

SECTION 1: Letter of Transmittal and Application
Letter of Transmittal
Application



Douglas J. Law
Associate General Counsel
Douglas.Law@blackhillscorp.com

1731 Windhoek Drive
Lincoln, NE 68512
P: 402.681-5109

February 3, 2025

Via e-filing

Mr. Lynn M. Retz, Secretary
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, KS 66604-4027

RE: Black Hills/Kansas Gas Utility Company, LLC d/b/a Black Hills Energy
February 2024 - General Rate Case - 25-BHCG-298-RTS

Dear Ms. Retz:

Enclosed for filing is an electronic copy of an Application, Supporting Exhibits and Direct Testimony to be filed on behalf of Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy, in connection with the request for a general rate increase in its rates charged for natural gas.

The Application is based on a twelve-month test period ending September 30, 2024, and seeks an annual revenue increase of \$17,207,752.

One complete copy of the filing is comprised of two files: (1) Application and Supporting Schedules 1 through 18, and (2) Direct Testimony sponsoring all schedules, pro forma adjustments, class cost of service study, and other proposals. Accompanying the filing are the responses to Staff's Initial Set of 94 data requests.

Four (4) hard copies of the filing are being provided to the Commission Staff per their request.

If you have any questions, please let me know.

Respectfully submitted,

/s/ Douglas J. Law

Douglas J. Law, KS Bar #29118
Associate General Counsel

Ms. Lynn M. Retz
February 3, 2025
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Attachments

cc: Nick Smith
Rob Daniel
Jeff Dangeau
Jim Flaherty
CURB

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 |
| |) | |
| |) | |

APPLICATION

COMES NOW the Applicant, Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Applicant"), and in compliance with *K.S.A. 66-1,200, 66-1,202, 66-1,203, 66-117* and the Kansas Corporation Commission's ("Commission") Rules of Practice and Procedure, *K.A.R. 82-1-231*, states as follows:

1. Applicant is a limited liability company organized under the laws of the State of Kansas and has its principal place of business in Kansas at 601 North Iowa Street, Lawrence, Kansas 66044. Applicant is a wholly owned subsidiary of Black Hills Utility Holdings, Inc. ("BHUH") which is a subsidiary of Black Hills Corporation ("BHC"). BHUH and BHC owned utilities serve approximately 1.28 million electric and natural gas customers located within the Midwest. BHC currently owns and operates regulated electric utility businesses in South Dakota, Wyoming and Colorado, and own and operates natural gas utility businesses in Kansas, Nebraska, Iowa, Arkansas, Colorado and Wyoming. Applicant conducts business within the State of Kansas as "Black Hills/Kansas Gas Utility Company, LLC d/b/a Black Hills Energy" or "Black Hills Energy." Applicant receives administrative and other support for its business operations from its service company affiliate, Black Hills Service Company, LLC ("BHSC") or BHC.

2. All communications regarding this Application should be addressed to:

Robert Daniel
Director of Regulatory
Black Hills/Kansas Gas Utility Company, LLC
d/b/a Black Hills Energy
655 E. Millsap Road, Suite 104
Fayetteville, AR 72703
(479) 601-8205
Rob.Daniel@blackhillscorp.com

with copies to:

Nick Smith
Manager, Regulatory
Black Hills/Kansas Gas Utility Company, LLC
601 North Iowa Street
Lawrence, Kansas 66044
(785) 691-5062
Nick.Smith@blackhillscorp.com

Douglas J. Law
KS Bar #29118
Associate General Counsel
Black Hills/Kansas Gas Utility Company, LLC
d/b/a Black Hills Energy
1731 Windhoek Drive
Lincoln, NE 68512
(402) 221-2036
Douglas.Law@blackhillscorp.com

Jeff Dangeau
To Be Admitted Pro Hac Vice
Associate General Counsel
Black Hills/Kansas Gas Utility Company, LLC
d/b/a Black Hills Energy
655 E. Millsap Road, Suite 104
Fayetteville, AR 72703
(479) 601-8174
Jeff.Dangeau@blackhillscorp.com

And

James G. Flaherty
KS BAR #11177
Anderson & Byrd, LLP
216 S. Hickory, P. O. Box 17
Ottawa, Kansas 66067
(785) 521-3238
jflaherty@andersonbyrd.com

3. Applicant is duly authorized to transact business in the State of Kansas, holds appropriate certificates from this Commission to transact business as a natural gas public utility, and is now and has been engaged in the purchase, transmission, sale and distribution of natural gas in the State of Kansas in accordance with the laws of said State and Rules and Regulations of this Commission. Applicant provides retail natural gas service to approximately 119,500 customers in Kansas, including natural gas service to approximately 68 communities in Kansas and other areas throughout 50 Kansas counties.

4. The Test Year for this filing is the twelve-month period ending September 30, 2024.

5. Natural gas sold by Applicant is obtained from BHSC, which includes Gas Assets and Shipper Services, which locates gas supplies for all BHC and BHUH utility operations, both electric and gas.

6. To provide for the current requirements for natural gas in the areas served by it, Applicant will have invested \$117,693,147 in Kansas since the last rate review in 2021 and proposes a rate base of \$305,947,330, as of September 30, 2025.

7. Applicant filed its last rate review on May 7, 2021, in *KCC Docket No. 21-BHCG-418-RTS*, using a test period ending December 31, 2020. Several factors make the filing of this rate application by Applicant necessary.

8. Since the filing of the 2021 rate review, Applicant has experienced declining residential usage per customer. Although Applicant has aggressively managed expenses, Applicant continues to address safety and system reliability related main replacements and make prudent investments to enhance the operating efficiency of its gas distribution system, resulting in the proposed rate base increases. While the Gas System Reliability Surcharge ("GSRS") has allowed Applicant to recover some of the costs associated with safety and system reliability related main replacements, to continue to use the GSRS surcharge, the GSRS statutes require Applicant to file a general rate review with the Commission. *See, K.S.A. § 66-2201, et seq.* This Application, in part, is being filed to comply with the GSRS statutory provisions, and to reflect these other revenue, expense and rate base adjustments.

9. The testimony and schedules required by *K. A. R. § 82-1-231* are filed in support of this Application. The testimony and schedules show that as of September 30, 2025, Applicant's adjusted rate base was \$305,947,330. The earned return on gas operations investment was 3.19 percent. The schedules filed with this Application establish a total cost of service of \$77,555,362 based upon normalized operating results for the 12 months ended September 30, 2024, adjusted for known and determinable changes in revenue, operating and maintenance expenses, cost of capital and taxes. Presently effective rates do not produce sufficient revenues to cover the reasonable cost of Applicant's continued ability to render reasonably sufficient and efficient service. The existing retail natural gas rates of Applicant are unjust and unreasonable in that its jurisdictional earnings are deficient. Applicant must earn a reasonable return on its property dedicated to public service in order to acquire necessary capital at reasonable rates, carry out necessary new construction, provide adequate supplies of gas, and continue to render the quality of service the public requires from its

public utility. The present return to Applicant is not just and reasonable. Therefore, Applicant proposes to adjust its rates in this proceeding to increase its revenues annually by \$17,207,752, rebasing amounts currently collected through the GSRS of \$4.4 million and adjusting \$1.4 million of the Ad Valorem Tax Surcharge (“AVTS”) into base rates. This will result in an overall rate of return of 7.63 percent.

10. In compliance with the Commission's Rules of Practice and Procedure, filed herewith and incorporated by reference are Schedules containing the following information:

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| Section 1 | Letter of Transmittal and Application |
| Section 2 | General Information and Publicity |
| Section 3 | Rate Base and Return |
| Section 4 | Plant Investment |
| Section 5 | Accumulated Provision for Depreciation, Amortization and Depletion |
| Section 6 | Working Capital |
| Section 7 | Capitalization and Cost of Capital |
| Section 8 | Financial and Operating Data |
| Section 9 | Test Year and Pro Forma Income Statements |
| Section 10 | Depreciation and Amortization |
| Section 11 | Taxes |
| Section 12 | Allocation Basis |
| Section 13 | Annual Report |
| Section 14 | Additional Evidence (Territory Map) |

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| Section 15 | Additional Evidence (Optional) |
| Section 16 | Financial Statements (Letter from external auditor) |
| Section 17 | Summary of Current and Proposed Rates |
| Section 18 | Proposed Tariff Sheets |

The Schedules filed with this Application establish a gross revenue deficiency of \$17,207,752 based upon normalized operating results for the 12 months ended September 30, 2024, adjusted for known and determinable changes in revenues, operating and maintenance expenses, cost of capital and taxes. Applicant's request for an overall revenue increase of \$17,207,752 is the result of increasing base rates by the \$4.4 million currently collected through the GSRS Surcharge through September 30, 2025, and reestablishing the current level of Ad Valorem expense through base rates as provided in the revenue deficiency's cost of service. In this regard, the \$4.4 million attributable to the GSRS Surcharge plus the \$1.4 million relating to AVTS will be moved into base rates.

11. Also included as part of this Application are the testimony and exhibits of Mr. Marc T. Eyre, Mr. Robert Daniel, Mr. Nicholas W. Smith, Mr. Ethan J. Fritel, Mr. Thomas D. Stevens, Ms. Samantha K. Johnson, Mr. Kris J. Pontious, Mr. Samuel B. Tobin and Mr. Adrien M. McKenzie.

12. With respect to rate design, Applicant is proposing a traditional two-part rate design. Mr. Fritel is sponsoring a class cost of service study in support of Applicant's proposed rate design.

13. Applicant is seeking approval for continuation of the Ad Valorem Tax Surcharge Rider and Pension and Retiree Healthcare (OPEB) Trackers. Applicant is also seeking approval for an Insurance Expense Tracker in this proceeding. As with the trackers approved by the

Commission for other Kansas gas utilities, the regulatory asset or liability established with the implementation of the tracker would not be a component of rate base in Applicant's next rate review, nor would the deferred balances receive carrying charges in that proceeding.

14. Finally, Applicant seeks authority from the Commission to file an abbreviated rate case application after the Commission's final order in this proceeding to recover capital investment that is permitted by K.S.A. § 66-128 but not included within this application.

WHEREFORE, Applicant respectfully requests the Commission's approval to adjust rates to increase annual revenues by \$17,207,752; approval of Applicant's request to continue its Ad Valorem Tax Surcharge rider, Pension and OPEB trackers, addition of an Insurance Expense tracker and an accounting order allowing for the deferral and recovery/refund of said costs; authority to proceed with an abbreviated rate application for capital investments; and such other necessary and proper relief as required to fulfill this Application.

RESPECTFULLY SUBMITTED,

Dated: February 3, 2025

**BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
D/B/A BLACK HILLS ENERGY**

By: */s/Douglas J. Law*
Douglas J. Law


Associate General Counsel
Black Hills/Kansas Gas Utility Company, LLC

Attorney for Applicant

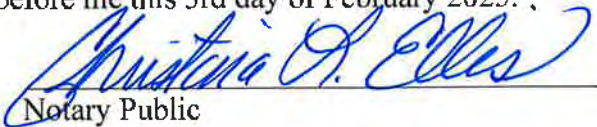
VERIFICATION

STATE OF NEBRASKA)
)
COUNTY OF LANCASTER) ss:

Douglas J. Law, being duly sworn upon her oath, deposes and states that he is an attorney for Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy; that he has read and is familiar with the foregoing Application; knows the contents thereof; and that the statements contained therein are true to the best of his information, understanding, and belief.


Douglas J. Law

SUBSCRIBED AND SWORN to before me this 3rd day of February 2025.


Notary Public

Commission/Appointment Expires:

