

⁹ Fritel Direct, pg. 28-29.

¹⁰ Fritel Direct, pg. 29.

Table 6: Rate of Return by Customer Class

| Customer Class | Rate of Return |
|------------------------------|----------------|
| Residential/Small Commercial | 6.97% |
| Small Volume | 7.63% |
| Large Volume | 15.97% |
| Irrigation | 7.63% |

C. Staff's Analysis of the Request

Q. Does Staff recommend maintaining the traditional two-part rate for residential customers?

A. Yes, Staff recommends maintaining the traditional two-part rate for all customers including residential customers.

Q. Does Staff agree distribution costs should be recovered in the fixed charge?

A. There are two factors that determine the rate for the service charge. First, gas utilities, and utilities in general, prefer higher fixed charges for customers. For gas utilities in particular, increasing the fixed charge should reduce the gap between the gas utility's approved revenue requirement and the actual revenue collected by the gas utility. Since the mid-1980s, Residential customers' average usage has declined for several reasons—improved efficiency of gas appliances, no new major Residential uses for natural gas, and temperatures have generally been slowly rising since the 1970s, especially at night in the winter. Thus, reliance on collecting fixed costs in the delivery charge (volumetric charge) has resulted in gas utilities failing, on average, to collect their revenue requirement.

Second, the GSRS is collected as a fixed monthly charge, which Residential customers have been paying. De facto, Residential customers have been paying a fixed charge of \$20.77 rather than \$18.50. Increasing the service charge to the combination of the existing service charge and the GSRS monthly charge accomplishes two objectives—it increases

the service charge to help provide revenue stability for Black Hills, and it will not provide rate shock for Residential customers since they are already paying \$20.77 in fixed charges.

Q. Does Staff agree the Transport and Sales Rate classes should be synchronized?

A. Yes, the Transport and Sales rates should be synchronized to maintain the existing parity between the classes.

D. Staff's Recommendation

1. Staff's Allocation of the Revenue Requirement Increase

Q. How did Staff allocate its increase in Revenue Requirement?

A. Staff began with its Class Cost of Service (CCOS) study, which allocates revenue, expenses, and rate base among customer classes so that the rate of return for each class could be calculated as an index.

Q. What is the relative rate of return index?

A. The relative rate of return index normalizes the class rates of return for easier inter-class comparisons. For a particular class, the index is calculated by dividing that class's rate of return by the system-wide rate of return as shown in the following formula:

$$\text{Relative Rate of Return Index} = \frac{\text{Class Rate of Return}}{\text{System Average Rate of Return}}$$

In other words, the relative rate of return index compresses the data for easier analysis. For example, assume that the system average rate of return is 8% and one class has a rate of return of 7% and another class has a rate of return of 9%. The class with the 7% rate of return would have a relative rate of return of $0.875 \left(\frac{7\%}{8\%} \right)$ and the class with the 9% rate of return would have a relative rate of return of $1.125 \left(\frac{9\%}{8\%} \right)$. A class with the same rate of return as the system average would have a relative rate of return index of 1.0. Thus, a class

1 with an index above 1.0 is overearning while a class with an index below 1.0 is
2 underearning.

3 **Q. Did Staff rely on the relative rate of return index to develop its class allocations?**

4 A. Staff started with the relative rates of return for the class revenue allocation but then applied
5 the principle of gradualism, which moderates changes in class revenue allocation while
6 allowing movement toward the system-wide rate of return..¹¹ Using only the relative rate
7 of return index to allocate revenue would force all class rates of return to the system-wide
8 rate of return, which means all class indexes would be forced to 1.0. The opposite extreme
9 is to use the system wide percentage increase for all classes so that every class's base rates
10 increase the same percentage, and the relative rates of return remain unchanged.
11 Somewhere in between these two extremes lies an approach that moves classes closer to
12 the system-wide rate of return without causing a disruption of sudden large changes in
13 rates.

14 **Q. How did Staff develop its revenue requirement allocation?**

15 A. Staff started by dividing Staff's proposed revenue requirement increase into two parts: the
16 part of the revenue requirement increase that is the result of the GSRS rebasing,
17 \$4,377,415; and the remaining part of the revenue requirement increase, \$ 9,184,235. Staff
18 allocated the GSRS rebasing part based on how much each class paid into the GSRS. For
19 example, the Residential Class paid \$2,969,297 into the GSRS. Thus, Staff assigned
20 \$2,969,297 in GSRS rebasing revenue requirement to the Residential Class. The same was
21 done for each class—each class was assigned the same revenue requirement increase it paid

¹¹ Lowell E. Alt, Jr. *Energy Utility Rate Setting*, pp. 72-74. Alt lists three principles of rate design—"cost causation, equalized rates of return and gradualism." p. 72.

into the GSRS. The rest of the revenue requirement was allocated using Staff's CCOS as a guide. Classes with a negative relative rate of return received a 17.757% increase, classes with a relative rate of return between 0 and 1 received a 15.757% increase, and classes with a relative rate of return between 1 and 1.55 received a 15.644% increase

However, because the base rates for the transportation and sales classes within each group are linked, I first allocated the rate increases to each class based on the guidelines outlined above. Then, I added the revenue requirements together. Table 7 below has Staff's recommended revenue requirement class allocations. The table shows the current revenue generated by the present rates in column (a), the percentage of total revenue each class contributes in column (b), current GSRS allocation in column (c), the percentage of total GSRS each class contributes in column (d), the class relative rate of return (e), hypothetical across-the-board class revenue allocation in column (f), the proposed class revenue allocation in column (g), class percent increase in column (h), and proposed revenue allocation in column (i).

Table 7: Staff's Class Revenue Allocation

| Customer Classes | Current Revenue | % of Current Revenue | Class GSRS Allocation \$ 4,377,415 | % of GSRS | Relative Rate of Return | Across the Board Revenue Allocation | Class Revenue Allocation \$ 9,180,966 | Class % Increase | Proposed Revenue Allocation |
|-----------------------------------|-----------------|----------------------|---------------------------------------|-----------|-------------------------|-------------------------------------|--|------------------|-----------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| Residential | \$ 37,854,045 | 65.0% | \$ 2,969,297 | 67.8% | 1.55 | 5,964,718 | \$ 5,921,803 | 15.644% | \$ 46,745,145 |
| Small Commercial - Sales | \$ 6,089,709 | 10.5% | \$ 442,734 | 10.1% | 1.44 | 959,565 | \$ 952,661 | 15.644% | \$ 7,485,104 |
| Small Commercial - Transportation | \$ 204,649 | 0.4% | \$ 9,442 | 0.2% | 1.62 | 32,247 | \$ 32,015 | 15.644% | \$ 246,106 |
| Small Volume Firm | \$ 3,316,792 | 5.7% | \$ 257,021 | 5.9% | 0.90 | 522,632 | \$ 522,632 | 15.757% | \$ 4,096,445 |
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| Large Volume Interruptible | \$ 255,682 | 0.4% | \$ 30,375 | 0.7% | 0.86 | 40,288 | \$ 39,998 | 15.644% | \$ 326,054 |
| Subtotal | \$ 55,397,377 | 95.1% | \$ 4,140,494 | 94.6% | | 8,729,047 | \$ 8,671,686 | 15.654% | \$ 68,209,557 |
| Irrigation Service | \$ 2,287,936 | 3.9% | \$ 188,315 | 4.3% | (1.89) | 360,513 | \$ 406,272 | 17.757% | \$ 2,882,524 |
| Irrigation Transportation | \$ 580,091 | 1.0% | \$ 48,606 | 1.1% | (1.83) | 91,406 | \$ 103,008 | 17.757% | \$ 731,705 |
| Total Sales and Transportation | \$ 58,265,405 | 100.0% | \$ 4,377,415 | 100.0% | | 9,180,966 | \$ 9,180,966 | 15.757% | \$ 71,823,786 |

2. Staff's Proposed Rate Design

Q. After determining the revenue allocation among classes, what is the next step in the rate design process?

A. The next, and final, step is to use the class revenue allocations to develop rates that will allow Black Hills the opportunity to collect its approved revenue requirement. Specifically, how much of the revenue allocated to each customer class is collected through the service charges and how much is collected by the delivery charges must be determined.

Q. How did Staff set the service charge for residential customers?

A. Staff started with the existing Residential service charge of \$18.50 and then added the GSRS monthly amount allocated to Residential customers—\$2.27—resulting in a new Residential service charge of \$20.77.

Q. How did Staff determine the delivery charge for Residential customers?

A. Staff first set the service charge, then determined the delivery charge that would collect the remaining class revenue requirement. After determining the delivery charge, Staff rounded the delivery charge to five digits after the decimal point—Black Hills rates only go out five decimal places in their delivery charges.

3. Remaining Classes

Q. Did Staff follow the same procedure for determining rates for the remaining classes as was done for the Residential customers?

A. Yes, except the charges must be kept equal to maintain the current rate structure across the the remaining classes. To accomplish this, Staff first set the service charge equal to the current service charge and added the GSRS for each of the remaining classes. Then, Staff combined the the groups and solved for delivery charges that fully recovered the remaining revenue requirement for each of the groups. The resulting service charge and delivery charge for each class is below in Table 8.

Table 8: Base Rate Revenue with Proposed Rates and Staff's Billing Determinants

| Customer Class | Adjusted Number of Bills | Adjusted Customer Usage (Therms) | Customer Charge | Volumetric Charge | Total Customer Charge | Total Volumetric Charge | Total Base Rate Revenue |
|---------------------------------------|--------------------------|----------------------------------|-----------------|-------------------|-----------------------|-------------------------|-------------------------|
| Residential | 1,271,636 | 70,755,908 | \$20.77 | \$ 0.28447 | \$ 26,411,880 | \$ 20,127,933 | \$ 46,539,813 |
| Small Commercial - Sales | 116,141 | 14,012,944 | \$31.70 | \$ 0.28447 | \$ 3,681,670 | \$ 3,986,262 | \$ 7,667,932 |
| Small Commercial - Transportation | 2,451 | 671,742 | \$31.70 | \$ 0.28447 | \$ 77,681 | \$ 191,091 | \$ 268,771 |
| Small Volume Firm | 15,391 | 14,349,976 | \$86.11 | \$ 0.19206 | \$ 1,325,276 | \$ 2,756,056 | \$ 4,081,332 |
| Small Volume Transportation | 5,503 | 7,041,703 | \$86.11 | \$ 0.19206 | \$ 473,820 | \$ 1,352,429 | \$ 1,826,250 |
| Large Volume Firm | 506 | 4,222,250 | \$518.72 | \$ 0.09369 | \$ 262,472 | \$ 395,583 | \$ 658,055 |
| Large Volume Transportation | 1,465 | 64,981,385 | \$518.72 | \$ 0.09369 | \$ 759,925 | \$ 6,088,106 | \$ 6,848,031 |
| Large Volume Interruptible | 181 | 2,411,826 | \$518.72 | \$ 0.09369 | \$ 93,888 | \$ 225,964 | \$ 319,852 |
| Subtotal | 1,413,273 | 178,447,735 | | | \$ 33,086,612 | \$ 35,123,424 | \$ 68,210,036 |
| Irrigation Service | 15,837 | 29,291,023 | \$56.04 | \$ 0.06813 | \$ 887,505 | \$ 1,995,597 | \$ 2,883,103 |
| Irrigation Transportation | 4,069 | 7,381,668 | \$56.04 | \$ 0.06813 | \$ 228,027 | \$ 502,913 | \$ 730,940 |
| Total Sales and Transportation | 1,433,179 | 215,120,426 | | | \$ 34,202,144 | \$ 37,847,899 | \$ 71,824,079 |

III. TARIFF CHANGES

A. Description of Company's Request

Q. What tariff changes does Black Hills propose in its rate case application?

A. Black Hills proposes the following tariff changes in its rate case application:¹²

- 1) Eliminating the Optional Large Volume Transportation Service-Aggregated Rate Class
- 2) Renaming the Commodity Charge to Delivery Charge
- 3) Increasing Service Fees
- 4) Updating the Standards on Billing Practices
- 5) Adding Indebted Household Rules
- 6) Clarifying, Definitional, and other miscellaneous Changes to the tariff language

¹² Direct Testimony of Nicholas W. Smith on Behalf of Black Hills, Docket No. 25-BHCG-298-RTS (Smith Direct), pg. 3.

B. Company's Support for Request

1. Elimination of Optional Large Volume Transportation Service Aggregated Rate Schedule

Q. Please describe the Optional Large Volume Transportation Service—Aggregated Service Rate Schedule and how it compares to the Large Volume Transportation Service –Aggregated Service Rate Schedule.

A. The Optional Large Volume Transportation Service – Aggregated Service (OLVTS-A) rate schedule is available to customers who supply quantities of gas to aggregated delivery pools consisting of individually metered, non-residential End Users whose individual annual natural gas usage is expected to be between 9,000 Dth and 30,000 Dth.¹³ Similarly, the Large Volume Transportation Service – Aggregated (LVTS-A) rate schedule is available to customers who deliver gas to aggregated delivery pools consisting of individually metered, non-residential End Users whose individual annual natural gas usage is expected to be between 5,000 Dth and 9,000 Dth.¹⁴ All monthly charges, service considerations, terms and conditions, optional services, and other applicable charges are the same for both rate schedules.¹⁵

Q. Please explain why the OLVTS-A Rate Schedule was created and why Black Hills is proposing it be eliminated.

A. The current OLVTS-A rate schedule was created in Docket No. 03-AQLG-933-GIG as a temporary, optional class for customers with anticipated annual usage between 9,000 and 30,000 Dth.¹⁶ The goal of the tariff was to gauge customer interest and affirm the Company's ability to support an aggregated pool of larger annual-usage customers. However, after two decades of offering this service, the OLVTS-A tariff currently serves

¹³ Smith Direct, pp. 4-5.

¹⁴ Smith Direct, pp. 4-5.

¹⁵ Smith Direct, pp. 4-5.

¹⁶ Smith Direct, pp. 4-5.

1 only six customers.¹⁷ Due to the limited use of the OLVTS-A tariff over an extended
2 period, Black Hills is proposing to eliminate the OLVTS-A rate schedule and move those
3 customers to the LVTS-A rate schedule.¹⁸ Specifically, Black Hills proposes to (a)
4 eliminate the OLVTS-A tariff, (b) increase the upper annual natural gas usage within the
5 LVTS-A tariff from 9,000 Dth to 30,000 Dth, and (c) serve OLVST-A customers under
6 the revised LVTS-A tariff.¹⁹ Because both the fixed and variable tariffed OLVTS-A rates
7 are equal to the LVTS-A rates, Black Hills' proposal will not impact customers currently
8 on the OLVTS-A rate schedule.²⁰

9 **2. Renaming the Commodity Charge to Delivery Charge**

10 **Q. Why is Black Hills requesting to change the name of the Commodity Charge to**
11 **Delivery Charge within its tariff?**

12 A. Black Hills proffers two reasons for changing the name of the Commodity Charge to
13 Delivery Charge. First, the term "Commodity Charge" can be misleading since the costs
14 being recovered with this charge are more accurately described as the costs to deliver
15 natural gas to customers, not for the commodity itself.²¹ Second, Kansas Statute K.S.A.
16 §79-3602, specifically exempts delivery charges from the State Sales Tax.²² The lower
17 sales tax will flow-through to customers as a reduction in the total sales taxes paid on the
18 customer bills.²³

¹⁷ Smith Direct, pp. 4-5.

¹⁸ Smith Direct, pp. 4-5.

¹⁹ Smith Direct, pp. 4-5.

²⁰ Smith Direct, pp. 4-5.

²¹ Smith Direct, pp. 5-6.

²² Smith Direct, pp. 5-6.

²³ Smith Direct, pp. 5-6.

Q. Have any other Kansas gas utilities changed the name of the commodity charge to delivery charge within their tariffs?

A. Yes, in Docket No. 24-ATMG-574-TAR, Atmos Energy (Atmos) requested approval to rename its commodity charge to delivery charge to more accurately describe the underlying service provided by that charge and to exempt the delivery charge portion of customer bills from sales tax consistent with the requirements of the Kansas Department of Revenue and K.S.A. §79-3602. On May 8, 2024, Staff filed a Report and Recommendation in support the Atmos' request; and the Commission approved the change on June 20, 2024.

3. Service Fee Adjustments

Q. Please explain what adjustments Black Hills is proposing for the Service Fees Rate Schedule and why it proposes to increase these fees.

A. Black Hill's is proposing an adjustment to the following current fees and charges (Fees):²⁴

- Increase Meter Reading Fee from \$15.00 to \$20.00.
- Increase Connection/Reconnection Plus Charges for Non-Irrigation customers from \$20.00 to \$25.00 during business hours and \$25.00 to \$30.00 after business hours; and Temporary Service Minimum Fee from \$25.00 to \$30.00.

Black Hills' proffered reason for the fee increases is that the current fees are not capturing the costs incurred for providing these services and, therefore, should be increased to reduce the subsidization of these services by other customers.²⁵ Black Hills' analysis shows the average labor cost to perform meter readings is approximately \$26 and the average labor cost to perform connections (including reconnections) is approximately \$38 excluding vehicle fuel or maintenance costs.²⁶

²⁴ Smith Direct, pp. 7-8.

²⁵ Smith Direct, pp. 7-8.

²⁶ Smith Direct, p. 8. Each of these services requires a Black Hills technician to drive a company vehicle from the closest operational office to the customer's service address. The technician then performs the meter read, connection, reconnection, or other required service before driving back to the operational office.

1 **Q. Is Black Hills proposing any other changes to its service fees?**

2 A. In addition to the proposed changes outlined above, Black Hills also proposes to revise
3 Section 5.3, Restoration of Service, to include language requiring customers who refuse
4 access to Black Hills' assets during the disconnection process be required to pay the
5 additional costs associated with Black Hills having to disconnect the customer service from
6 another point on Black Hills' system.²⁷ This proposed tariff language is consistent with
7 the tariff change approved in Docket 24-KGSG-610-RTS.²⁸

8 **4. Updating the Standards on Billing Practices**

9 **Q. Please explain what change Black Hills proposes to its billing standards and why it is**
10 **proposing to remove the collection charge.**

11 A. Black Hills proposes removing the \$15.00 collection charge for collecting delinquent bills
12 at customers' premises from the current Standards on Billing Practices.²⁹ In Docket 24-
13 GIMG-453-GIG, Black Hills was granted a permanent waiver to the Knock and Collect
14 provision of the Commission Billing Standards. Therefore, Black Hills will no longer
15 accept collection of delinquent bills at a customer's premises.

16 **Q. Please explain what change Black Hills is proposing to make to the optional late fee**
17 **and why it proposed to remove this option from its billing standards?**

18 A. Blak Hills proposes removing the option for commercial customers to pay a one percent
19 late fee every month for a nine-day bill payment time extension, which has not been used
20 by any Kansas customers in the last five years.³⁰ Therefore, Black Hill's suggests it should
21 be removed from the tariff to reduce the complexity of the tariff language.³¹

²⁷ Smith Direct, pp. 8-9.

²⁸ Smith Direct, pp. 8-9.

²⁹ Smith Direct, p.9.

³⁰ Smith Direct, p. 9.

³¹ Smith Direct, p. 9.

5. Adding Indebted Household Rules

Q. Please explain what an indebted household is in the context of Black Hills disconnection policy and how the current rules allow indebted households to potentially abuse the policy.

A. The term “indebted household” refers to a residential customer who has accumulated unpaid balances and has demonstrated inability to make full payments on their bills.³² Black Hills’ current disconnection policies, combined with the Cold Weather Rule, allow indebted households with multiple adults living in a shared dwelling unit to continue making minimum payments, or no payments, on their outstanding balances indefinitely.³³ Once the Company disconnects the customer for non-payment, another adult residing in the same dwelling unit could request service in their name, even though that resident has benefited from the outstanding balance of the initial account holder.³⁴ Under its current tariff, Black Hills is obligated to reconnect the premises in the new account holder’s name despite no payment arrangements having been made on the prior balance.³⁵ Additionally, pursuant to the statute of limitations on open accounts,³⁶ the outstanding account holder’s balance is reset to zero every three years allowing the process to be repeated indefinitely.³⁷ Black Hills is aware of five instances of this situation occurring since 2022.³⁸

Q. How are other customers impacted by these instances?

A. The Gas Cost portion of the bad debt resulting from these outstanding balances are recovered through the Annual Cost Adjustment (ACA), which effectively transfers the responsibility for that portion of the outstanding balance to all other Black Hills’

³² Smith Direct, pp. 10-11.

³³ Smith Direct, pp. 10-11.

³⁴ Smith Direct, pp. 10-11.

³⁵ Smith Direct, pp. 10-11.

³⁶ K.S.A. § 60-512

³⁷ Smith Direct, p. 10.

³⁸ Smith Direct, p. 10.

Residential customers.³⁹ In addition, the non-Gas Cost portion of the outstanding balance is effectively paid for by other customers as an increase to overall bad debt expense.⁴⁰

Q. What is Black Hills proposing as a solution?

A. Black Hills is attempting to close this loophole by adding the following language to Section 5.3, Restoration of Service, of the Tariff:⁴¹

Customers residing in the same dwelling unit as a prior account holder with unpaid balances may be required to demonstrate they are not responsible for the outstanding debt before establishing new service. The Company reserves the right to deny service or require payment on the outstanding debt if there is evidence to suggest that the new account holder is attempting to evade payment obligations in conjunction with a prior account holder on the same dwelling unit.

6. Clarifying, Definitional, and Other Changes

Q. Please describe the substantive clarifying and definitional changes Black Hills presented in its proposed tariff.

A. Black Hills made several substantive clarifying and definitional tariff changes throughout its tariff as listed below:⁴²

- Removing the availability of the Economic Development Service (ED) rate schedule to Small Commercial (SC) and Small Volume Firm (SVF) customers. Since this rate schedule requires a minimum consumption of 500 Dth/day, or 18,250 Dth/year, the annual consumption threshold is too high for a SC or SVF customer.
- Clarifying that the ED rate schedule is an average minimum consumption of 50 Dth/day.
- Adding language in Tariff Section 2.1-c to inform customers how the Company will treat Customer information regarding third parties.

³⁹ Smith Direct. P. 11.

⁴⁰ Smith Direct. P. 11.

⁴¹ Smith Direct, p. 11.

⁴² Smith Direct. P. 12.

- Adding Rozel, Haysville, and South Hutchinson to the Index of Communities Served.

C. Staff's Analysis of the Requests

1. Elimination of Optional Large Volume Transportation Service Aggregated Rate Schedule

Q. Does Staff agree with the Company's proposal to eliminate the OLVTS-A rate schedule and move existing customers to the LVTS-A rate schedule?

A. Yes, Staff agrees combining the OLVTS-A and LVTS-A rate schedules will help reduce the administrative burden on Black Hills and simplify its rate schedule charges without harming customers currently on the OLVTS-A and recommends approval.

2. Renaming the Commodity Charge to Delivery Charge

Q. Does Staff agree with the Company's request to change the name of the Commodity Charge to Delivery Charge within the Company's tariff?

A. Yes, Staff agrees the name "Commodity Charge" can be misleading and the resulting tax savings will benefit Black Hills' natural gas customers. Therefore, Staff recommends approval.

3. Service Fee Adjustments

Q. Does Staff agree with the Company's requested changes to the Service Fees Rate Schedule?

A. Yes, Staff agrees the current service fees are not capturing the costs incurred for these services and should be increased to reduce the subsidization of these costs by all other Black Hills customers. The fees proposed, which are less than the average labor cost to perform meter readings connections (including reconnections), are reasonable and should be approved.

Q. Does Staff agree with the Company's requested adjustments for the Service Fees Rate Schedule?

A. Yes, Staff agrees customers should be required to pay the additional costs associated with Black Hills having to disconnect service from another point when a customer prohibits Black Hills' from lawfully disconnecting natural gas service and recommends approval.

4. Updating the Standards on Billing Practices

Q. Does Staff agree with the changes Black Hills is proposing to its billing standards?

A. Yes, Staff agrees with removing the collection charge of \$15.00 in the event collection of a delinquent bill is at a customer's premises from the current Standards on Billing Practices since Black Hills will no longer accept collection of delinquent bills at a customer's premises pursuant to the Commission order issued in Docket 24-GIMG-453-GIG. Further, Staff agrees the option for commercial customers to pay a one percent late fee every month for a nine-day bill payment time extension should be removed from the tariff since it has not been used in Kansas by any commercial customers in the last five years.

5. Adding Indebted Household Rules

Q. Does Staff agree Black Hills' proposed language regarding indebted households will limit the potential for indebted households to abuse the disconnection policy

A. Staff agrees the proposed tariff language will benefit other customers and the Company from subsidizing customers who engage in this account enrollment and bill payment strategy. However, Staff recommends adding the following modified language to Section 5.3, Restoration of Service, within Index No. 8 of the Tariff:

Customers residing in the same dwelling unit as a prior account holder with unpaid balances [during the time the debt was incurred] may be required to demonstrate they are not responsible for the outstanding debt before establishing new service. The Company reserves the right to deny service or require payment on the outstanding debt if there is evidence to suggest that the new account holder is attempting to evade payment obligations in conjunction with a prior account holder on the same dwelling unit [subject to the Company's other Rules and Regulations].

6. Clarifying, Definitional, and Other Changes

Q. Does Staff agree with the clarifying and definitional changes Black Hills made in its proposed tariff as reflected in its application?

A. First, Staff agrees with removing the availability of the Economic Development Service (ED) rate schedule to Small Commercial (SC) and Small Volume Firm (SVF) customers since the annual consumption threshold (500 Dth/day, or 18,250 Dth/year minimum consumption) is too high for a SC or SVF customer to reach. Second, Staff also agrees the ED rate schedule should clarify the minimum consumption of 50 Dth/day is an average instead of actual daily consumption, which would be impractical to administer. Third, Staff agrees replacing the existing customer information disclaimer on the treatment of customer-specific information to the following more restrictive language is appropriate⁴³ and recommends approval:

Customer information, which shall include all billing statement information, usage data and agent information, shall not be released to any other party without the customer's consent, except that neither notice nor Customer consent shall be required when Customer-specific information is released in response to a request of the Commission or its staff. This section shall not prevent Company from providing information regarding Customer status when requested by law enforcement or emergency personnel acting in an official capacity or when customer-specific information is released by court order, subpoena, or other order or requirement issued by a duly constituted authority, or when release of such information is necessary to provide service. Company shall not be required to notify the Customer or obtain the customer's consent in these instances.⁴⁴

Fourth, Staff agrees adding the City of Rozel, the City of Haysville, and South Hutchinson to the Index of Communities Served appropriately reflects Black Hills' Kansas service area and recommends approval.

⁴³ This more restrictive language, which is comparable to other Kansas utilities' disclosures, appropriately informs customers how their information regarding third parties will be treated.

⁴⁴ (2.1-c) Disclaimer on Company's Treatment of Customer-Specific Information:

D. Staff's Recommendation

Q. What are your recommendations regarding proposed tariff changes?

A. Regarding proposed tariff changes, Staff recommends approving the proposed tariff changes with the proposed modifications discussed above.

IV. CONCLUSION

Q. Please provide a summary of Staff's recommendations in this Docket.

A. Staff recommends the Commission approve the Application with modifications as follows below.

A. Summary of Recommendations Regarding Rate Design

Q. Please summarize your recommendations regarding Rate Design.

A. Regarding Rate Design, Staff recommends the Commission adopt Staff's revenue allocation and rate design as presented above.

B. Summary of Recommendations Regarding Proposed Tariff Changes

Q. Please summarize your recommendations regarding proposed tariff changes.

A. Regarding proposed tariff changes, Staff recommends the Commission adopt tariff changes with the proposed modifications discussed above.

Q. Does this conclude your testimony?

A. Yes. Thank you.

1 with an index above 1.0 is overearning while a class with an index below 1.0 is
2 underearning.

3 **Q. Did Staff rely on the relative rate of return index to develop its class allocations?**

4 A. Staff started with the relative rates of return for the class revenue allocation but then applied
5 the principle of gradualism, which moderates changes in class revenue allocation while
6 allowing movement toward the system-wide rate of return..¹¹ Using only the relative rate
7 of return index to allocate revenue would force all class rates of return to the system-wide
8 rate of return, which means all class indexes would be forced to 1.0. The opposite extreme
9 is to use the system wide percentage increase for all classes so that every class's base rates
10 increase the same percentage, and the relative rates of return remain unchanged.
11 Somewhere in between these two extremes lies an approach that moves classes closer to
12 the system-wide rate of return without causing a disruption of sudden large changes in
13 rates. ~~Staff allocated the revenue increase across the board due to the way the rates are~~
14 ~~linked. Ordinarily, the classes with higher RORs would get a relatively smaller increase,~~
15 ~~which isn't feasible here because of the linkage.~~

16 **Q. How did Staff develop its revenue requirement allocation?**

17 A. Staff started by dividing Staff's proposed revenue requirement increase into two parts: the
18 part of the revenue requirement increase that is the result of the GSRS rebasing,
19 \$4,377,415; and the remaining part of the revenue requirement increase, \$ 9,184,235. Staff
20 allocated the GSRS rebasing part based on how much each class paid into the GSRS. For
21 example, the Residential Class paid \$2,969,297 into the GSRS. Thus, Staff assigned

¹¹ Lowell E. Alt, Jr. *Energy Utility Rate Setting*, pp. 72-74. Alt lists three principles of rate design—"cost causation, equalized rates of return and gradualism." p. 72.

\$2,969,297 in GSRS rebasing revenue requirement to the Residential Class. The same was done for each class—each class was assigned the same revenue requirement increase it paid into the GSRS. The rest of the revenue requirement was allocated using Staff’s CCOS as a guide. Classes with a negative relative rate of return received a 17.757% increase, classes with a relative rate of return between 0 and 1 received a 15.757% increase, and classes with a relative rate of return between 1 and 1.55 received a 15.644% increase

However, because the base rates for the transportation and sales classes within each group are linked, I first allocated the rate increases to each class based on the guidelines outlined above. Then, I added the revenue requirements together. below has Staff’s recommended revenue requirement class allocations. The table shows the current revenue generated by the present rates in column (a), the percentage of total revenue each class contributes in column (b), current GSRS allocation in column (c), the percentage of total GSRS each class contributes in column (d), the class relative rate of return (e), hypothetical across-the-board class revenue allocation in column (f), the proposed class revenue allocation in column (g), class percent increase in column (h), and proposed revenue allocation in column (i).

Table 7: Staff’s Class Revenue Allocation

| Customer Classes | Current Revenue | % of Current Revenue | Class GSRS Allocation \$ 4,377,415 | % of GSRS | Relative Rate of Return | Across the Board Revenue Allocation | Class Revenue Allocation \$ 9,180,966 | Class % Increase | Proposed Revenue Allocation |
|-----------------------------------|-----------------|----------------------|---------------------------------------|-----------|-------------------------|-------------------------------------|--|------------------|-----------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| Residential | \$ 37,854,045 | 64.8% | \$ 2,969,297 | 67.8% | 1.55 | 5,953,777 | \$ 5,953,777 | 15.7% | \$ 46,777,119 |
| Small Commercial - Sales | \$ 6,089,709 | 10.4% | \$ 442,734 | 10.1% | 1.44 | 957,804 | \$ 957,804 | 15.7% | \$ 7,490,248 |
| Small Commercial - Transportation | \$ 311,715 | 0.5% | \$ 9,442 | 0.2% | 1.62 | 49,027 | \$ 49,027 | 15.7% | \$ 370,184 |
| Small Volume Firm | \$ 3,316,792 | 5.7% | \$ 257,021 | 5.9% | 0.90 | 521,673 | \$ 521,673 | 15.7% | \$ 4,095,487 |
| Small Volume Transportation | \$ 1,484,103 | 2.5% | \$ 93,190 | 2.1% | 0.70 | 233,423 | \$ 233,423 | 15.7% | \$ 1,810,716 |
| Large Volume Firm | \$ 514,750 | 0.9% | \$ 86,746 | 2.0% | (0.82) | 80,961 | \$ 80,961 | 15.7% | \$ 682,457 |
| Large Volume Transportation | \$ 5,677,648 | 9.7% | \$ 251,689 | 5.7% | 1.44 | 892,994 | \$ 892,994 | 15.7% | \$ 6,822,331 |
| Large Volume Interruptible | \$ 255,682 | 0.4% | \$ 30,375 | 0.7% | 0.86 | 40,214 | \$ 40,214 | 15.7% | \$ 326,270 |
| Subtotal | \$ 55,504,444 | 95.1% | \$ 4,140,494 | 94.6% | | 8,729,876 | \$ 8,729,876 | 15.7% | \$ 68,374,813 |
| Irrigation Service | \$ 2,287,936 | 3.9% | \$ 188,315 | 4.3% | (1.89) | 359,852 | \$ 359,852 | 15.7% | \$ 2,836,104 |
| Irrigation Transportation | \$ 580,091 | 1.0% | \$ 48,606 | 1.1% | (1.83) | 91,238 | \$ 91,238 | 15.7% | \$ 719,936 |
| Total Sales and Transportation | \$ 58,372,471 | 100.0% | \$ 4,377,415 | 100.0% | | 9,180,966 | \$ 9,180,966 | 15.7% | \$ 71,930,852 |

Table 7: Staff's Class Revenue Allocation

| Customer Classes | Current Revenue | % of Current Revenue | Class GSRS Allocation \$ 4,377,415 | % of GSRS | Relative Rate of Return | Across the Board Revenue Allocation | Class Revenue Allocation \$ 9,180,966 | Class % Increase | Proposed Revenue Allocation |
|-----------------------------------|-----------------|----------------------|---------------------------------------|-----------|-------------------------|-------------------------------------|--|------------------|-----------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| Residential | \$ 37,854,045 | 65.0% | \$ 2,969,297 | 67.8% | 1.55 | 5,964,718 | \$ 5,921,803 | 15.644% | \$ 46,745,145 |
| Small Commercial - Sales | \$ 6,089,709 | 10.5% | \$ 442,734 | 10.1% | 1.44 | 959,565 | \$ 952,661 | 15.644% | \$ 7,485,104 |
| Small Commercial - Transportation | \$ 204,649 | 0.4% | \$ 9,442 | 0.2% | 1.62 | 32,247 | \$ 32,015 | 15.644% | \$ 246,106 |
| Small Volume Firm | \$ 3,316,792 | 5.7% | \$ 257,021 | 5.9% | 0.90 | 522,632 | \$ 522,632 | 15.757% | \$ 4,096,445 |
| Small Volume Transportation | \$ 1,484,103 | 2.5% | \$ 93,190 | 2.1% | 0.70 | 233,852 | \$ 233,852 | 15.757% | \$ 1,811,145 |
| Large Volume Firm | \$ 514,750 | 0.9% | \$ 86,746 | 2.0% | (0.82) | 81,110 | \$ 80,526 | 15.644% | \$ 682,022 |
| Large Volume Transportation | \$ 5,677,648 | 9.7% | \$ 251,689 | 5.7% | 1.44 | 894,635 | \$ 888,199 | 15.644% | \$ 6,817,536 |
| Large Volume Interruptible | \$ 255,682 | 0.4% | \$ 30,375 | 0.7% | 0.86 | 40,288 | \$ 39,998 | 15.644% | \$ 326,054 |
| Subtotal | \$ 55,397,377 | 95.1% | \$ 4,140,494 | 94.6% | | 8,729,047 | \$ 8,671,686 | 15.654% | \$ 68,209,557 |
| Irrigation Service | \$ 2,287,936 | 3.9% | \$ 188,315 | 4.3% | (1.89) | 360,513 | \$ 406,272 | 17.757% | \$ 2,882,524 |
| Irrigation Transportation | \$ 580,091 | 1.0% | \$ 48,606 | 1.1% | (1.83) | 91,406 | \$ 103,008 | 17.757% | \$ 731,705 |
| Total Sales and Transportation | \$ 58,265,405 | 100.0% | \$ 4,377,415 | 100.0% | | 9,180,966 | \$ 9,180,966 | 15.757% | \$ 71,823,786 |

2. Staff's Proposed Rate Design

Q. After determining the revenue allocation among classes, what is the next step in the rate design process?

A. The next, and final, step is to use the class revenue allocations to develop rates that will allow Black Hills the opportunity to collect its approved revenue requirement. Specifically, how much of the revenue allocated to each customer class is collected through the service charges and how much is collected by the delivery charges must be determined.

Q. How did Staff set the service charge for residential customers?

A. Staff started with the existing Residential service charge of \$18.50 and then added the GSRS monthly amount allocated to Residential customers—\$2.27—resulting in a new Residential service charge of \$20.77.

Q. How did Staff determine the delivery charge for Residential customers?

A. Staff first set the service charge, then determined the delivery charge that would collect the remaining class revenue requirement. After determining the delivery charge, Staff rounded the delivery charge to five digits after the decimal point—Black Hills rates only go out five decimal places in their delivery charges.

Table 8 Base Rate Revenue with Proposed Rates and Staff's Billing Determinants

| Customer Class | Adjusted Number of Bills | Adjusted Customer Usage (Therms) | Customer Charge | Volumetric Charge | Total Customer Charge | Total Volumetric Charge | Total Base Rate Revenue |
|---------------------------------------|--------------------------|----------------------------------|-----------------|-------------------|-----------------------|-------------------------|-------------------------|
| Residential | 1,271,636 | 70,755,908 | \$20.77 | \$ 0.28462 | \$26,411,880 | \$20,138,728 | \$ 46,550,608 |
| Small Commercial - Sales | 116,141 | 14,012,944 | \$31.70 | \$ 0.28462 | \$ 3,681,670 | \$ 3,988,400 | \$ 7,670,070 |
| Small Commercial - Transportation | 2,451 | 1,200,438 | \$31.70 | \$ 0.28462 | \$ 77,681 | \$ 341,672 | \$ 419,352 |
| Small Volume Firm | 15,391 | 14,349,976 | \$86.11 | \$ 0.19201 | \$ 1,325,276 | \$ 2,755,312 | \$ 4,080,588 |
| Small Volume Transportation | 5,503 | 7,041,703 | \$86.11 | \$ 0.19201 | \$ 473,820 | \$ 1,352,064 | \$ 1,825,884 |
| Large Volume Firm | 506 | 4,222,250 | \$518.72 | \$ 0.09377 | \$ 262,472 | \$ 395,906 | \$ 658,378 |
| Large Volume Transportation | 1,465 | 64,981,385 | \$518.72 | \$ 0.09377 | \$ 759,925 | \$ 6,093,080 | \$ 6,853,005 |
| Large Volume Interruptible | 181 | 2,411,826 | \$518.72 | \$ 0.09377 | \$ 93,888 | \$ 226,149 | \$ 320,037 |
| Subtotal | 1,413,273 | 178,976,430 | | | \$33,086,612 | \$35,291,309 | \$ 68,377,921 |
| Irrigation Service | 15,837 | 29,291,023 | \$56.04 | \$ 0.06655 | \$ 887,505 | \$ 1,949,398 | \$ 2,836,903 |
| Irrigation Transportation | 4,069 | 7,381,668 | \$56.04 | \$ 0.06655 | \$ 228,027 | \$ 491,270 | \$ 719,297 |
| Total Sales and Transportation | 1,433,179 | 215,649,121 | | | \$34,202,144 | \$37,731,977 | \$ 71,934,121 |

Table 8: Base Rate Revenue with Proposed Rates and Staff's Billing Determinants

| Customer Class | Adjusted Number of Bills | Adjusted Customer Usage (Therms) | Customer Charge | Volumetric Charge | Total Customer Charge | Total Volumetric Charge | Total Base Rate Revenue |
|---------------------------------------|--------------------------|----------------------------------|-----------------|-------------------|-----------------------|-------------------------|-------------------------|
| Residential | 1,271,636 | 70,755,908 | \$20.77 | \$ 0.28447 | \$ 26,411,880 | \$ 20,127,933 | \$ 46,539,813 |
| Small Commercial - Sales | 116,141 | 14,012,944 | \$31.70 | \$ 0.28447 | \$ 3,681,670 | \$ 3,986,262 | \$ 7,667,932 |
| Small Commercial - Transportation | 2,451 | 671,742 | \$31.70 | \$ 0.28447 | \$ 77,681 | \$ 191,091 | \$ 268,771 |
| Small Volume Firm | 15,391 | 14,349,976 | \$86.11 | \$ 0.19206 | \$ 1,325,276 | \$ 2,756,056 | \$ 4,081,332 |
| Small Volume Transportation | 5,503 | 7,041,703 | \$86.11 | \$ 0.19206 | \$ 473,820 | \$ 1,352,429 | \$ 1,826,250 |
| Large Volume Firm | 506 | 4,222,250 | \$518.72 | \$ 0.09369 | \$ 262,472 | \$ 395,583 | \$ 658,055 |
| Large Volume Transportation | 1,465 | 64,981,385 | \$518.72 | \$ 0.09369 | \$ 759,925 | \$ 6,088,106 | \$ 6,848,031 |
| Large Volume Interruptible | 181 | 2,411,826 | \$518.72 | \$ 0.09369 | \$ 93,888 | \$ 225,964 | \$ 319,852 |
| Subtotal | 1,413,273 | 178,447,735 | | | \$ 33,086,612 | \$ 35,123,424 | \$ 68,210,036 |
| Irrigation Service | 15,837 | 29,291,023 | \$56.04 | \$ 0.06813 | \$ 887,505 | \$ 1,995,597 | \$ 2,883,103 |
| Irrigation Transportation | 4,069 | 7,381,668 | \$56.04 | \$ 0.06813 | \$ 228,027 | \$ 502,913 | \$ 730,940 |
| Total Sales and Transportation | 1,433,179 | 215,120,426 | | | \$ 34,202,144 | \$ 37,847,899 | \$ 71,824,079 |

III. TARIFF CHANGES

A. Description of Company's Request

Q. What tariff changes does Black Hills propose in its rate case application?

A. Black Hills proposes the following tariff changes in its rate case application:¹²

1) Eliminating the Optional Large Volume Transportation Service-Aggregated Rate Class

¹² Direct Testimony of Nicholas W. Smith on Behalf of Black Hills, Docket No. 25-BHCG-298-RTS (Smith Direct), pg. 3.

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Lana Ellis, being duly sworn upon her oath deposes and states that she is Deputy Chief of Economics and Rates for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that she has read and is familiar with the foregoing *Errata Testimony*, and attests that the statements contained therein are true and correct to the best of her knowledge, information and belief.

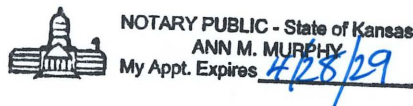


Lana Ellis
Deputy Chief of Economics and Rates
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 13 day of May, 2025.


Notary Public

My Appointment Expires: 4/28/29



CERTIFICATE OF SERVICE

25-BHCG-298-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Errata Testimony was served via electronic service this 14th day of May, 2025, to the following:

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Ann Murphy

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