

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) Docket No. 25-BHCG-298-RTS
Changes in its Rates for Natural Gas Service.)

PREFILED DIRECT TESTIMONY OF
DARREN PRINCE
MANAGER, REGULATORY & RATES

ON BEHALF OF
KANSAS MUNICIPAL GAS AGENCY

May 9, 2025

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. Darren Prince, 6300 West 95th Street, Overland Park, KS 66212

Q. What is your profession?

A. Manager, Regulatory & Rates at Kansas Municipal Energy Agency (KMEA) and Kansas Municipal Gas Agency (KMGA).

Q. What is your educational background?

A. I have a Bachelor of Arts and a Master of Arts in Economics from the University of Missouri-Kansas City.

Q. What is your professional background?

A. I was employed by the Kansas Corporation Commission (KCC) from May of 2016 to June of 2019. At the KCC, I worked as a Senior Research Economist, in the Economic Public Policy and Planning Section within the Utilities Division. My responsibilities at the KCC included conducting economic analyses in a variety of dockets, including matters related to compliance dockets, contracts, energy efficiency, rate cases, and special contract rates. As part of these responsibilities, I also supplied oral and written testimony, and/or report and recommendations to the Commission for assigned dockets.

In June of 2019, I accepted a position with KMEA as the Manager, Regulatory and Rates.

In this position, I conduct rate analyses for our Members. This work includes reviewing historical revenues and expenses, capital expenditures, projection of future revenue requirements, determination of needed revenue/rate adjustments, cost of service analyses, rate design analyses and recommendations, parallel generation policy review, and energy cost adjustment policy review. Additionally, my responsibilities include monitoring and participating in regulatory matters at the KCC and the Federal Energy Regulatory

Commission (FERC) that affect KMEA and KMGA Members, and staying apprised of Southwest Power Pool (SPP) activities.

Q. Have you previously presented testimony before the Kansas Corporation Commission (“KCC” or “Commission”)?

A. Yes. As a member of KCC Staff, I provided testimony in Docket Nos. 16-KCPE-446-TAR, 16-KGSG-491-RTS, 18-WSEE-328-RTS, 18-KCPE-480-RTS, 18-KGSG-560-RTS, 18-KG&E-303-CON, and 19-EPDE-223-RTS. As an employee of KMEA, I provided testimony in Docket No. 19-SPEE-240-MIS.

PART II - SUMMARY OF DIRECT TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide an overview of my review of Black Hills/Kansas Gas Utility Company, LLC’s (Black Hills or Company) Class Cost of Service Study (CCOSS) and rate design proposal as it pertains to KMGA Members that are served under the Small Volume Transportation Service Tariff (SVTS) and Large Volume Transportation Service Tariff (LVTS), and to provide KMGA’s support for the treatment of negotiated rate revenues.

PART III – REVIEW OF COMPANY’S CCOSS AND RATE DESIGN

SVS CCOSS Results and Proposed Rates

Q. Did Kansas Municipal Gas Agency (KMGA) conduct a separate CCOSS?

A. No.

Q. Did the Company provide a CCOSS?

A. Yes, the CCOSS is provided in the Direct Testimony of Ethan J. Fritel (Fritel Direct).

Q. Did you review the Company’s CCOSS?

1 A. Yes I did, at a high level, as it pertains to SVTS and LVTS customer classes.

2 **Q. Did the Company's CCOSS separate the types of customers within the Small Volume**
3 **Service (SVS) and Large Volume Service (LVS) classes?**

4 A. No. The SVS class includes both Firm Sales and Transportation customers. Similarly, the
5 LVS class includes Firm Sales, Interruptible Sales, and Transportation customers.

6 **Q. Please describe the CCOSS results for the SVS customer class.**

7 A. The Company's rate of return (ROR) under current rates, for the SVS customer class is
8 6.05%.

9 **Q. What does a 6.05% ROR imply?**

10 A. To understand the implications, the overall ROR that the Company is targeting needs to be
11 known, and in this case, the Company is targeting an overall ROR of 7.63%¹. For
12 explanatory purposes, the 7.63% requested ROR is assumed to be correct. A 6.05% ROR
13 would imply the SVS class is underearning and a revenue increase is needed.

14 **Q. Does this mean the customers served under the SVTS Tariff within the SVS customer**
15 **class ROR is 6.05%?**

16 A. No, it does not. The ROR for the aggregated SVS customer class is 6.05% but that does
17 mean that the ROR for SVTS customers is the same. For example, in Docket No. 21-
18 BLCG-418-RTS (21-418 Docket), the Company's CCOSS ROR for the SVS customer
19 class was 6.03%, but in the Direct Testimony of Justin Prentiss², the SVS customer class

21 ¹ Direct Testimony of Thomas D. Stevens, Pg. 3, Ln. 10-17

22 ² Docket No.21-BCHG-418-RTS, Direct Testimony Prepared by Justin Prentiss, Pg. 11, Table 1:
23 Staff's CCOS And Class Rate Base Allocation. (Docket No. 21-BCHG-418-RTS, Prentiss
24 Direct)

1 was separated into Firm and Transportation customers, the ROR for SVFS customers was
2 3.55% while the ROR for SVTS customers was 18.49%.

3 **Q. Does this imply the SVTS customers are overearning in the current docket?**

4 A. Yes. Given that the overall SVS ROR in the 21-418 Docket was 6.03% and the current
5 overall SVS ROR is 6.05%, it is reasonable to assume that the difference in ROR between
6 the Small Volume Firm/Sales and Small Volume Transportation customers has remained
7 relatively the same as seen in the 21-418 Docket.

8 **Q. Is the Company proposing to increase the SVTS customers base rates?**

9 A. Yes. The Company is proposing to increase rates by \$50,062 which is a 3.3%³ increase.

10 **Q. Should the SVTS customers base rates be increased?**

11 A. No, they should not unless the Company can confirm that the SVTS customers are
12 underearning. If the SVTS customers are not underearning, the base rates for that group
13 of customers should not increase.

14 **LVS CCOSS Results and Proposed Rates**

15 **Q. Please describe the CCOSS results for the LVS customer class.**

16 A. The Company's ROR for the LVS? customer class is 15.97%.

17 **Q. What does a 15.97% ROR imply?**

18 A. The application of an ROR across customer classes is the same. Therefore, a customer
19 class with a 15.97% ROR, with an overall requested ROR of 7.63%, means the customer
20 class is overearning.

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25 ³ Direct Testimony Prepared by Ethan J. Fritel, Exhibit EJF – 15, Revenues, Column G, Line 28.

1 **Q. Does this mean the customers served under the LVTS Tarriff within the LVS**
2 **Customer class ROR is 15.97%?**

3 A. No, it does not. Similar to the SVS discussion, the Company's CCOSS aggregates the LVS
4 customer class. The LVS customer class includes Firm, Transportation, and Interruptible
5 customers. For example, in the 21- 418 Docket, the Company's CCOSS ROR for the LVS
6 customer class as a whole was 11.09%. However, Staff witness Justin Prentiss⁴ separated
7 the LVS customer class into Firm, Transportation, and Interruptible customers., and the
8 results showed that the ROR for Large Volume Firm sales customers was -1.12%, the ROR
9 for Large Volume Interruptible was -2.61%, whereas the Large Volume Transportation
10 customers had an ROR of 19.77%.

11 **Q. Does this imply the LVTS customers are overearning in the current docket?**

12 A. Yes. Given that the overall LVS ROR in the 21-418 Docket was 11.09% and the current
13 overall LVS ROR is 15.97%, it is reasonable to assume that the difference in ROR between
14 the customer types in the aggregated LVS has remained relatively the same.

15 **Q. Should the LVTS customers receive a rate increase?**

16 A. No, they should not.

17 **Q. Is the Company proposing to increase the LVTS customer base rates?**

18 A. No, the Company is not.

19 **Company's Treatment of Negotiated Rates**

20 **Q. What are negotiated rates?**

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24 ⁴ Docket No. 21-BCHG-418-RTS, Prentiss Direct, Pg. 11, Table 1: Staff's CCOS and Class Rate
25 Base Allocation

1 A. Negotiated rates are for customers with special contracts. They are negotiated because the
2 customer is capable of receiving transportation services from more than one natural gas
3 company. The contract rates are set at what it would cost for the customer to leave the
4 Company's system and connect to another natural gas company capable of meeting the gas
5 transportation needs of the customer.

6 **Q. What is the Company proposing for customers with negotiated rates?**

7 A. The Company is proposing to remove negotiated rate revenues since the special contract
8 rate revenues are recovered outside base rates.⁵

9 **Q. How does the Company propose to remove the negotiated rate revenue?**

10 A. The Company removes the negotiated rate revenue from base revenues in Adjustment IS-
11 6 and adds the negotiated rate revenue to other revenues.⁶

12 **Q. Do you agree with the Company's treatment of negotiated rate revenue?**

13 A. Yes, since the customers have a special contract with the Company the revenues should be
14 removed from base rate revenue. The Company's decision to negotiate new rates is not in
15 the purview of this docket.

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

17 A: Yes, it does.
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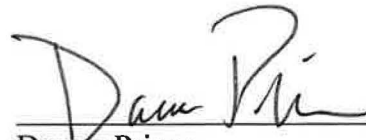
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24 ⁵ Direct Testimony Prepared by Samantha K. Johnson, pg. 35, Ln. 21-22

25 ⁶ Direct Testimony Prepared by Samantha K. Johnson, pg. 35-36, Ln. 21-22 & 1-2.

STATE OF KANSAS)
) ss
COUNTY OF JOHNSON)

VERIFICATION

Darren Prince, being duly sworn upon his oath deposes and states that he is the Manager of Regulatory & Rates of the Kansas Municipal Gas Agency, that he has read and is familiar with the foregoing *Direct Testimony* and attests that the statements contained therein are true and correct to the best of his knowledge, information, and belief.



Darren Prince
Manager, Regulatory & Rates
Kansas Municipal Gas Agency

Subscribed and sworn before me this 9 day of May, 2025.



My Appointment Expires:

MARCH 9, 2027

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing *Direct Testimony* was electronically served on this 9th day of May 2025, to the following named persons appearing on the Commission's service list last modified on April 29, 2025:

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