

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

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Robert Daniel and my business address is 655 E. Millsap Road, Fayetteville,
4 Arkansas 72703.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Black Hills Service Company, LLC ("BHSC"). BHSC is a wholly owned
7 subsidiary of Black Hills Corporation ("BHC"). I am Director of Regulatory for Kansas and
8 Arkansas.

9 **Q. ARE YOU THE SAME ROBERT DANIEL WHO FILED DIRECT AND REBUTTAL**
10 **TESTIMONY IN THIS DOCKET?**

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

13 **Q. ARE YOU SPONSORING ANY EXHIBITS TO YOUR TESTIMONY?**

14 A. Yes. KSG Settlement Exhibit RD-1 calculates of the refund percentages for the Tax
15 Adjustment Rider ("TA Rider").

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. I am providing testimony in support of the Settlement Agreement ("Agreement") between
18 Black Hills, the Staff of the Kansas Corporation Commission ("Commission" and "Staff"
19 respectively), the Citizens' Utility Ratepayer Board ("CURB"), Kansas Municipal Gas
20 Agency ("KMGA"), Symmetry Energy Solutions, LLC ("Symmetry"), WoodRiver Energy,
21 LLC ("WoodRiver"), Freedom Pipeline, LLC ("Freedom Pipeline"), and Seaboard Energy
22 Kansas, LLC ("Seaboard") (collectively, "Parties").

1 I will also be providing background information regarding this matter, summarizing
2 the terms of the Agreement, and addressing and applying the Commission standards for
3 review of settlements to the Agreement in this case.

4 **II. BACKGROUND**

5 **Q. PLEASE PROVIDE BACKGROUND INFORMATION REGARDING THE**
6 **COMPANY'S RATE APPLICATION, WHICH IS THE SUBJECT OF THE**
7 **AGREEMENT.**

8 A. On February 3, 2025, Black Hills filed an Application with the Kansas Corporation
9 Commission ("Commission") in Docket No. 25-BHCG-298-RTS seeking approval to make
10 certain changes in its rates and charges for natural gas service. The Company's Application
11 was based on a test year ending September 30, 2024, and reflected normalized operating
12 results adjusted for known and measurable changes in revenues, operating and maintenance
13 expenses, cost of capital, taxes, and other relevant factors. The Commission issued an Order
14 on February 19, 2025, establishing a procedural schedule with an Evidentiary Hearing set to
15 begin on June 30, 2025.

16 The Company's Application requested an overall increase in base rates of \$21.6
17 million, which included approximately \$4.4 million in revenues currently being recovered
18 through the Gas System Reliability Surcharge ("GSRS"). After accounting for the rebasing
19 of GSRS revenues, the new revenue increase sought by the Company was \$17.2 million, for
20 a total revenue requirement of \$77.56 million. The Company's request was based on an
21 overall after-tax rate of return of 7.63%, which included a return on equity of 10.5%, a cost
22 of debt of 4.71%, and a capital structure composed of 50.44% equity and 49.56% debt.

1 In addition to the proposed revenue increase, the Company sought approval to refund
2 approximately \$2.9 million in non-protected excess deferred income taxes (“EDIT”) to
3 customers via the Company’s existing TA Rider. These refunds are associated with a change
4 in tax accounting methods and proposed to be returned to customers between November 1,
5 2025, and April 30, 2026.

6 The Application also included a request for Commission approval to implement a
7 Deferred Accounting Insurance Expense Tracker and to authorize the Company to file an
8 abbreviated rate case following the conclusion of this proceeding. The abbreviated rate case
9 would allow for recovery of capital investments placed in service through December 31,
10 2025, effectively delaying the Company’s next GSRS filing. Additionally, the Company
11 proposed several revisions to its Transportation Tariffs and other tariff modifications. In
12 support of its Application, Black Hills submitted the testimony of nine witnesses and the
13 schedules required by K.A.R. 82-1-231.

14 On May 9, 2025, Staff filed direct testimony recommending a base rate increase of
15 \$13.6 million, which included the \$4.4 million in GSRS revenues, resulting in a new revenue
16 increase of \$9.2 million. Staff also recommended approval of the Insurance Expense Tracker
17 and the abbreviated rate case request, subject to certain conditions.

18 On May 9, 2025, CURB filed testimony on the same date recommending a base rate
19 increase of \$18.1 million, which, after accounting for the GSRS rebasing, resulted in a new
20 revenue increase of \$13.7 million. CURB also supported the Insurance Expense Tracker and
21 the abbreviated rate case proposal with conditions.

22 On May 9, 2025, Seaboard, WoodRiver, and Freedom Pipeline filed direct testimony
23 addressing various aspects of the Company’s proposed Transportation Tariffs. KMGA also

1 filed direct testimony related to Black Hills' class cost of service study and rate design
2 recommendations.

3 On May 23, 2025, Symmetry and Freedom Pipeline filed Cross-Answering
4 Testimony opposing various aspects of the Commission Staff's support for the Company's
5 proposed Transportation Tariff.

6 On May 30, 2025, Black Hills filed rebuttal testimony, revising its requested base
7 rate increase to \$18.3 million, with a new revenue increase of \$13.9 million.

8 Following settlement discussions held on June 5, 2025, all parties to the docket
9 reached a unanimous settlement agreement resolving all issues in the case.

10 **III. TERMS OF THE AGREEMENT**

11 **Q. ARE YOU FAMILIAR WITH THE TERMS OF THE AGREEMENT?**

12 A. Yes. I was personally involved in negotiating the terms of the Agreement. The Parties had
13 differing opinions about certain issues raised in this case, and yet, were able to negotiate a
14 compromise that satisfied each party. This result was achieved, in part, by agreeing to a
15 revenue increase without explicitly stating the resulting conclusions on every item in dispute.
16 Where it was necessary to specifically state the settlement reached by the Parties on a
17 particular item for setting future rates or for other reasons, those parties did so.

18 Specifics of the Agreement include the following:

- 19 1) Black Hills shall be authorized to implement an overall annual increase in base rates
20 of \$15.2 million. This increase includes \$4.4 million related to rebasing GSRS
21 surcharge revenues, resulting in a new revenue increase of \$10.8 million.
- 22 2) For purposes of calculating Black Hills' GSRS and abbreviated rate case revenue
23 deficiency, the carrying charges to be applied to recoverable investments shall be

1 calculated using a gross-of-tax carrying charge of 8.37%, subject to adjustment if tax
2 rates change prior to the Company's next general rate case.

3 3) The Agreement does not constitute an agreement by the Parties to the separate
4 quantification of capital structure, cost of debt, or cost of equity proposed by the
5 Company in this proceeding and preserves the Parties' rights to challenge cost of
6 capital proposals in future rate applications filed by Black Hills.

7 4) The Parties agree to support the abbreviated rate case procedure proposed by Black
8 Hills and further support the scope of the abbreviated rate case as proposed by Staff.
9 The abbreviated rate case to be filed by the Company will include an update to the
10 Company's plant in service, and attendant impacts, through December 31, 2025. For
11 purposes of the abbreviated rate case, Black Hills' total adjusted rate base as of
12 February 28, 2025, shall be \$294,824,431.

13 5) The Parties agree to the Company's implementation of a deferred accounting tracker
14 for insurance costs, with the level in base rates set at \$1,128,696. The tracker will
15 sunset in the Company's next general rate case and will require Black Hills to support
16 the cost recovery of the deferred balance in the Company's next general rate case
17 filing.

18 6) Various accounting matters are agreed upon, including:

- 19 • The ad valorem tax expense embedded in base rates shall be \$7,815,966.
- 20 • Rate case expense recovery will be amortized over five years.
- 21 • Pension and OPEB deferrals of \$717,948 and \$95,444, respectively, will be
22 amortized over three years. Black Hills has the right to recover any
23 unamortized amount related to the Pension and OPEB deferrals.

- For purposes of calculating Black Hills’ pension tracker going forward, the base rates include \$262,612 for pension expense and \$167,600 for OPEB expense.

7) Black Hills shall refund \$2,950,909 in non-protected EDIT through the Company’s existing TA Rider, with a true-up to occur either prior to or after the refund period, which will begin November 1, 2025, and end on April 30, 2026.

8) The residential customer charge shall be \$21.00 per month, and the small commercial customer charge shall be \$32.00 per month. The Parties agree to the rates as shown on Attachment A to the Agreement.

9) For purposes of this Settlement Agreement only, the Parties agree to use a 10-year period, based on Staff’s data, to determine normal weather. Heating Sensitivity Coefficients for the WNA Rider are set forth in Attachment B to the Agreement.

10) The proposed revisions to Black Hills’ Transportation Tariffs relating to (1) the addition of daily balancing charges, (2) receipt point capacity allocation assignments, and (3) the expansion of Operational Flow Orders (“OFOs”) to customer-specific OFOs, shall be deferred to a separate docket initiated by Black Hills following the issuance of a final order in the abbreviated rate case authorized by this Settlement.

11) The Parties agreed to the following Transportation Tariff Revisions:

- A two-year transition period for the implementation of the proposed annual aggregation enrollment revision. The enrollment period will begin on July 1st, with the first annual enrollment under the revised provision to occur on July 1, 2027.

- The non-telemetered daily balancing service charge will be set in Black Hills' Tariff Rate Schedules at \$0.012 per therm.
- All Gas Quality Specification revisions and the LVI telemetry requirements as proposed by Black Hills.

12) In its next general rate case, Black Hills agrees to include, for informational purposes only, an alternative Class Cost of Service Study that separates the LVS customer class into Firm, Transportation, and Interruptible subclasses solely for analysis and transparency. Black Hills is not required to advocate for or adopt the alternative cost allocation in its proposed rate design.

13) The Parties agree to tariff revisions proposed by Company witness Mr. Nicholas W. Smith, including the following revision to Section 2.1c regarding customer-specific information proposed by CURB:

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

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. If within a KCC proceeding, this exception also applies to the Citizens' Utility Ratepayer Board (CURB), or any other Commission approved intervenor. 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.

14) Black Hills will notify third-party vendors to request deletion of customer data and provide updates to CURB and Staff.

1 15) The Parties agree to request that new rates become effective on or before August 1,
2 2025.

3 16) The Agreement also includes standard provisions preserving the Commission's
4 authority, allowing for the filing of testimony in support of the Agreement, and
5 providing that the Agreement is voidable if not approved in its entirety.

6 **Q. DOES THE AGREEMENT PROVIDE FOR A REASONABLE RESOLUTION TO**
7 **ISSUES IN THIS PROCEEDING?**

8 A. Yes, it does.

9 **IV. COMMISSION STANDARDS FOR REVIEW OF AGREEMENT**

10 **Q. ARE YOU FAMILIAR WITH THE FACTORS THE COMMISSION CONSIDERS**
11 **WHEN REVIEWING A PROPOSED SETTLEMENT AGREEMENT?**

12 A. Yes, I am. I understand there are three factors the Commission considers when reviewing a
13 proposed unanimous settlement agreement.

14 **Q. CAN YOU IDENTIFY THOSE THREE FACTORS?**

15 A. The Commission may accept a unanimous settlement agreement so long as approval of the
16 settlement is:

- 17 1. Supported by substantial competent evidence in the record as a whole;
18 2. Results in just and reasonable rates; and
19 3. Is in the public interest.¹

20 **Q. WHO ARE THE PARTIES TO THIS DOCKET?**

21 A. As stated above, the Parties to this proceeding include Staff, CURB, Black Hills,

¹ Docket No. 23-ATMG-359-RTS, Order Approving Settlement Agreement, issued May 9, 2023, paragraph 23.

1 WoodRiver, KMGa, Symmetry, Freedom Pipeline, and Seaboard.

2 **Q. ARE THERE ANY ISSUES NOT ADDRESSED IN THE AGREEMENT THAT ANY**
3 **OF THE PARTIES WISH TO LITIGATE?**

4 A. No. All issues are resolved under the Agreement.

5 **Q. WHO PARTICIPATED IN THE SETTLEMENT NEGOTIATIONS IN THIS**
6 **DOCKET?**

7 A. Representatives from each of the Parties participated in the settlement negotiations which
8 took place on June 5, 2025. A settlement of all issues was reached by the Parties and filed
9 with the Commission on June 13, 2025.

10 **Q. DID ALL PARTIES WHO WILL BE IMPACTED BY THE AGREEMENT HAVE**
11 **AN OPPORTUNITY TO BE HEARD WITH RESPECT TO THE TERMS OF THE**
12 **AGREEMENT?**

13 A. Yes. All parties impacted by the terms contained in the Agreement participated in the
14 settlement discussions.

15 **Q. IS THE SETTLEMENT AGREEMENT AMONG THE PARTIES IN CONFORMITY**
16 **WITH THE FACTORS THE COMMISSION USES TO REVIEW SETTLEMENTS?**

17 A. Yes. Although the factors established by the Commission have a legal application, it is my
18 understanding all the parties agree that the established standards have been met. A legal
19 analysis included in the Joint Motion addresses these points.

20 **Q. IS THE AGREEMENT SUPPORTED BY SUBSTANTIAL EVIDENCE?**

21 A. Yes. The Agreement is supported by Black Hills' Application, as well as a significant
22 amount of testimony provided by the Company, Staff, CURB, and the remaining Parties. As
23 noted in the Agreement, Black Hills filed the testimony of nine (9) witnesses with its

1 application. Ten (10) witnesses from Staff and four (4) witnesses from CURB filed their
2 own testimony on Black Hills' application. The remaining Parties provided one (1) witness
3 each, totaling five (5) additional testimonies. Nine (9) witnesses from Black Hills filed
4 rebuttal testimony. Combined, Staff, CURB, and the remaining Parties issued hundreds of
5 data requests to Black Hills, and used information provided during discovery to develop their
6 respective positions. The level of analysis and attention to detail documented in the
7 testimony of the Parties, which is supported by hundreds of workpapers, helps confirm the
8 agreement is supported by substantial competent evidence. As indicated by the voluminous
9 amount of data used to develop each position, rate cases are complex proceedings with
10 several competing policy issues. The Agreement reached in this case is supported by the
11 extensive amount of evidence reviewed during the Parties' audit of Black Hills' operations.

12 **Q. IF THE AGREEMENT IS APPROVED BY THE COMMISSION, WHAT IS THE**
13 **NET IMPACT TO BLACK HILLS' CUSTOMERS?**

14 A. Since the Company is already collecting \$4.4 million in GSRS revenues included in the base
15 rate revenue requirement under the proposed Agreement, the overall impact is a net rate
16 increase of approximately \$10.8 million. For a typical residential customer using an average
17 of 53.6 therms per month, this results in an average monthly bill increase of \$5.96, or 8.99%.

18 During the months of November 2025 through April 2026 when refunds from the
19 TA Rider are in effect, a typical residential customer using an average of 88.7 therms per
20 month will experience a monthly bill increase of \$8.67, or 9.02%, on average for those
21 months.

1 **Q. DO THE TERMS CONTAINED IN THE AGREEMENT RESULT IN JUST AND**
2 **REASONABLE RATES AND IS APPROVAL OF THE AGREEMENT IN THE**
3 **PUBLIC INTEREST?**

4 A. Yes. The terms of the Agreement result in just and reasonable rates, and approval of the
5 Agreement is in the public interest. The Company's request for a base rate increase was
6 driven by the need to continue providing safe, reliable, and efficient natural gas service to
7 customers across its Kansas service territory. As discussed in the direct testimony of
8 Company witness Mr. Marc T. Eyre, the costs that Black Hills seeks to recover through base
9 rates are not discretionary—they are essential to maintaining the infrastructure, workforce,
10 and financial stability necessary to serve the public.

11 The Company has made approximately \$188 million in capital investments since its
12 last rate case, including \$118 million in new plant additions that are not currently reflected
13 in base rates. These investments are critical to replacing aging infrastructure, expanding
14 system capacity, and ensuring compliance with safety and reliability standards. Without
15 recovery of these prudent and necessary investments, the Company's ability to maintain and
16 improve its system in the public interest would be impaired. It is also important to point out
17 that other than recovery of GSRS revenues, the proposed increase in base rates in this case
18 will be the first time in 10 years since Black Hills' Kansas customers will have experienced
19 an increase in their base rates.

20 This application also serves to renew the Company's eligibility to utilize the GSRS,
21 the Company's only system integrity rider, by resetting the statutory timeline through the
22 filing of a general rate case. As part of the Settlement Agreement, approximately \$4.4 million
23 in GSRS revenues currently being collected from customers will be rolled into base rates,

1 and the GSRS will be reset to zero once new base rates are effective.

2 Additionally, the Agreement provides for the refund of approximately \$2.95 million
3 in non-protected EDIT to customers through the TA Rider, with refunds scheduled to occur
4 during the 2025–2026 winter heating season (November 2025 through April 2026) – the
5 time when residential customer usage is at their highest. This refund will effectively offset
6 a portion of the rate increase for our customers this winter.

7 The Agreement was reached through comprehensive negotiations among all parties
8 to the docket, including representatives of residential and small commercial customers,
9 transportation customers, municipalities, and Staff. The fact that all parties were able to
10 reach a unanimous agreement underscores the fairness and reasonableness of the outcome.
11 In my opinion, the Agreement reflects a thoughtful and balanced resolution of the issues in
12 this case. It ensures that Black Hills can continue to meet its obligation to provide safe and
13 reliable service, while also delivering value and transparency to customers. For these
14 reasons, I believe the Agreement results in just and reasonable rates and is in the public
15 interest.

16 **Q. WHAT IS YOUR RECOMMENDATION ON THE AGREEMENT?**

17 A. I recommend the Commission approve the unanimous settlement Agreement in its entirety.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**


19 A. Yes, it does.

AFFIDAVIT OF ROBERT DANIEL

State of Arkansas)
) ss
County of Washington)

I, ROBERT DANIEL, being first duly sworn on oath, depose and state that I am the same Robert Daniel identified in the foregoing Testimony in Support of Settlement; that I have caused the foregoing Testimony in Support of Settlement to be prepared and am familiar with the contents thereof; and that the foregoing Testimony in Support of Settlement is true and correct to the best of my knowledge, information, and belief as of the date of this Affidavit.




Robert Daniel

Subscribed and sworn to before me,
A Notary Public, in and for said County
and State, this 16th day of June, 2025


Notary Public

My Commission expires: 11/5/2025

Settlement Tax Adjustment Rider Refund				
Customer Class	Proposed Base Rate Revenue by Cust Class ¹	Rider TA Refund Amounts by Cust Class	Calculated Refund Percentage by Cust Class	Percentage Refund by Customer Class
	(A)	(B) = (A)/(44,891,619) * 2,950,909	(C) = (B) / (A)	(D) = (B)/2,950,909
Residential	\$ 30,847,769	\$ (2,027,750)	2.1911%	69%
Small Commercial	\$ 5,654,813	\$ (371,714)	2.1911%	13%
Small Volume	\$ 4,047,313	\$ (266,046)	2.1911%	9%
Large Volume	\$ 3,346,735	\$ (219,995)	2.1911%	7%
Irrigation	\$ 994,990	\$ (65,405)	2.1911%	2%
Total	\$ 44,891,619	\$ (2,950,909)		100%

¹ Based on rates developed using proposed revenues in Attachment A of the Settlement Agreement for the months of November through April