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December 13, 2017

via e-filing EXPRESS

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

Re: Black Hills Energy ("Black Hills") Ad Valorem Tax Surcharge
Calculation of 2018 Adjustment

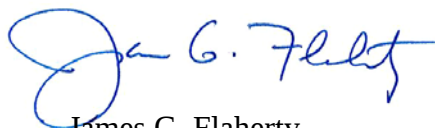
Dear Ms. Retz:

The Commission's April 7, 2008, Order in Docket No. 08-AQLG-834-TAR approved Black Hills predecessor's Ad Valorem Tax Surcharge Rider ("AVTS"). The order instructed Black Hills' predecessor to file an annual true-up in December of each calendar year and charged Commission Staff with reviewing the filing to ensure the surcharge's reasonable application and proper calculation.

This letter transmits the required true-up, including previously over-recovered Ad Valorem taxes charged to Black Hills, plus the recently received 2017 assessments. We have calculated the 2018 surcharge to be credited to Black Hills' sales and transportation customers, as specified under the AVTS.

Attachment 1 is a spreadsheet showing the calculation of the new surcharge to be reflected on customers' bills beginning with February 2018 cycle 1 billings. Attachment 2 is an itemized listing of taxes assessed by each taxing entity for 2017 and a history of the property taxes, values and mill levies (2013-2017). A copy of this filing is being emailed to the Utilities Division. The underlying documentation that supports the information contained in the schedules included in this filing have been provided to the Commission Staff.

Sincerely,



James G. Flaherty
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JGF:rr

Enclosure

cc: Ann Stichler
Timothy S. Rehagen
Amber Smith
David W. Nickel

**Black Hills Energy
Ad Valorem Tax Surcharge Rider
Docket No. 08-AQLG-834-TAR**

2017 Assessment for 2018 Surcharge

Current 2017 Ad Valorem Tax Surcharge		
2017 Surcharge Total	(2,268,982)	
2017 Recoveries through November 2017	1,527,247	
Estimated December 2017 Recoveries	238,736	
 December 2016 actual recoveries	107,872	
December 2016 estimated recoveries	<u>102,319</u>	
December 2016 Recoveries true-up		<u>5,553</u>
 Surcharge Remaining to be Recovered		(497,446)
 2017 Ad Valorem Taxes		
2017 Assessed	4,573,480	
Amount included in Rate Case ¹	<u>5,523,215</u>	
 2017 Adjustment		<u>(949,735)</u>
 2018 Surcharge Total		(1,447,181)
 Annual Billing Determinants (Therms) ²		<u>149,710,462</u>
 Total 2018 Tax Surcharge per Therm		<u><u>(\$0.00967)</u></u>

1. Docket No. 14-BHCG-502-RTS, S&A Para 14

2. Docket No. 14-BHCG-502-RTS, S&A Appendix B (less irrigation)

Black Hills/Kansas Gas Utility Company, LLC
d/b/a Black Hills Energy
Ad Valorem Tax Surcharge Rider
Assessed Taxes

For tax year 2017

Paid to	\$	Comments
Kansas	\$ 4,499,037	Utility
Oklahoma	58,459	Stored Gas
Louisiana	1,962	Stored Gas
Total Actual Invoices	<u>\$ 4,559,458</u>	
Plus Allocated from Corporate	\$ 23,869	
2016 Allocated True-up	<u>(9,847)</u>	
Total	<u><u>\$ 4,573,480</u></u>	

Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy
History of Property Taxes, Values, and Mill Levies
 from sch 10 distribution

COUNTY	2013	2014	2015	2016	2017	Inc (Dec)
State Assessed Value:						
Allen	3,419	2,384	3,146	1,717	1,301	-45.42%
Anderson	86,141	60,050	76,772	41,901	40,825	-45.42%
Chautauqua	1,104	769	1,020	557	453	-45.39%
Cheyenne	844,372	676,011	619,893	589,782	581,431	-4.86%
Clay					80,075	
Cloud	1,951	1,634	119,027	114,447	112,692	-3.85%
Cowley	378,469	318,130	294,011	279,310	276,676	-5.00%
Douglas	5,403,074	4,517,539	4,162,429	3,944,429	3,917,476	-5.24%
Edwards	38,913	35,261	32,334	30,763	30,327	-4.86%
Elk	22,422	15,631	20,689	11,292	9,203	-45.42%
Finney	3,327,495	2,999,664	2,881,650	2,875,113	2,936,625	-0.23%
Ford	3,782,644	3,210,933	2,999,344	2,847,855	2,793,816	-5.05%
Gray	1,266,183	1,070,447	998,216	948,054	936,518	-5.03%
Harvey	705,283	726,012	626,343	573,348	540,363	-8.46%
Haskell	657,292	636,044	578,297	552,060	562,088	-4.54%
Hodgeman	289,836	242,887	222,725	211,906	208,905	-4.86%
Jefferson	6,581	4,588	7,570	4,132	2,821	-45.42%
Kingman	599,901	477,976	524,341	464,920	353,364	-11.33%
Leavenworth	5,952	4,149	6,789	3,704	2,529	-45.44%
Lyon		286	957	862	834	-9.93%
McPherson	196,456	198,996	174,425	159,621	152,289	-8.49%
Meade	433,535	372,039	410,609	380,715	363,432	-7.28%
Montgomery	61,899	43,152	57,108	31,168	25,402	-45.42%
Morton	395,408	318,924	297,227	275,372	468,339	-7.35%
Osage	43,963	37,278	34,184	32,523	32,063	-4.86%
Pawnee	110,425	92,620	84,932	80,805	79,663	-4.86%
Pratt	754,131	496,015	670,955	581,597	365,115	-13.32%
Reno	2,254,330	2,266,299	1,839,680	1,697,286	1,694,180	-7.74%
Republic		20	688	4	17,536	-99.42%
Rice	1,554,525	1,422,113	888,980	810,596	956,062	-8.82%
Sedgwick	7,834,956	6,560,510	6,082,812	5,806,598	5,727,982	-4.54%
Seward	2,096,748	1,712,958	2,409,130	2,293,917	2,315,970	-4.78%
Sherman	5,751,815	4,796,278	4,404,834	4,202,726	4,141,742	-4.59%
Stevens	447,638	418,597	644,654	600,636	903,534	-6.83%
Sumner	913,335	894,761	806,459	738,448	691,251	-8.43%
Washington	21,809	18,351	16,828	28,710	26,814	70.61%
Woodson	995	694	942	514	304	-45.44%
Total	40,293,000	34,650,000	33,000,000	31,217,388	31,350,000	-5.40%
State Valuation	40,293,000	34,650,000	33,000,000	31,218,000	31,350,000	-5.40%
Seward locally assessed bill					2,703	

COUNTY	2013	2014	2015	2016	2017	Inc (Dec)
Actual Property Taxes Paid						
Allen	516.86	335.70	444.72	240.50	184.50	32.48%
Anderson	13,076.86	8,682.58	11,315.00	6,432.60	6,271.46	30.32%
Chautauqua	199.12	136.98	165.46	103.70	81.35	20.79%
Cheyenne	128,845.42	103,904.50	100,719.54	93,591.84	93,827.48	-3.07%
Clay					11,787.00	
Cloud	311.82	260.90	19,890.64	19,545.28	18,922.96	7523.86%
Cowley	56,609.42	45,174.78	41,986.54	39,739.32	40,275.90	-7.06%
Douglas	681,616.60	584,386.48	543,695.84	515,012.34	533,928.74	-6.96%
Edwards	8,274.89	7,695.50	7,077.96	6,792.23	6,822.89	-8.02%
Elk	3,931.86	2,679.46	3,388.64	2,020.86	1,637.12	26.47%
Finney	443,304.68	390,399.09	393,369.96	390,690.48	409,804.75	0.76%
Ford	636,553.36	529,461.58	501,747.06	486,610.88	475,673.04	-5.23%
Gray	164,250.14	136,328.90	129,245.14	131,751.36	128,676.20	-5.20%
Harvey	80,067.46	81,553.34	74,171.86	69,486.14	65,590.90	-9.05%
Haskell	74,597.00	69,565.29	72,341.51	105,423.74	91,919.67	3.99%
Hodgeman	48,778.08	40,600.68	42,085.86	40,814.40	41,995.14	3.66%
Jefferson	842.30	594.00	1,032.22	573.62	389.52	73.77%
Kingman	77,253.38	63,468.40	68,190.97	64,131.96	53,172.54	7.44%
Leavenworth	627.50	440.28	751.36	416.58	283.76	70.66%
Lyon		39.36	134.36	121.52	118.88	241.36%
McPherson	21,789.74	21,861.34	18,063.80	16,334.84	15,286.00	-17.37%
Meade	76,842.10	66,495.40	67,651.46	71,463.18	69,047.84	1.74%
Montgomery	8,533.76	6,144.64	7,599.74	4,824.40	3,818.52	23.68%
Morton	63,176.84	46,862.60	63,448.17	60,620.59	90,493.80	35.39%
Osage	5,716.78	4,863.48	4,393.02	4,349.82	4,392.14	-9.67%
Pawnee	19,169.58	15,878.90	14,343.30	13,793.30	13,590.84	-9.67%
Pratt	107,235.46	66,642.52	89,019.34	79,846.14	50,122.34	33.58%
Reno	333,892.18	331,040.22	277,684.56	261,843.38	263,910.14	-16.12%
Republic		3.48	119.04	100.14	2,875.45	3320.69%
Rice	229,333.54	205,608.34	140,392.60	129,841.56	149,851.62	-31.72%
Sedgwick	960,901.49	786,906.64	741,077.12	695,311.64	685,581.93	-5.82%
Seward	322,881.98	289,882.82	400,947.50	368,290.02	390,255.24	38.31%
Sherman	727,635.40	585,606.18	521,774.77	539,218.26	514,574.52	-10.90%
Stevens	63,242.94	61,137.70	97,312.30	112,912.02	158,085.78	59.17%
Sumner	123,217.84	117,447.31	113,532.34	103,099.81	95,808.71	-3.33%
Washington	3,392.13	2,766.66	2,538.39	4,319.06	3,943.05	-8.25%
Woodson	160.70	113.40	160.52	87.72	50.58	41.55%
Total	5,486,779.21	4,674,969.43	4,571,812.61	4,439,755.23	4,493,052.30	-2.21%
Sedgwick Co - Special Assess (2)	5,715.25	5,715.25	5,713.89	5,713.89	5,709.31	0.00%
Sedgwick Co - Solid Waste (2)	11.88	11.88	9.16	273.42	275.42	0.00%
Harvey Co. - Solid Waste	127.00	127.00	127.00			0.00%
Rice Co. - Solid Waste						
Total (KS)	5,492,633.34	4,680,823.56	4,577,662.66	4,445,742.54	4,499,037.03	-14.78%

Oklahoma

Gas Supply Service

History of Assessed Value, Property Tax, and Mill Levy

	2013	2014	2015	2016	2017
Assessed Value					
Beckham	507,773	713,151	1,012,137	683,499	572,009
Coal	26,496	54,147	50,442	25,809	20,253
Grant	34,415	166,557	41,875	39,979	33,266
Pontotoc	31,366	25,297	25,035	26,451	42,574
Woods			9,292	7,003	31,935
	600,050	959,152	1,138,781	782,741	700,037

Tax					
Beckham	38,591.00	55,291.00	81,052.00	58,412.00	48,810.00
Coal	2,089.00	4,161.00	3,875.00	1,983.00	1,556.00
Grant	1,932.00	9,351.00	2,351.00	2,591.00	2,088.00
Pontotoc	2,470.00	1,994.00	1,939.00	2,267.00	3,641.00
Woods			688.00	519.00	2,364.00
	45,082.00	70,797.00	89,905.00	65,772.00	58,459.00

Mill Levy					
Beckham	76.00	77.53	80.08	85.46	85.33
Coal	78.84	76.85	76.82	76.83	76.83
Grant	56.14	56.14	56.14	64.81	62.77
Pontotoc	78.75	78.82	77.45	85.71	85.52
Woods			74.04	74.11	74.03

Louisiana
Gas Supply Service
History of Assessed Value, Property Tax, and Mill Levy

	2013	2014	2015	2016	2017
Assessed Value					
Lincoln Parish	15,690	17,030	20,550	5,276	3,968
Bienville Parish	138,060	18,580	32,530	18,670	15,460
Total	153,750	35,610	53,080	23,946	19,428

Tax					
Lincoln Parish	1,259.44	1,353.37	1,621.81	382.09	288.59
Bienville Parish	14,155.30	1,886.62	3,315.13	2,034.48	1,673.70
Total	15,414.74	3,239.99	4,936.94	2,416.57	1,962.29

Mill Levy					
Lincoln Parish	80.27	79.47	78.92	72.42	72.73
Bienville Parish	102.53	101.54	101.91	108.97	108.26