

**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**

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**REBUTTAL TESTIMONY OF MARC T. EYRE**

**ON BEHALF OF**

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

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**List of Acronyms**

BHC	Black Hills Corporation
Black Hills OR “the Company”	Black Hills/Kansas Gas Utility Company, LLC d/b/a Black Hills Energy
Commission	Kansas Corporation Commission
CPI	Consumer Price Index
CURB	Citizens Utility Ratepayers Board
DIIP	Data Infrastructure Improvement Program
GSRS	Gas System Reliability Surcharge
IS	Income Statement
PHMSA	Pipeline and Hazardous Materials Safety Administration
Staff	Staff of the Kansas Corporation Commission

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A. My name is Marc T. Eyre. My business address is 655 E. Millsap Road, Fayetteville, Arkansas 72703.

A. Yes. I am testifying on behalf of Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy (“Black Hills” or “Company”).

A. The purpose of my rebuttal testimony is to respond to the testimony and recommendations of witnesses for the Kansas Corporation Commission (“Commission”) Staff (“Staff”) and the Citizens’ Utility Ratepayer Board (“CURB”). This rebuttal testimony specifically addresses the following adjustment recommendations by Staff and CURB witnesses:

2) **DIIP**. Staff and CURB recommended adjustments to Data Infrastructure Improvement Program (“DIIP”) expenses;

4) **Line Locating Expenses.** Staff and CURB recommended adjustments to line locating expenses;

- 1           5)     **Vegetation Management Expenses.** Staff and CURB recommended adjustments to  
2           vegetation management expenses;
- 3           6)     **Other Expense Reductions.** Staff’s recommended adjustment to Pipeline and  
4           Hazardous Materials Safety Administration (“PHMSA”) fees and other expenses;
- 5           7)     **Conversion Costs.** Black Hills’ recommended adjustment for propane conversion  
6           costs as a necessary and prudent response to an unexpected upstream gas supply  
7           abandonment; and
- 8           8)     **Transportation Tariff Adjustments.** Black Hills’ recommended Transportation  
9           tariff adjustments including uniform daily imbalance charges across Kansas.

10   **Q.     PLEASE SUMMARIZE THE PRINCIPAL CONCLUSIONS OF YOUR REBUTTAL**  
11   **TESTIMONY.**

12   A.     The principal conclusions of my rebuttal testimony clearly demonstrate why the  
13           Commission should reject the specified aspects of the adjustments proposed by Staff and  
14           CURB. If adopted, these adjustments would significantly impair Black Hills’ ability to  
15           operate effectively and continue delivering the safe, reliable service our Kansas customers  
16           depend on.

17           As Vice President of Operations, I can affirm that the expenses included in Black  
18           Hills’ rate application are not speculative—they reflect the real, ongoing costs necessary to  
19           maintain and improve our gas utility system. These costs have been carefully managed and  
20           are the result of prudent decision-making aimed at minimizing the frequency of rate  
21           applications. In fact, since 2014, Black Hills has filed only two rate cases, including this one  
22           – an achievement that underscores our commitment to operational efficiency and customer

1 value.

2 Since the last general rate case in 2021, the Company has continued to invest in  
3 critical infrastructure while controlling costs, all without compromising service quality. This  
4 approach has directly benefited Kansas customers by avoiding the disruptions and  
5 uncertainties that come with frequent rate changes.

6 To sustain this responsible approach, it is essential that the Commission approve  
7 Black Hills' rate application as adjusted in our rebuttal testimony. Doing so will ensure the  
8 Company has a fair opportunity to recover our prudently incurred costs and continue  
9 delivering the high standard of service our customers expect. Conversely, adopting the Staff  
10 and CURB recommendations would jeopardize our ability to maintain system reliability and  
11 delay necessary investments—ultimately harming the very customers those adjustments aim  
12 to protect.

## 13 II. REBUTTAL ISSUES

### 14 1. Overall Recommendations of Staff and CURB

15 **Q. WHAT OVERALL RECOMMENDATIONS DO STAFF AND CURB MAKE**  
16 **REGARDING BLACK HILLS' RATE APPLICATION?**

17 A. Staff recommends a total base rate revenue increase of \$13,561,650, with a net of Gas  
18 System Reliability Surcharge ("GSRS") incremental new revenue increase of \$9,184,235.  
19 In deriving its overall recommendation, among the other adjustments, Staff proposes to  
20 apply a return on equity of 9.70% and uses the capital structure of Black Hills Corporation  
21 ("BHC") consisting of 45.76% equity and 54.24% debt instead of the actual or booked  
22 capital structure of Black Hills for its Kansas gas operations and investment in gas

1 distribution and transmission facilities. Staff supports the proposed abbreviated rate case,  
2 limited to plant-in-service updates through December 31, 2025, and Construction Work In  
3 Progress (“CWIP”) true-up through September 30, 2025.

4 CURB recommends an incremental new revenue increase of \$13,690,444. In  
5 deriving its overall recommendation, among other adjustments, CURB proposes to apply a  
6 return on equity of 9.5% and a capital structure with 50% equity and 50% debt to calculate  
7 the weighted cost of capital for Black Hills for its Kansas gas operations and investment in  
8 gas distribution and transmission facilities. CURB’s recommended capital structure is very  
9 close to Black Hills’ actual capital structure with 50.44 % equity and 49.56% debt. CURB  
10 supports the abbreviated rate case, limited to plant-in-service through December 31, 2025.

11 Company witnesses Mr. Daniel and Ms. Johnson discuss Staff’s and CURB’s  
12 recommendations in more detail in their rebuttal testimonies.

13 **Q. WHY IS IT SO IMPORTANT FOR THE COMMISSION TO ALLOW BLACK**  
14 **HILLS RECOVERY OF ITS PRUDENTLY INCURRED COSTS?**

15 A. Black Hills will continue to invest in its gas utility system and to manage costs effectively  
16 to the benefit of customers after this rate proceeding is completed, but it must be provided a  
17 reasonable opportunity to recover its costs. Approval of all Staff and CURB adjustments in  
18 this case will not provide Black Hills with a reasonable opportunity to recover its costs.

19 As with any rate case application, it is important for a utility to recover its prudently  
20 incurred costs to run the business. This is especially true for Black Hills, given its historical  
21 practice to avoid filing frequent rate case applications in Kansas. Including the instant  
22 proceeding, this is Black Hills’ (and predecessors) fourth rate case filing in 20 years. Black

1 Hills will continue to manage its investments in capital infrastructure projects and costs  
2 efficiently in the future. However, to avoid the potential for more frequent rate case  
3 applications in the future, it is critical for Black Hills to receive approval to recover its  
4 prudently incurred costs.

5 **Q. DO YOU AGREE WITH STAFF AND CURB RECOMMENDATIONS?**

6 A. While I appreciate the efforts of both Staff and CURB in reviewing Black Hills' rate  
7 application, I do not agree with their overall recommendations. Several of the proposed  
8 adjustments, particularly those related to capital structure, return on equity, and cost  
9 recovery, do not fully reflect the operational realities and financial needs of Black Hills'  
10 Kansas gas utility operations.

11 That said, as described in the rebuttal testimony of Black Hills witness Mr. Daniel,  
12 the Company is not opposing all recommendations made by Staff and CURB. For example,  
13 Black Hills does not oppose CURB's proposed capital structure of 50% equity and 50%  
14 debt, as it closely aligns with Black Hills' actual capital structure and represents a reasonable  
15 basis for calculating the weighted average cost of capital. Similarly, the Company agrees  
16 with Staff's recommendation to approve an insurance cost tracker with a baseline of  
17 \$1,146,928, subject to the condition that the tracker sunsets at the next rate case filing and  
18 must be re-approved by the Commission to continue beyond that point.

19 In summary, while there are areas of alignment, Black Hills maintains that several  
20 key aspects of Staff and CURB's recommendations should be revised to ensure the Company  
21 is provided a reasonable opportunity to recover its costs and continue delivering safe, reliable  
22 service to Kansas customers.



1   **Q.   DO YOU SUPPORT THE PROPOSED ABBREVIATED RATE CASE?**

2   A.   Yes. As outlined in Mr. Daniel’s testimony, Black Hills requested approval of an abbreviated  
3       rate case in its application pursuant to K.A.R. 82-1-231(b)(3)(A).

4       This approach offers several key benefits:

- 5       • It enables the Commission to thoroughly evaluate specific projects rather than
- 6       relying on estimates in the current proceeding.
- 7       • It allows for more timely recovery of capital investments, reducing regulatory lag.
- 8       • It delays the need for a GSRS filing, providing a more streamlined and transparent
- 9       process for all stakeholders.

10       Importantly, the abbreviated case will be limited in scope and will support the orderly  
11       growth and development of Black Hills’ gas distribution system under the full oversight of  
12       the Commission and with transparency for customers.

13   **Q.   HAS THE COMPANY REVISED ITS POSITION ON THE ABBREVIATED RATE**  
14       **CASE REQUEST AS A RESULT OF STAFF AND CURB TESTIMONY?**

15   A.   Yes. As discussed in more detail in the Rebuttal Testimony of Mr. Daniel, Black Hills  
16       accepts Staff’s recommendations regarding the abbreviated rate case. This includes a true-  
17       up of CWIP through September 30, 2025, and an update to plant in service and associated  
18       impacts through December 31, 2025.

19   **Q.   WHY SHOULD THE COMMISSION ACCEPT BLACK HILLS’ REBUTTAL**  
20       **RECOMMENDATION REGARDING ITS RATE APPLICATION?**

21   A.   The Commission should accept Black Hills’ rebuttal recommendation because it provides  
22       the necessary financial framework to support the Company’s ability to operate a safe,

1 reliable, and resilient natural gas system for Kansas customers. The Company's rebuttal  
2 filing reflects a realistic understanding of the operational demands and long-term  
3 infrastructure investments required to maintain high service standards.

4 Black Hills' proposal ensures adequate funding for essential operational activities  
5 such as pipeline maintenance, system upgrades, emergency response readiness, data and  
6 system modernization efforts, and compliance with evolving safety regulations. These are  
7 not discretionary expenses; they are critical to protecting public safety and ensuring  
8 uninterrupted service, especially during extreme weather events or system emergencies.

9 Unlike the recommendations from Staff and CURB, which would constrain the  
10 Company's ability to meet these operational needs, Black Hills' rebuttal supports continued  
11 investment in system integrity and reliability. It aligns with the Company's demonstrated  
12 track record of prudent cost management battling historic inflation since its last rate review  
13 in 2021.

14 By adopting the rebuttal recommendation, the Commission will enable Black Hills  
15 to continue delivering the level of service Kansas customers expect, while also ensuring the  
16 utility remains financially stable and operationally prepared for future challenges. This  
17 approach balances customer interests with the practical realities of running a safe and  
18 dependable utility system.

1           **2.     Data Infrastructure Improvement Program (“DIIP”) Expenses**

2   **Q.     STAFF WITNESS MR. BULLER RECOMMENDS REDUCING DIIP EXPENSES**  
3           **BY \$250,276, AND CURB WITNESS MS. BENHAM RECOMMENDS A**  
4           **REDUCTION OF \$221,040. DO YOU AGREE WITH THESE**  
5           **RECOMMENDATIONS?**

6   A.    No, the Commission should not accept Staff and CURB recommendations related to DIIP  
7           expenses because Black Hills has provided support to demonstrate that the DIIP costs  
8           included in its rate application are real, benefit customers, and are needed at this level going  
9           forward. Neither Staff nor CURB oppose the recovery of DIIP expenses and recognize the  
10          importance, instead Staff and CURB simply lower the amount of DIIP expenses included in  
11          Black Hills’ rate application.

12   **Q.     WHY IS THERE REASONABLE VARIATIONS TO DIIP EXPENSE OVER THE**  
13          **LAST SEVERAL YEARS, AND WHY IS IT EXPECTED TO INCREASE MOVING**  
14          **FORWARD?**

15   A.    As noted in Mr. Buller’s Testimony, actual DIIP expenses have varied over the last several  
16          years from a high of \$424,481 to a low of \$150,495.<sup>1</sup> These variations are natural and  
17          expected, as DIIP costs are tied to specific projects that address known data gaps and  
18          enhance pipeline safety and system integrity.

19                The relatively lower DIIP spending from 2022 to 2024 reflects prudent financial  
20          management during a period of record-high inflation and rising costs in other essential  
21          safety-related areas such as line locating, odorant, PHMSA fees, and other public safety and

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<sup>1</sup> Direct Testimony of Daniel Buller 12:1-7.

1 emergency response costs. In order to maintain stable rates and defer a general rate case,  
2 Black Hills strategically prioritized immediate safety and compliance needs while  
3 temporarily moderating DIIP investment.

4 However, as inflationary pressures begin to ease and deferred projects become more  
5 urgent, accelerated DIIP spending is now both necessary and prudent. DIIP is a foundational  
6 program that supports long-term system safety, regulatory compliance, and operational  
7 efficiency. Increased investment will allow Black Hills to proactively manage risk, improve  
8 asset visibility, and potentially avoid more costly future requirements, such as Maximum  
9 Allowable Operating Pressure (“MAOP”) reconfirmation.

10 In short, the historical variation in DIIP spending reflects responsible cost control,  
11 while the planned increase represents a strategic reinvestment in the safety and reliability of  
12 Black Hills Kansas operations.

13 **Q: WHY IS THE DIIP EXPENSE PROPOSED BY BLACK HILLS IN ITS RATE**  
14 **APPLICATION NECESSARY, AND WHY SHOULD THE COMMISSION**  
15 **APPROVE ITS RECOVERY?**

16 A: The DIIP is essential to Black Hills’ ability to operate a safe, reliable, and modern gas  
17 distribution and transmission system. As explained in my direct testimony, DIIP provides  
18 critical data on the location, history, and material composition of system components. This  
19 information is foundational to identifying risks, prioritizing maintenance, and making  
20 informed decisions about system repairs and replacements.

21 Staff and CURB do not dispute the operational value of DIIP. However, they have  
22 not recommended recovery of the associated costs. In the Company’s prior rate case, Staff

1 witness Mr. Campbell speculated that DIIP costs might be capitalized. That is not the case.  
2 DIIP is an expense-based initiative. He also suggested that Black Hills could seek recovery  
3 in a future rate case by stating “if the projects cannot be capitalized, Black Hills will still  
4 have the ability to file a rate case in the future to request the project costs be included in  
5 rates.”<sup>2</sup> But as the Commission is aware, historical expenses not tied to a tracker or rider  
6 are not recoverable retroactively.

7 Black Hills has provided substantial evidence that DIIP is a necessary, ongoing  
8 program with long-term benefits. Delaying recovery would slow progress and extend the  
9 timeline for completing this critical work. DIIP is not a one-time project - it is a data-driven  
10 approach to system integrity that enhances safety for employees, customers, and the public.

11 The Commission should approve full recovery of the \$400,000 in DIIP expenses as  
12 proposed in this rate application. These costs are reasonably known, measurable, and directly  
13 tied to maintaining a safe and reliable utility system. Deferring recovery would be inefficient  
14 and counterproductive for a program that all parties agree benefits all stakeholders.

15 **3. Damage Prevention Expenses**

16 **Q. CURB WITNESS MS. BENHAM RECOMMENDS REDUCING THE AMOUNT OF**  
17 **REQUESTED DAMAGE PREVENTION BY \$50,000. DO YOU AGREE WITH**  
18 **THAT RECOMMENDATION?**

19 **A.** No, I do not agree. Damage prevention is one of the most critical components of Black Hills’  
20 public safety strategy, and reducing this investment would be short-sighted and

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<sup>2</sup> Direct Testimony of Ian D. Campbell 22:15-16; Docket 21-BHCG-418-RTS.

1 counterproductive.

2 Damage caused by third party excavators remains one of the single greatest risks to  
3 public and customer safety. The Commission should support Black Hills' commitment to  
4 public safety by approving this ongoing investment. Consequences of a damaged natural gas  
5 line can be severe, including uncontrolled gas releases, service outages, property damage,  
6 and even life-threatening incidents. Preventing these events before they occur is not only a  
7 regulatory and operational priority—it is a moral obligation to protect the communities  
8 Black Hills serve.

9 The adage 'an ounce of prevention is worth a pound of cure' is certainly applicable  
10 to damage prevention investments. Every incident prevented through proactive outreach,  
11 education, and enforcement of safe digging practices avoids the significant costs and risks  
12 associated with emergency response and repair. These efforts also reduce service disruptions  
13 and help maintain customer trust.

14 Black Hills' requested level of funding reflects our ongoing commitment to safety  
15 and compliance and is based on actual experience and the evolving needs of our system.  
16 CURB's proposal would eliminate this expense from recovery, undermining the  
17 effectiveness of these efforts, and exposing customers to unnecessary risk.

18 For these reasons, I strongly recommend that the Commission reject CURB's  
19 proposed reduction and approve the full amount as filed. Each damage prevented not only  
20 benefits customers by eliminating the life-threatening hazards that come with the  
21 uncontrolled release of natural gas but also provides financial benefit as the prevention  
22 expense is a fraction of the cost required to respond to and repair the damage once it has

1 occurred.

2 **Q. DOES STAFF AGREE THAT BLACK HILLS SHOULD RECOVER THE**  
3 **PROPOSED DAMAGE PREVENTION COSTS?**

4 A. Yes. Staff Witness Ms. Hefley recommends that the Commission approve Black Hills'  
5 adjustment for damage prevention expenses, contingent that Black Hills be required to report  
6 damages to the KCC within thirty minutes of occurrence going forward.<sup>3</sup>

7 **Q. DOES BLACK HILLS ALREADY REPORT ALL DAMAGES TO THE KCC?**

8 A. Yes. Black Hills already voluntarily reports all damages to the KCC via the  
9 [UtilityDamage@KCC.KS.Gov](mailto:UtilityDamage@KCC.KS.Gov) email address as soon as is practically possible. As this  
10 reporting is already being executed promptly and consistently, there is no need to have a  
11 formal requirement be part of this rate proceeding.

12 When Black Hills responds to a report of damage, our first and foremost concern is  
13 ensuring public safety—protecting life and property by securing the site and making the  
14 situation safe. These can be very intense and are often high-pressure, time-sensitive  
15 situations, and should not be interrupted or changed from the current process. Imposing a  
16 rigid reporting timeline could unintentionally interfere with these critical safety operations.

17 Black Hills has a long-standing track record of prudent emergency management  
18 response, timely reporting, open communication, and strong collaboration with the KCC that  
19 will continue into the future. The Company is already providing the requested information;  
20 therefore no additional requirements are warranted.

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<sup>3</sup> Direct Testimony of Ashlyn M. Hefley 11:18-22.

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING DAMAGE PREVENTION**  
2 **EXPENSES?**

3 A. My recommendation is that the Commission approve Black Hills' total of \$50,000 for  
4 damage prevention expenses in full. However, the proposed reporting requirement is  
5 unnecessary, given that the Company is already voluntarily and effectively providing this  
6 information today in a timely manner without any issues. Formalizing this process could  
7 hinder our ability to respond swiftly in emergency situations.

8 **4. Line Locating Expenses**

9 **Q. STAFF WITNESS MR. BULLER RECOMMENDS REDUCING THE AMOUNT OF**  
10 **REQUESTED LINE LOCATING EXPENSE BY \$53,983. DO YOU OPPOSE**  
11 **STAFF'S RECOMMENDATION?**

12 A. No, the Company does not oppose Staff's recommendation. As discussed further in Ms.  
13 Johnson's rebuttal testimony, the recently executed 5-year contract includes a 3.4% increase  
14 that went into effect April 1, 2025. That pricing is locked in through March 31, 2026. Beyond  
15 2026 the pricing will be updated with the current Consumer Price Index ("CPI") rate. With  
16 the updated contract executed, the rest of 2025 through the first quarter of 2026 is a known  
17 and measurable adjustment and should therefore be included as proposed in the Company's  
18 updated adjustment.



1           **5.     Vegetation Management Expenses**

2   **Q.     STAFF WITNESS MS. HEFLEY RECOMMENDS REDUCING THE AMOUNT OF**  
3           **REQUESTED VEGETATION CONTROL EXPENSE BY \$100,000 to \$0. DO YOU**  
4           **AGREE WITH THAT RECOMMENDATION?**

5   A.     No. Staff’s proposed adjustment to eliminate Black Hills’ vegetation management expense  
6           is unreasonable, unsupported by the record, and should be rejected.

7   **Q.     WHY     SHOULD     THE     COMMISSION     NOT     ACCEPT     STAFF**  
8           **RECOMMENDATIONS REGARDING VEGETATION EXPENSES?**

9   A.     As stated in my direct testimony, vegetation management is not optional, it is a critical safety  
10          and system integrity measure that directly benefits customers and is mandated by federal  
11          regulation under 49 CFR 192. Even Ms. Hefley acknowledges this, starting on page 3 of her  
12          testimony: “Vegetation management is necessary to perform code requirements like leak  
13          surveys and patrolling and the cost is a legitimate expense incurred by BHE”.<sup>4</sup> Despite this  
14          acknowledgment, Staff recommends excluding these essential costs from the cost of service  
15          - a position that is both inconsistent and illogical.

16                 To illustrate the flaw in this reasoning, consider a parallel example: 811 laws require  
17          the locating of underground facilities to prevent damage. If, due to effective practices, Black  
18          Hills experiences a period of reduced damages, it would be irrational to conclude that the  
19          risk has disappeared and that the Company should stop performing locates or recovering  
20          their costs. The requirement remains because the risk persists, and the activity is preventative  
21          by nature.

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<sup>4</sup> Direct Testimony of Ashlyn M. Hefley 5:11-13.

1           The same logic applies to vegetation management. The fact that Black Hills’  
2           proactive investment has led to fewer leaks is evidence of its effectiveness—not a  
3           justification to eliminate or defund it. Suggesting that the Company should no longer  
4           perform or recover the cost of this required task simply because it has worked is not only  
5           counterproductive, but it also undermines public safety.

6   **Q.   WHY DO VEGETATION MANAGEMENT EXPENSES VARY FROM YEAR TO**  
7           **YEAR, AND WHY SHOULD THE COMMISSION APPROVE RECOVERY OF**  
8           **THESE COSTS?**

9   A.   Vegetation management expenses naturally vary from year to year due to a number of  
10       rational and operationally driven factors. These include geographic location, vegetation type  
11       and growth rates, accessibility challenges, landowner coordination, weather conditions, and  
12       prior year precipitation levels, among others. As part of the Company’s programmatic  
13       approach, these variables influence the scope and cost of work required in any given year.

14       Staff Witness Mr. Buller acknowledges these natural fluctuations in his testimony,  
15       noting that Black Hills incurred \$103,522 in vegetation management expenses in 2024.<sup>5</sup>  
16       These are not discretionary costs; they are required by federal code and are essential to  
17       maintaining the safety and integrity of our gas system.

18       The benefits to customers are both clear and measurable. Vegetation management  
19       improves access to critical infrastructure, reduces the likelihood of leaks, and enables faster  
20       emergency response. For example, if a leak occurs in an overgrown easement, the time  
21       required to access and repair the pipeline can increase significantly, elevating safety risks

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<sup>5</sup> Direct Testimony of Daniel Buller 14:1-16:9.

1 and operational costs.

2           Given these realities, it is both prudent and necessary for the Commission to approve  
3 recovery of these expenses. Denying cost recovery for a code-mandated, safety-enhancing  
4 activity—especially one that has demonstrably reduced risk and improved system  
5 performance—would be contrary to the public interest.

6 **Q. WHAT IS YOUR RECOMMENDATION REGARDING VEGETATION**  
7 **EXPENSES?**

8 A. While Black Hills maintains that \$100,000 is a reasonable and necessary expense for  
9 vegetation management, the Company does not oppose CURB Witness Benham's  
10 recommendation to reduce this amount by \$20,000, resulting in a total of \$80,000.<sup>6</sup> This  
11 compromise reflects Black Hills' continued commitment to balancing regulatory  
12 compliance, operational integrity, and customer value.

13 **6. Other Expenses**

14 **Q. STAFF WITNESS MS. FIGGS RECOMMENDS REDUCING THE AMOUNT OF**  
15 **REQUESTED PHMSA FEE EXPENSE BY \$17,114. DO YOU AGREE WITH THAT**  
16 **RECOMMENDATION?**

17 A. While the Company maintains that PHMSA fees are likely to continue increasing over time,  
18 it does not oppose Staff's recommendation to reduce the amount by \$17,114 in this  
19 proceeding.

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<sup>6</sup> Direct Testimony of Audrey Benham 21:6-8.

1           From 2021 through 2025, Black Hills experienced a significant increase of  
2           approximately 31%—in required PHMSA fees. This trend reflects broader national  
3           increases in pipeline safety oversight and regulatory funding needs. The Company  
4           anticipates that these fees may continue to rise in the coming years, and it will continue to  
5           monitor these fluctuations closely.

6           Although the Company asserts the full amount originally requested is justified based  
7           on recent trends, it recognizes the importance of collaboration and compromise in the  
8           regulatory process. Therefore, Black Hills accepts Staff’s adjustment in this docket, while  
9           reserving the right to revisit this issue in future proceedings should fee levels continue to  
10          escalate.

11          **7.     Conversion Costs**

12   **Q.     DO YOU SUPPORT THE COMPANY’S ADJUSTMENT FOR CONVERSION**  
13   **COSTS RELATED TO ABANDONMENT, AND WHY ARE THEY NECESSARY?**

14   A.     Yes, I support the Company’s adjustment for the propane conversion costs incurred as a  
15           result of American Energy Pipeline LLC’s (AEPL’s) abandonment of upstream gas supply  
16           service as outlined in Company Witness Mr. Smith’s rebuttal testimony. These costs were  
17           necessary to ensure the safety and reliability of service for residential customers in Burrton,  
18           Kansas, who would have otherwise been left without a viable energy source during the  
19           winter heating season.

20           The conversion costs were not the result of any action or inaction by Black Hills.  
21           Rather, they were a direct response to an external and unforeseen event—the  
22           decommissioning of AEPL’s gathering system. Black Hills acted promptly and in good faith,

1 in consultation with Commission Staff, to protect affected customers from service  
2 disruption. The Company determined that converting these customers to propane was the  
3 most cost-effective and timely solution, especially when compared to the significantly higher  
4 costs of extending the natural gas system from an alternative supply source.

5 Importantly, these costs do not represent a financial benefit or profit to Black Hills.  
6 They were incurred solely to uphold public safety, maintain customer service, and fulfill the  
7 Company's obligation to serve. For these reasons, the adjustment is reasonable, prudent, and  
8 in the public interest.

9 **8. Transportation Adjustments**

10 **Q. DO YOU SUPPORT BLACK HILLS' PROPOSED TRANSPORTATION TARIFF**  
11 **ADJUSTMENTS?**

12 A. Yes, I support the transportation adjustments proposed in this proceeding as outlined in  
13 Company Witness Mr. Tobin's testimony. From an operations and customer perspective, the  
14 proposed change offers several key benefits:

- 15 • **Protects General System Sales Customers.** By applying the Daily Imbalance  
16 Charge uniformly, the proposal ensures that general system sales customers are  
17 not subsidizing the costs of managing imbalances caused by transportation  
18 customers. This aligns cost responsibility with cost causation.
- 19 • **Encourages Responsible Usage.** The uniform charge is intended to encourage  
20 transportation customers to more accurately forecast and manage their gas usage.  
21 This can lead to more efficient system operations and potentially lower long-term  
22 costs for all customers. To maintain safe reliable service, Black Hills must

1 balance gas supply and demand daily with upstream pipelines which can be  
2 challenging given our geography and interconnections across the state. A  
3 consistent imbalance charge across the state ensures that all customers contribute  
4 fairly to the operational discipline needed to meet these requirements.

- 5 • **Promotes Fairness.** It ensures that all transportation customers are treated  
6 equally, regardless of which upstream pipeline they are connected to. This  
7 eliminates preferential treatment and creates a level playing field across the state.

### 8 **III. CONCLUSION**

9 **Q. SHOULD THE COMMISSION ACCEPT ALL OF STAFF AND CURB'S**  
10 **RECOMMENDATIONS?**

11 A. No. As outlined in the Company's rebuttal testimony, accepting the adjustments  
12 recommended by Staff and CURB would have a detrimental impact on the business  
13 operations of Black Hills and ultimately harm customers. Instead, the Commission should  
14 approve Black Hills' rate application, as further supported by the Company through its  
15 rebuttal testimony.

16 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

17 A. Yes.

# AFFIDAVIT OF MARC T. EYRE

State of Arkansas )  
County of Washington ) ss

I, MARC T. EYRE, being first duly sworn on oath, depose and state that I am the same Marc T. Eyre identified in the foregoing Rebuttal Testimony; that I have caused the foregoing Rebuttal Testimony to be prepared and am familiar with the contents thereof; and that the foregoing Rebuttal Testimony is true and correct to the best of my knowledge, information, and belief as of the date of this Affidavit.

Marc T. Eyre  
Marc T. Eyre

Subscribed and sworn to before me,  
A Notary Public, in and for said County  
and State, this 21<sup>st</sup> day of May, 2025.

Cassandra Gibson  
Notary Public

CASANDRA GIBSON  
Notary Public  
Washington County, Arkansas  
Commission Expires 08/06/2032  
Commission #12719489

My Commission expires: 08/06/2032