

May 9, 2025

Table of Content

I.	Introduction and Qualifications	2
II.	Executive Summary	3
III.	Overview	7
IV.	Just and Reasonable Review	11
V.	Staff Schedules.....	14
VI.	Rate Base Adjustments	17
A.	Materials and Supplies	17
B.	Prepayments	17
C.	Customer Deposits	18
D.	Customer Advances	18
E.	Deferred Income Taxes	19
VII.	Income Statement Adjustments	24
A.	Bad Debt Expense.....	24
B.	Forfeited Discounts	25
C.	Direct Payroll Expense	25
D.	Intercompany Charges	34
E.	Severance	37
F.	Payment Processing Fee	38
G.	Commission Fee.....	39
H.	PHMSA Fee.....	40
I.	Research and Development.....	40
J.	Rate Case Expense	42
K.	GSRS Revenue.....	43
L.	Income Taxes	44
M.	Damage Prevention.....	46
VIII.	Conclusion	47

1 **I. Introduction and Qualifications**

2 **Q. Would you please state your name and business address?**

3 A. My name is Katie L. Figgs. My business address is 1500 Southwest Arrowhead Road,
4 Topeka, Kansas, 66604.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Kansas Corporation Commission (KCC or Commission) as a
7 Managing Auditor.

8 **Q. Would you please describe your educational background and professional**
9 **experience?**

10 A. I received a Bachelor of Business Administration with an emphasis in Accounting from
11 Washburn University in May of 2011. I began employment with the Commission as an
12 Auditor in August 2012 and was promoted to my current position in August 2020.

13 **Q. Have you ever testified before this Commission?**

14 A. Yes. I have filed testimony before the Commission in Docket Nos. 14-ATMG-320-RTS,
15 15-WSEE-115-RTS, 16-ATMG-079-RTS, 18-WSEE-328-RTS, 18-KGSG-560-RTS, 19-
16 EPDE-223-RTS, 23-EKCE-775-RTS, and 24-KGSG-610-RTS. I have also filed testimony
17 for Applications by Rural Local Exchange Carriers to increase their cost-based Kansas
18 Universal Service Fund payments for Docket Nos. 12-LHPT-875-AUD, 13-JBNT-437-
19 KSF, 13-PLTT-678-KSF, 14-S&TT-525-KSF, 15-MRGT-097-AUD, 15-TWVT-213-
20 AUD, 17-RNBT-555-KSF, 19-GNBT-505-KSF, 20-UTAT-032-KSF, 20-BLVT-218-
21 KSF, 22-CRKT-087-KSF, 22-COST-546-KSF, 24-TTHT-343-KSF, and 25-CNHT-185-
22 KSF.

II. Executive Summary

Q. What were your responsibilities in the review of the natural gas distribution rate case filing made by Black Hills/Kansas Gas Utility Company (“Black Hills” or “the Company”) in Docket No. 25-BHCG-298-RTS (“25-298 Docket”) filed on February 3, 2025?

A. My responsibilities as the lead auditor were to analyze, audit, and review Black Hills’ Rate Case Application. I examined the Company’s filing for accuracy and adherence to regulatory accounting principles and issued discovery regarding my assigned sections of the Application. Also, I am supporting selected Staff adjustments to Black Hills’ pro forma income statement in an effort to ensure that the resulting rates are just and reasonable. My duties were carried out under the direction of the Chief of Accounting and Financial Analysis, Chad Unrein.

Q. Please provide a summary of your adjustments.

A. In summary, my testimony recommends the following:

- Staff Rate Base Adjustment No. 5 increases rate base by \$21,200 to update and normalize the balance of materials and supplies;
- Staff Rate Base Adjustment No. 6 increases rate base by \$6,334 to update and normalize the balance of prepayments;
- Staff Rate Base Adjustment No. 7 decreases rate by \$27,348 to update and normalize the balance of customer deposits;
- Staff Rate Base Adjustment No. 8 increases rate base by \$7,166 to update and normalize the balance of customer advances;

- 1 • Staff Rate Base Adjustment No. 9 increases rate base by \$2,860,652 to update
2 Accumulated Deferred Income Tax (ADIT) and Excess Deferred Income Tax
3 (EDIT) balances and adjust ADIT pertaining to bad debt, NOL carryforward, and
4 Commission fees;
- 5 • Staff Income Statement Adjustment No. 10 increases operating income by \$8,751
6 to update bad debt expense to reflect Staff's adjusted revenue and three-year
7 average effective uncollectable rate;
- 8 • Staff Income Statement Adjustment No. 11 decreases operating income by
9 \$130,062 to update forfeited discounts to reflect Staff's adjusted revenue and three-
10 year average forfeited discount rate;
- 11 • Staff Income Statement Adjustment No. 12 increases operating income to update
12 direct payroll and benefit expense to reflect known changes after the test year
13 through February 28, 2025, normalize overtime, standby, and callout pay, and
14 remove financially based incentive compensation awards;
- 15 • Staff Income Statement Adjustment No. 13 decreases operating income by \$95,323
16 to update intercompany charges to reflect known changes to the amount of expenses
17 related to labor and non-labor allocated from Black Hills Service Company (BHSC)
18 through February 28, 2025;
- 19 • Staff Income Statement Adjustment No. 14 increases operating income by
20 \$118,673 to remove severance expense Staff considers inappropriate for ratepayer
21 recovery;

- 1 • Staff Income Statement Adjustment No. 15 increases operating income by \$46,137
2 to adjust expenses for increased payment processing fees based on actual number
3 of transactions in 2024;
- 4 • Staff Income Statement Adjustment No. 16 increases operating income by \$11,793
5 to adjust expenses to reflect CURB and Commission assessment rates and Staff's
6 calculated revenue requirement;
- 7 • Staff Income Statement Adjustment No. 17 increases operating income by \$17,114
8 to remove projected increase of annual PHMSA fee;
- 9 • Staff Income Statement Adjustment No. 18 increases operating income by \$29,864
10 to share membership costs for research and development between ratepayers and
11 shareholders;
- 12 • Staff Income Statement Adjustment No. 21 increases operating income by
13 \$303,949 to adjust rate case expense to reflect the most recent information available
14 and annualize over five years;
- 15 • Staff Income Statement Adjustment No. 22 decreases operating income by
16 \$4,377,414 to remove the revenues collected through the Gas System Reliability
17 Surcharge (GSRS); and
- 18 • Staff Income Statement Adjustment No. 23 increases operating income by
19 \$257,247 to update the research and development tax credits, amortization
20 protected plant EDIT under ARAM for Black Hills and BHSC through February
21 28, 2025.

1 **Q. Please provide the list of Staff witnesses and a brief description of the testimony they**
2 **are sponsoring.**

3 A. **William Baldry**: Mr. Baldry sponsors testimony on selected income statement
4 adjustments, including pension and Other Post-Employment Benefits (OPEB) expense,
5 pension and OPEB Tracker 1, and miscellaneous adjustments.

6 **Daniel Buller**: Mr. Buller sponsors testimony on selected rate base and income statement
7 adjustments, including plant-in-service, accumulated depreciation, Construction Work in
8 Progress (CWIP), depreciation expense, fleet depreciation expense, Data Improvement
9 Integrity Program (DIIP), vegetation management, and line locate expense adjustments.

10 **Lana Ellis**: Dr. Ellis sponsors testimony related to Staff's rate design.

11 **Adam Gatewood**: Mr. Gatewood sponsors testimony on Staff's recommended rate of
12 return on rate base for Black Hills, including the appropriate capital structure, cost of equity,
13 and cost of debt to use for this proceeding.

14 **Robert Glass**: Dr. Glass sponsors testimony regarding Staff's weather normalization and
15 customer annualization, and large volume transport revenues adjustments.

16 **Chad Unrein**: Mr. Unrein sponsors testimony addressing Black Hills' capital investment,
17 its request for a projected revenue requirement through September 30, 2025, its request for
18 an Abbreviated rate case, its inclusion or renewal of its alternative rate making mechanisms
19 and its tariff change for Non-Telemetered Daily Balancing Service charges for transmission
20 customers.

1 **Q. How is the remainder of your testimony organized?**

2 A. The remainder of my testimony is organized as follows:

3 **(1) Overview** – I provide an overview which presents some of the significant components
4 of the rate case and how they differ for Black Hills’ last general rate case. I also discuss the
5 major drivers of Black Hills’ requested rate increase.

6 **(2) Just and Reasonable Review** – I discuss Staff’s revenue requirement analysis. I also
7 present a table of Staff’s adjustments to the pro forma income statement and rate base that
8 define the differences between Staff’s and Black Hills’ recommended revenue requirement.

9 **(3) Rate Base** – I discuss and support my adjustments to Black Hills’ pro forma rate base.

10 **(4) Income Statement** – I discuss and support my adjustments to Black Hills’ pro forma
11 income statement.

12 **(5) Conclusion** – I summarize my recommendations in this Docket and outline the Staff
13 exhibits I am sponsoring.

14 **III. Overview**

15 **Q. Please provide an overview of Black Hills.**

16 A. Black Hills serves approximately 119,500 customers in 65 communities across 50 counties
17 in Kansas. Black Hills’ three regional operations centers are located in Lawrence, Wichita,
18 and Southwest Kansas. Southwest Kansas is further subdivided into service centers located
19 in Dodge City, Garden City, Liberal, and Goodland. The Company’s Kansas operations are
20 widely disbursed through larger communities and in many rural areas. In addition to
21 customers in rural areas, Black Hills serves approximately 34,800 customers in Lawrence,
22 30,500 customers in Wichita, 10,300 customers in Dodge City, 10,700 customers in Garden
23 City, 7,300 customers in Liberal, and 2,300 customers in Goodland.

Q. Please provide an overview of the rate case request as filed by Black Hills.

A. Black Hills' Application, filed February 3, 2025, requests a gross revenue requirement increase of \$21.6 million increase in its natural gas service rates. The net rate impact of this request for customers results in a \$17.2 million increase after rebasing the amounts currently collected through the GSRS.¹ This increase is supported by pro forma revenues of \$63.73 million, pro forma expenses of \$53.98 million, and a pro forma rate base of \$305.95 million. Black Hills has requested a 10.5 percent return on equity and a 7.63 percent overall rate of return (after tax weighted average cost of capital).

The table below summarizes Black Hills' current rate case request and compares the request to the last Black Hills general rate case, Docket No. 21-BHCG-418-RTS (21-418 Docket).

Black Hills' Pro Forma Rate Base, Revenue, Expenses, Income (in Millions)		
Description	21-418 Docket	25-298 Docket
Net Plant	\$263.1	\$356.54
Net Rate Base	\$230.3	\$305.95
Total Operating Revenue	\$52.3	\$63.73
Total Operating Expense	\$44.1	\$53.98
Operating Income	\$8.18	\$9.75

Q. What are the primary drivers of Black Hills' requested rate increase?

A. According to Black Hills testimony, there are several drivers behind Black Hills filing this rate case, including: (1) increase in the Company's operating expense since the 2021 rate proceeding; (2) cost of debt has risen since the 2021 rate proceeding due to inflation, rising bond yields, and refinancing activities; (3) approximately \$118 million spent on capital

¹ The \$17,207,752 net revenue increase (includes \$1,457,265 of Ad Valorem tax expense) is the result of offsetting the \$21,585,167 requested increase by \$4,377,415 already being recovered from ratepayers through the GSRS.

investments since the 2021 rate proceeding; (4) request for continuation of the Gas System Reliability Surcharge (GSRS); (5) abbreviated rate case request; and (6) a deferred accounting tracker request for insurance costs.²

Q. Is Black Hills proposing a change in depreciation rates in this Application?

A. No, the Company is not requesting a change in the current depreciation rates approved by the Commission in the Settlement Agreement of Black Hills last rate case proceeding in 2021.

Q. What is the total rate impact of Black Hills' proposed revenue requirement?

A. While Black Hills requests an overall revenue requirement increase of \$21.6 million, the net impact to customers equates to \$17.2 million as a result of rebasing the amount currently collected from customers associated with the GSRS. Staff has presented its revenue increase in the same manner. The net result being as follows:

Net Rate Impact		
Description	Black Hills	Staff
Base Revenue Requirement Increase	\$21,585,167	\$13,561,650
Percentage Increase in Base Rates	35.77%	22.47%
GSRS Rebased	\$4,377,415	\$4,377,415
Net Revenue Increase to Customers	\$17,207,752	\$9,184,235 ³
Net Percentage Increase	28.51%	15.22%

Q. What test year did Black Hills use in its Application before the Commission?

A. Black Hills' revenue requirement schedules are based on a historical test year of the 12-months ending September 30, 2024.

² See Direct Testimony of Rob Daniel.

³ Staff's calculation of Net Revenue Increase to Customers includes \$1,457,265 of Ad Valorem tax expense.

1 **Q. Please explain the Company's request for an abbreviated rate case following this rate**
2 **case.**

3 A. Black Hills, as discussed by Black Hills' witness Rob Daniels, is requesting an abbreviated
4 rate case pursuant to K.A.R. 82-2-231(b)(3)(A), with the following objectives:

- 5 1. Update plant investments through September 30, 2025,
- 6 2. Seek recovery for plant in service through December 31, 2025, and
- 7 3. Address any other issues that may arise during this rate case proceeding.

8 Staff witness, Chad Unrein, supports an alternative proposal for an Abbreviated rate case
9 that retains Staff's normal process for updating plant in service in this case and inclusion of
10 Black Hills' CWIP in accordance with K.S.A. 66-128 and support for an Abbreviated rate
11 case that would true-up actual CWIP projects that were placed into service by September
12 30, 2025, and update Black Hills' plant in service, accumulated depreciation, ADIT, and
13 depreciation expense through December 31, 2025.

14 **Q. Did Staff use the same test year or perform substantive updates to the test year used**
15 **by Black Hills?**

16 A. Yes, Staff accepted Black Hills' test year and has made adjustments where appropriate to
17 reflect known and measurable changes to the test year through February 28, 2025. This
18 approach is consistent with Staff's audit practices in nearly every major rate case before the
19 Commission for at least twenty years. Updating the test year gives the Commission the
20 ability to set rates for Black Hills that are based on the most current, ongoing costs of service
21 for its utility operations.

Q. What are the results of Staff's revenue requirement analysis?

A. Staff recommends Black Hills be granted a revenue requirement increase of \$13.56 million, a net increase to ratepayers of \$9.18 million, the later of which is comparable to Black Hills' proposed net revenue requirement increase (with GSRS rebased) of \$17.2 million. Staff's Cost of Capital includes a Weighted Average Cost of Capital of 6.94%.⁴ The WACC calculation is supported with Black Hills' actual cost of debt of 4.61% at February 28, 2025, a return on equity of 9.7%, a capital structure consisting of 54.24% debt and 45.76% equity. For future GSRS surcharges, Staff's calculation of the Pre-Tax ROR is 8.12% for the carrying charge. For comparison purposes, the table presented below captures the major differences between Black Hills' and Staff's revenue requirement analysis (the following amounts are presented in millions).

Description	Black Hills' Application	Staff's Filed Position
Total Revenue Increase	\$21.6	\$13.56
Pro Forma Rate Base	\$305.95	\$294.26
Operating Income	\$9.75	\$20.42
Return on Equity (ROE)	10.5%	9.7%
Rate of Return (ROR)	7.63%	6.94%

IV. Just and Reasonable Review

Q. Does Staff contend that Staff's revenue requirement recommendation results in just and reasonable rates?

A. Yes. The result of Staff's revenue requirement recommendation meets the balancing test set forth by the Kansas Supreme Court, which is stated in pertinent part as follows:

The leading cases in this area clearly indicate that the goal should be a rate fixed within the 'zone of reasonableness' after the application of a balancing test in which the interests of all concerned parties are considered. In rate-making cases, the parties whose interests must be considered and balanced are these: (1) the utility's

⁴ See Direct Testimony of Adam Gatewood.

1 investors vs. the ratepayers; (2) the present ratepayers vs. the future ratepayers; and
2 (3) the public interest.⁵
3

4 **(1) Investors vs. ratepayers** – Each Staff adjustment presented below is performed
5 with the intention of producing a revenue requirement that is reflective of Black Hills’
6 ongoing normalized operations. This affords Black Hills (and its investors) the opportunity
7 to earn its authorized return, but not a guarantee. Also, Staff has removed expenses from the
8 cost of service that would be inappropriate to recover from Black Hills ratepayers or are
9 more appropriately shared between ratepayers and shareholders. As discussed in Adam
10 Gatewood’s testimony, Staff’s return on equity recommendation is an accurate reflection of
11 the capital costs currently required in the market for public utility equity and is
12 representative of a just and reasonable return on invested capital.

13 **(2) Current vs. future ratepayers** – Where possible, Staff has attempted to
14 identify any intergenerational issues (such as the proper depreciation techniques and the
15 amortization of non-recurring events to multiple periods) and has made recommendations
16 that appropriately balance the interests of present and future ratepayers.

17 **(3) Public interest generally** – Generally speaking, the public interest is served
18 when ratepayers’ interests are carefully considered and balanced against the interests of
19 management and the shareholders of the utility. This process/review includes protecting
20 ratepayers from unreasonably high prices, discriminatory prices, and/or unreliable service.
21 This also includes assuring that rates are not so low that the utilities that serve those
22 ratepayers are unable to provide reliable service, remain financially stable, and attract
23 capital on reasonable terms. Staff has carefully considered the public interest in developing

⁵ *Kan. Gas and Electric Co. v. State Corp Comm’n*, 239 Kan. 483, 488 (1986).

1 its recommendations presented in this docket and contends that the public interest will be
2 served if its recommendations are adopted by the Commission. Staff's proposed revenue
3 requirement increase will not adversely impact Black Hills' ability to provide efficient and
4 sufficient service, as it is based on Black Hills' ongoing, normalized cost of service, and
5 includes provisions such as updated plant in service balances, payroll, and pension expense
6 for all Black Hills employees as of February 28, 2025, and other updated, current cost of
7 service items. Staff's revenue requirement allows Black Hills sufficient revenues and cash
8 flows to allow it the opportunity to earn its rate of return, but not a guarantee.

9 **Q. What accounts for the differences between Staff's and Black Hills' recommended**
10 **revenue requirement increase?**

11 A. Below is a table consisting of Staff's adjustments and the sponsoring witness. Although
12 the particulars of each adjustment is different, Staff adjustments are generally made in
13 order to correct an error present in Black Hills' Application, to revise a pro forma
14 adjustment to utilize more current known and measurable data, or to remove expenses that
15 Staff contends would not be appropriate to recover from ratepayers. These adjustments are
16 made with the intention that the end result will be a revenue requirement that is in the
17 public interest because it is representative of ongoing, normalized operations and will result
18 in just and reasonable rates for all stakeholders involved. The following table presents the
19 effect of the adjustments on rate base or operating income. For the income statement
20 adjustments presented in the table below, an increase in operating income results in a
21 reduction of the revenue requirement, and vice versa. For instance, Staff's Adjustment No.
22 IS-1 decreases depreciation expense by \$382,830, which increases operating income by the
23 same amount, and increases the revenue requirement accordingly.

Adj No.	Witness	Description	Amount
RB-1	Daniel Buller	Plant-in-Service	(\$20,102,606)
RB-2	Daniel Buller	Accumulated Depreciation	2,498,882
RB-3	Daniel Buller	CWIP	3,471,949
RB-4	Daniel Buller	Gas Storage	(421,363)
RB-5	Katie Figgs	Materials & Supplies	21,200
RB-6	Katie Figgs	Prepayments	6,334
RB-7	Katie Figgs	Customer Deposits	(27,348)
RB-8	Katie Figgs	Customer Advances	7,166
RB-9	Katie Figgs	ADIT	2,860,652
IS-1	Daniel Buller	Depreciation Expense	382,830
IS-2	Daniel Buller	Fleet Depreciation Expense	14,944
IS-3	Daniel Buller	DIIP	250,276
IS-4	Daniel Buller	Vegetation Management	100,000
IS-5	Daniel Buller	Line Locate	53,983
IS-6	Bill Baldry	Advertising	1,487
IS-7	Bill Baldry	Miscellaneous Expense	63,864
IS-8	Bill Baldry	Pension & OPEB Expense	(3,987)
IS-9	Bill Baldry	Pension & OPEB Tracker 1	228,289
IS-10	Katie Figgs	Bad Debt	8,751
IS-11	Katie Figgs	Forfeited Discounts	(130,062)
IS-12	Katie Figgs	Direct Payroll	329,609
IS-13	Katie Figgs	Intercompany Charges	(113,677)
IS-14	Katie Figgs	Severance Expense	118,673
IS-15	Katie Figgs	Payment Processing Expense	46,137
IS-16	Katie Figgs	Commission Fee	11,793
IS-17	Katie Figgs	PHMSA Fee	17,114
IS-18	Katie Figgs	Research & Development	29,864
IS-19	Bob Glass	Weather Norm & Irrigation	2,243,019
IS-20	Bob Glass	Customer Annualization	121,746
IS-21	Katie Figgs	Rate Case Expense	303,949
IS-22	Katie Figgs	GSRS Revenue	(\$4,377,414)
IS-23	Katie Figgs	Income Tax	(257,247)

V. Staff Schedules

Q. Please briefly describe the Staff Schedules you are sponsoring in this Docket.

A. Summary schedules are presented first, with the Schedules showing the derivation of the recommended adjustments following. The elements comprising the proposed revenue requirement are summarized on Staff Schedule REV REQ. Staff's proposed Rate Base is

brought forward from Staff Schedule A-1, Staff Adjusted and Pro Forma Rate Base. Similarly, Staff's adjusted Net Operating Income recommendations are brought forward from Staff Schedule B-1, Staff Adjusted and Pro Forma Operating Income Statement. Staff's cost of capital recommendation is set forth on Staff Schedule C-1, Capital Structure. The Schedules are organized as follows:

<u>Staff Schedule</u>	<u>Explanation</u>
Rev Req	Lists the individual components of Staff's Pro Forma revenue requirement calculation for the Company;
A-1	Test year Rate Base as adjusted by the Company and Staff;
A-2	Lists individual Staff adjustments to the Company's Pro Forma Rate Base;
A-3	Explanation of Staff's adjustments to Rate Base;
B-1	Test year Income Statement as adjusted by the Company and Staff;
B-2	Lists individual Staff adjustments to the Company's Pro Forma Income Statement;
B-3	Explanation of Staff's adjustments to Income Statement;
B-4	Test year Income Taxes as adjusted by the Company and Staff;
B-4-1	Staff's interest expense calculation;
C-1	Company's test year and Staff's adjusted Capital Structure;
C-2	Staff's adjustments to Capital Structure;
C-3	Explanation of Staff's adjustments to Capital Structure.

1 **Q. Prior to discussing the rate base and income statement adjustments, is there anything**
2 **that needs to be addressed?**

3 A. Yes, Staff would like to explain how the Ad Valorem Tax Surcharge Rider (ATSR) effects
4 Staff's recommended revenue requirement in this Docket. Staff is recommending a base
5 revenue requirement increase of \$13,561,650, which includes \$4,377,415 currently being
6 collected in the GSRS. This results in a net revenue increase of \$9,184,235, which includes
7 the ATSR in the amount of \$1,457,265.

8 K.S.A. 66-117(f) allows Kansas public utilities to file annually with the
9 Commission to update expense charged for ad valorem taxes. Accordingly, Black Hills
10 submits an annual ATSR true-up filing to collect increases, or refund decreases, in the Ad
11 Valorem tax incurred by Black Hills when compared to the amount included in the
12 Company's most recent rate case docket before the Commission. In Black Hills' last rate
13 case, Docket No. 21-BHCG-418-RTS, the amount of Ad Valorem tax expense approved
14 to be collected through base rates was \$5,293,400.⁶ According to the most recent Black
15 Hills' ATSR filing, Docket No. 25-BHCG-247-TAR, the current Ad Valorem tax
16 assessments sum to \$7,252,787,⁷ which would increase the amount of ad valorem expense
17 collected through base rates by \$1,959,387.⁸

⁶ *Order Approving Unanimous Settlement Agreement*, Docket No. 21-BHCG-418-RTS, p. 5 (December 30, 2021).

⁷ For purposes of future ATSR filings, \$7,815,966 will be the new benchmark used after the new rates are applicable.

⁸ *Application for Black Hills Energy Ad Valorem Tax Surcharge 2025*, Docket No. 24-BHCG-247-TAR, (December 20, 2024).

VI. Rate Base Adjustments

A. Materials and Supplies

Q. Please begin by discussing Staff Adjustment No. 5 to rate base.

A. Staff Adjustment No. 5 (RB-5) increases Black Hills' rate base by \$21,200.⁹ Staff's adjustment revises one of the components of Black Hills' Adjustment RB-4 related to materials and supplies. Specifically, Black Hills' adjustment normalizes the balance of materials and supplies recorded to Federal Energy Regulatory Commission (FERC) Account Nos. 154 and 163 using a 13-month average for the test year ending September 30, 2024. In support of its adjustment, Black Hills' witness Samantha Johnson states, "[t]his averaging represents the ongoing level of investment necessary to serve customers throughout the year and avoids peaks and valleys in the investment based on timing."¹⁰ After analyzing the trends of the monthly balances of inventory kept on-hand for day-to-day operations, Staff utilized a 13-month average for the period ending February 28, 2025, as it reflects more recent, up-to-date, and known and measurable data for on-going amounts of working capital.

B. Prepayments

Q. Please begin by discussing Staff Adjustment No. 6 to rate base.

A. Staff Adjustment No. 6 (RB-6) increases the Company's rate base by \$6,334.¹¹ This adjustment revises another component of Black Hills' Adjustment RB-4 related to prepayments. Specifically, Black Hills' adjustment normalized the balance of prepayments recorded in FERC Account No. 165 using a 13-month average for the test year ending

⁹ See Exhibit KLF-1.

¹⁰ See Direct Testimony of Samantha Johnson, p. 29-30.

¹¹ See Exhibit KLF-2.

1 September 30, 2024. After analyzing the trends in monthly balances of prepayments for
2 insurance and rents, Staff utilized a 13-month average for the period ending February 28,
3 2025, as it reflects more recent, up-to-date, and known and measurable balances of working
4 capital.

5 **C. Customer Deposits**

6 **Q. Please begin by discussing Staff Adjustment No. 7 to rate base.**

7 A. Staff Adjustment No. 7 (RB-7) decreases Black Hills' rate base by \$27,348.¹² Staff's
8 adjustment normalizes the balance of FERC Account No. 235 for customer deposits
9 utilizing a 13-month average for the period ending February 28, 2025. While Black Hills
10 did not make a similar adjustment in its revenue requirement study, Staff recommends this
11 adjustment as it reflects more recent known and measurable data and synchronizes with
12 Staff's other rate base adjustments.

13 **D. Customer Advances**

14 **Q. Please begin by discussing Staff Adjustment No. 8 to rate base.**

15 A. Staff Adjustment No. 8 (RB-8) increases the Company's rate base by \$7,166.¹³ Staff's
16 adjustment normalizes the balance of FERC Account No. 252 for customer advances
17 utilizing a 13-month average for the period ending February 28, 2025. Like customer
18 deposits, Black Hills did not make an adjustment in this docket to customer advances, thus
19 maintaining the test year balance as representative of the on-going balance. This
20 adjustment is recommended by Staff as it reflects more recent known and measurable data
21 and synchronizes with Staff's other rate base adjustments.

¹² See Exhibit KLF-3.

¹³ See Exhibit KLF-4.

E. Deferred Income Taxes

Q. Please begin by discussing Staff Adjustment No. 9 to rate base.

A. Staff Adjustment No. 9 (IS-9) increases Black Hills' rate base by \$2,860,652.¹⁴ Staff's adjustment updates Black Hills' Adjustment RB-5 concerning ADIT, EDIT, allocated Black Hills Service Company (BHSC) ADIT, and allocated BHSC EDIT, which includes Deferred Tax Assets (DTA) and Liabilities (DTL) (collectively ADIT), Net Operating Loss (NOL) carryforward, and EDIT regulatory liabilities. Black Hills adjusted the test year ending balances to incorporate the following:

1. impact of rolling forward the existing per-book base period plant-related ADIT balances to the end of the pro forma period;
2. impact of the proforma plant additions;
3. impact of plant retirements;
4. adjustments for allocated BHSC plant, including rolling forward the existing per-book base period ADIT balances to the pro forma period, pro forma plant additions and retirements; and
5. impact of pension and retiree healthcare expense, rate case expense, Commission fees, and bad debt expense adjustments.

Q. Please continue by explaining Staff's adjustment.

A. While similar to Black Hills' pro forma adjustments discussed above, Staff's adjustment, identified as RB-9 in Staff's schedules, is comprised of the following:

¹⁴ See Exhibit KLF-5.

1. DTA balances – updated to the 12-months ending February 28, 2025, as well as update to the NOL using “with and without” method, and adjusted for the effect of Staff’s bad debt and Commission fee adjustments.
2. ADIT - Property – updated balances as of February 28, 2025.
3. Regulatory Liabilities - Federal Tax Cuts and Jobs Act (TCJA) EDIT and Kansas EDIT – updated balances as of February 28, 2025, for protected EDIT and cost of removal over Average Rate Assumption Method (ARAM); and reflecting test year balances for non-protected EDIT.¹⁵
4. ADIT – Other (DTL) – updated balances as of February 28, 2025.
5. Other Utility Plant – updated balances as of February 28, 2025.

Q. Please explain Staff’s adjustment to include the net operating loss carryforward.

A. Staff’s adjustment increases Black Hills ADIT balance in the amount of \$2,618,795, related to the NOL carryforward included in the DTA. A net operating loss (NOL) is the result of having more tax deductions than taxable income in a given tax year. Failure to include the portion that is attributable to accelerated depreciation would be inconsistent with the normalization requirements under the Internal Revenue Code¹⁶ and should be determined using the “with and without” method. This methodology compares taxable income or losses with tax depreciation and without tax depreciation, with the difference in the two scenarios being the amount of NOL. Staff calculated the updated amount of NOL to

¹⁵ Black Hills is proposing to continue to refund protected EDIT over ARAM in base rates and non-protected EDIT in the TA Rider.

¹⁶ Internal Revenue Service (IRS) issued Private Letter Ruling (PLR) prescribing the “with and without” methodology with respect to determining the NOL DTA. *PLRs* 8818040, 201436037, 201436038, and 201438003.

1 include in ADIT using the “with and without” method and is detail is Staff Exhibit KLF-
2 5a.

3 **Q. Please explain Staff’s adjustment to address protected and non-protected EDIT.**

4 A. Staff’s adjustment updates the regulatory liabilities balance to the 12 months ending
5 February 28, 2025, related to Federal Tax Cuts and Jobs Act (TCJA). Distinguishing the
6 method in which the liability is returned to ratepayers, TCJA EDIT is classified as: (1)
7 protected plant, (2) non-protected cost of removal over ARAM, (3) non-protected plant,
8 and (4) non-refunded over ARAM.

9 Protected plant TCJA EDIT is the regulatory liability related to tax rate changes in
10 Internal Revenue Code Section 168 related to the accelerated cost recovery system. The
11 normalization rules require that protected EDIT must not be returned more rapidly than
12 amortization over ARAM.¹⁷ Black Hills’ protected plant EDIT and non-protected cost of
13 removal is currently being refunded through base rates over ARAM, as a reduction to
14 income tax expense, as approved in Black Hills’ previous rate case in 2021.¹⁸ Black Hills
15 proposes to continue to collect the protected plant EDIT over ARAM and non-protected
16 cost of removal EDIT over ARAM.

17 Non-Protected EDIT is the regulatory liability related to any other tax rate changes
18 and may be returned to customers in any manner the Commission deems appropriate.
19 Staff’s adjustment removes the test year balances of non-protected plant EDIT and non-
20 refunded over ARAM, as Black Hills has proposed to return to customers outside of base

¹⁷ ARAM is the method under which the excess tax reserve is reduced over the remaining lives of the property as used in the utility’s regulated book of account which gave rise to the reserve for deferred income taxes.

¹⁸ See Order Approving Unanimous Settlement Agreement in Docket No. 21-BHCG-418-RTS (October 8, 2021).

1 rates as a bill credit via the Tax Adjustment (TA) Rider, which is discussed in Staff
2 Adjustment IS-23 related to income tax.

3 **Q. Please explain what ADIT represents.**

4 A. ADIT represents the cumulative tax timing differences between: (1) the actual income
5 taxes reported on a Company's income tax return and paid to taxing authorities, such as
6 the Internal Revenue Service (IRS); and (2) the amount of income tax expense recorded on
7 the Company's books pursuant to Generally Accepted Accounting Principles (GAAP) for
8 financial reporting purposes.¹⁹ The net ADIT balance represents the accumulation of the
9 various years' deferred income tax activity, resulting in either a deferred liability or a
10 deferred asset.²⁰ While there are several contributing factors that impact the ADIT balance,
11 typically the ADIT is a net liability rather than an asset. These timing differences are,
12 however, temporary in nature. A larger deduction for tax purposes lowers the net book
13 taxable income for the Company, which decreases taxes paid. Eventually, the income tax
14 deductions will become smaller compared to the deductions for book purposes, resulting
15 in the Company paying more in income taxes to the government than the income tax
16 expense recorded on its books. Each year the Company pays more in income taxes than it
17 records on its books, the ADIT liability balance will be reduced. Over time, these
18 temporary differences eventually reverse, thereby eliminating the ADIT balance all
19 together as the timing differences are reflected in current tax expense.

¹⁹ In other words, deferred income tax is a result of the difference in income recognition between tax laws (i.e. the IRS) for tax purposes and accounting methods (i.e. GAAP) for book purposes. ADIT represents the accumulated balance of these income tax timing differences at a point in time.

²⁰ A deferred tax liability is created when taxes are recognized on a company's books but has not yet been paid. This represents an underpayment of taxes owed in the future. Conversely, a deferred tax asset is created when taxes are paid or carried forward.

1 **Q. Please explain how ADIT is treated for purposes of ratemaking.**

2 A. For purposes of ratemaking, ADIT either reduces or increases rate base depending on
3 whether the temporary timing difference results in a taxable income that is more than or
4 less than book income. ADIT liabilities are considered a cost-free source of financing. As
5 such, customers should not be required to provide for a return on plant in service that has
6 been funded by the government in the form of temporarily reduced taxes. For this reason,
7 ADIT liabilities are reflected as a rate base offset – that is, a reduction in rate base.
8 Conversely, ADIT assets increase rate base. To the extent taxes have been paid in advance
9 of the time when they are included in cost of service and collected from customers, the
10 Company must borrow money and/or use shareholder funds. The increase to rate base for
11 deferred income tax assets allows shareholders to earn a return on its provided funds until
12 the funds are recovered from customers through rates.

13 **Q. Next, please explain what EDIT represents.**

14 A. EDIT represents the amount a utility has collected from ratepayers to pay future taxes
15 which, as a result of a recent reduction in tax rates, will not be imposed. During the 1980s
16 and up until 2017, the federal income tax rate was higher than it is now. Since ratepayers
17 provided deferred taxes at the rate in effect when the original timing differences were
18 generated, the deferred income taxes were provided at a rate higher than the tax that is
19 expected to be in existence when the timing differences reverse, and the taxes become
20 due.²¹

21 The portion of the ADIT reserve that reflects the difference in tax rates due to
22 accelerated depreciation is referred to as the EDIT. The EDIT represents the amount by

²¹ The Tax Reform Act of 1986, Section 203(e)(2)(A).

1 which the ADIT reserve exceeds the amount it would have contained had the reduction in
2 rates been in effect for every year the property was subject to depreciation. The EDIT is
3 the amount of accelerated depreciation related taxes that have been collected from
4 ratepayers but have not yet been paid by the utility.²²

5
6 **VII. Income Statement Adjustments**

7 **A. Bad Debt Expense**

8 **Q. Please begin by discussing Staff Adjustment No. 10 to the income statement.**

9 A. Staff Adjustment No. 10 (IS-10) to the income statement increases Black Hills' operating
10 income by \$8,751.²³ Staff's adjustment revises Black Hills' Adjustment IS-19 to bad debt
11 expense and will need to be updated as the case progresses to reflect any changes in Staff's
12 revenue requirement position and, ultimately, to reflect the results of the Commission's
13 Final Order. Staff's methodology for calculating bad debt expense utilizes a three-year
14 average of non-gas related net write-offs incurred as a percentage of total retail revenue to
15 calculate a normalized ratio for non-gas bad debt of 0.6444 percent. This percentage is
16 then applied to Staff's pro-forma operating revenues plus the Cost of Gas included in the
17 Test Year to calculate the normalized non-gas-related bad debt expense. Staff's net bad
18 debt write-off percentage calculation is based on updated, actual net write-offs incurred
19 during the three years ending February 28, 2025. Staff's adjustment reflects actual, more
20 updated information to calculate an accurate level of bad debt expense that best reflects
21 Black Hills' cost of service going forward.

²² Revenue Procedure 2020-39, pages 3 and 4.ASC 980-740-25-1.ASC 980-740-25-2.

²³ See Exhibit KLF-6.

B. Forfeited Discounts

Q. Please begin by discussing Staff Adjustment No. 11 to the income statement.

A. Staff Adjustment No. 11 (IS-11) to the income statement decreases Black Hills' operating income by \$130,062.²⁴ Staff's adjustment normalizes forfeited discount revenue based on Staff's revenue calculated in the rate case and will need to be updated as the case progresses to reflect any changes in Staff's revenue requirement position and, ultimately, to reflect the results of the Commission's Final Order. Using recorded retail revenues and forfeited discounts based on the 12-month periods ending February 28, 2023, February 29, 2024, and February 28, 2025, Staff calculated a 3-year average forfeited discount rate of 0.1672 percent. The forfeited discount rate was then applied to Staff's adjusted revenue in this case and compared to the amount of forfeited discounts recorded during the test year. Staff's adjustment reflects updated information to calculate a more accurate, ongoing level of forfeited discounts.

C. Direct Payroll Expense

Q. Please begin by discussing Staff Adjustment No. 12 to the income statement.

A. Staff Adjustment No. 12 (IS-12) to the income statement increases Black Hills' operating income by \$329,609.²⁵ Staff's adjustment revises Black Hills' Adjustment IS-15 regarding direct payroll expense. To determine the ongoing annual payroll and benefits expense for direct Kansas employees, Black Hills' direct payroll expense adjustment is comprised of the following components:

- gross pay based on hourly wages and annual salaries as of November 2, 2024;
- merit increases anticipated for union and non-union employees for 2025;

²⁴ See Exhibit KLF-7.

²⁵ See Exhibit KLF-8.

- overtime, stand-by pay, and call out pay based on test year ending balances;²⁶
- incentive pay representing 100% of targeted payout and benefits;
- 401(k) and retirement contributions based on contribution percentages as of test year ending;
- employee benefits expense for health, life, dental, and Accidental Death & Dismemberment (AD&D) insurance based on the annualization of the actual amounts pulled from employee paychecks for the pay date November 5, 2024; and
- capitalization of total direct payroll expense based on the test year ratio of Operations and Maintenance (O&M) expense.

Q. Before discussing Staff's adjustment to direct payroll expense, please describe Black Hills' philosophy for employee compensation.

A. On pages 3 and 4 of Kris Pontious Direct Testimony, it is stated: "As a company focused on the long-term sustainability of its business, the BHC compensation program is designed to: (1) attract, motivate, retain, and encourage personal and professional development of qualified employees; (2) provide compensation that is market competitive; (3) promote safe and reliable service by attracting and retaining skilled talent; and (4) promote the relationship between pay and performance by appropriately recognizing and rewarding individual employee performance...compensation programs are designed to be externally competitive, internally equitable, motivating, cost effective, and legally compliant."

Q. Please continue by discussing Staff's calculation of direct payroll expense.

²⁶ Black Hills did not adjust the test year expenses associated with overtime, stand-by, and call out pay believing they are representative of annual costs going forward.

1 A. Staff's adjustment to direct payroll expense is constructed with a similar methodology as
2 Black Hills', but incorporates more up-to-date, known and measurable information as of
3 February 28, 2025. Staff calculated an adjusted balance for direct payroll expense that
4 represents on-going annual payroll costs comprised of the following components:

- 5 • gross pay based on hourly wages and annual salaries as of February 28,
6 2025, to account for the merit increases for union and non-union employees
7 for 2025, as well as new employees and separations after the test year;
- 8 • overtime, stand-by pay, and call out pay based on Staff's calculated 3-year
9 average for period ending February 28, 2025, grossed up each year for
10 annual merit increases;
- 11 • incentive pay based on the actual annual payout during the test year and
12 adjusting financial performance payouts (more detail below);
- 13 • 401(k) and retirement contributions based on contribution percentages as
14 of February 28, 2025;
- 15 • insurance costs for health, life, dental, and AD&D insurance based on the
16 annualization of the actual amounts pulled from employee paychecks for
17 the pay date November 5, 2024; and
- 18 • capitalization of total direct payroll expense based on 3-year average ratio
19 for O&M expense.

20 **Q. Please continue by discussing Staff's calculation of the incentive compensation**
21 **component of direct payroll expense.**

22 A. Staff calculated the amount of incentive compensation to include in the cost of service
23 based on the amount of Annual Incentive Plan (AIP) actually earned during the test year

1 and reflects Staff's policy recommendation to remove the amount of Short-Term Incentive
2 Plan (STIP) compensation paid to officers that is financially performance-based, 50% of
3 officer equity compensation expense associated with restricted stock units, and 100% of
4 the officer equity compensation expense associated with performance-based units.

5 **Q. Please describe Black Hills' employee incentive compensation program.**

6 A. Black Hills' employee incentive compensation program consists of the AIP, STIP, and
7 Long-Term Incentive Plan (LTIP). According to the Company, "...variable compensation
8 programs benefit customers because they allow BHC to hire, recognize and retain skilled
9 employees, directly affecting its ability to provide safe, reliable service to
10 customers...those benefits include improvements in customer experience, reduced line hits
11 which reduce outages, and reduced days away from work all leading to reductions or
12 avoidance of operating costs."²⁷

13 **Q. Please describe the annual incentive plan in more detail.**

14 A. The AIP provides all employees below a Director level position, with the exception of
15 interns and temporary employees, the opportunity to earn additional compensation based
16 upon financial and non-financial performance targets that pay out as a percentage of the
17 incentive calculation from 0% to 150% of the target. In other words, the actual amount of
18 variable compensation awarded could be above or below the target. Performance metrics
19 and goals are reviewed and revised on an annual basis and are determined utilizing market
20 data. For 2025, Black Hills established the following performance metrics and weightings:

21 Earnings per Share (EPS) – 30%
22 Cost per Customer – 20%
23 Timeliness of Incident Reporting – 7.5%
24 Average Safety Events per Employee – 7.5%
25 Day Away, Restricted, or Transferred (DART) – 5%

²⁷ See Direct Testimony of Kris Pontious, p. 6 and 7.

Hits per Thousand (HPT) – 5%
System Average Interruption Duration Index (SAIDI) – 5%
Customer Satisfaction – 2.5%
Customer Effort – 7.5%
Diversity – 5%
Employee Engagement Survey participation - 5%

Q. Please describe the STIP in more detail.

A. The STIP is applicable to employees with Director level positions and above, providing an annual cash incentive based on the same performance metrics and goals as the AIP discussed above.

Q. Why does Staff propose to eliminate 30 percent of the expense related to executive STIP compensation?

A. The financially based payout metric related to the STIP has a 30% weighting for earnings per share. The incentive to grow earnings per share benefits shareholders more directly than ratepayers and could even incent behavior that is detrimental or harmful to ratepayers over time. In effect, as earnings increase outside of a rate case, the amount of STIP expense increases. This growth in earnings between rate cases benefits shareholders more than customers. If the STIP is successful at incenting the growth of earnings per share between rate cases, then shareholders will be handsomely rewarded and should pay for the expense necessary to produce that benefit. Therefore, Staff removed the portion of the payout that was based on financial metrics.

Q. Please continue by describing the long-term incentive plan.

A. The equity-based compensation offered by Black Hills includes two types of LTIP equity awards to vice presidents and above: (1) restricted stock and (2) performance share awards. The Black Hills' Compensation Committee oversees this plan and approves all LTIP grants

1 and awards on an annual basis. As stated in its Proxy Statement, Black Hills' executive
2 LTIP compensation is designed to "focus executive performance on sustained long-term
3 results that drive or are based on shareholder value creation."²⁸

4 Restricted stock units vest solely with the passage of time and only become viable
5 if the executive remains employed with the Company three years from the vesting period.
6 The performance-based units vest three years from the date of grant, subject to the payout
7 percentages based on Black Hills' Total Stockholder Return (TSR) performance relative to
8 its peer group during the same three-year period.

9 **Q. Please explain why Staff is eliminating one-half of the restricted stock awarded.**

10 A. The restricted stock units vest after three years of service with the Company. This assists
11 in the retention of qualified executives and encourages executives to perform in a way that
12 is conducive to the long-term health and growth of the Company. Ratepayers and
13 stockholders benefit when the Company maintains its viability and grows over the long
14 term. Since both parties benefit, it is reasonable for ratepayers and stockholders to share
15 equally in this portion of executive compensation.

16 **Q. Please explain why Staff is proposing to eliminate 100 percent of the expense related**
17 **to the performance-based units?**

18 A. Staff recommends eliminating 100% of the expense associated with the performance-based
19 portion of the LTIP because the award is provided in the form of performance-based units
20 in which the criteria used to establish the payout amount is solely financial in nature.
21 Staff's concern with this portion of the plan is similar to the concern expressed above
22 regarding the STIP in which the participants are focused purely on shareholder returns to

²⁸ Black Hills Proxy Statement (2024). Section 13 (Proxy Statement). p. 30.

1 the potential detriment of ratepayers. This is a consequence of designing a plan which
2 causes participants to focus solely on financial performance measures instead of
3 concentrating on a broad range of financial and operational measures more likely to benefit
4 ratepayers and shareholders alike. Staff believes having participants focusing on a single
5 financial measure results in an over-weighting of a participant's focus on the financial
6 aspects of the Company's business compared to operational functions. Performance-based
7 restricted stock units clearly benefit shareholders more directly than ratepayers (if
8 ratepayers receive any direct benefit at all); therefore, Staff contends this component should
9 be funded entirely by shareholders.

10 **Q. Please explain how the Commission has historically treated executive incentive**
11 **compensation.**

12 A. Staff examined the elements of Black Hills' incentive compensation packages awarded
13 during the test year. The recommendations made by Staff were under the framework
14 approved by the Commission in Kansas City Power & Light's (KCP&L) rate case Docket
15 No. 10-KCPE-415-RTS (10-415 Docket). In that case, Staff recommended, and the
16 Commission ordered, a disallowance from rates of 50% of time-based restricted stock
17 expense, and 100% of performance-based restricted stock expense. The Commission Order
18 in that case stated the following:

19 In examining employee incentive compensation programs, the Commission will
20 consider how criteria are weighted between operational and financial measures.
21 Incentive compensation awards tied to the Company's financial interests will
22 improve the profitability of the company and, as a result, benefit shareholders more
23 than ratepayers.²⁹
24

²⁹ Order: 1) Addressing Prudence; 2) Approving Application, in Part; & 3) Ruling on Pending Requests, Docket No. 10-KCPE-415-RTS, p. 46 (Nov. 22, 2010).

1 In approving Staff's recommendation in the case, the Commission found the
2 following:

3 The Commission approves allowances of executive incentive compensation plan
4 expenses as recommended by Staff and agreed to by KCPL. The Commission finds
5 Staff's rationale for its adjustments properly balances the interests of ratepayers and
6 shareholders. The incentive programs developed by KCPL provide measurable
7 incentives. To the extent these incentives cause executives to focus singularly on
8 financial aspects of the business rather than operational, shareholders should be
9 responsible for those payouts. The Commission allows the inclusion of executive
10 incentive in operating expenses as recommended by Staff.³⁰
11

12 Since the Commission's decision in the 10-415 Docket, Staff has analyzed
13 incentive compensation expenses in accordance with this framework in every investor-
14 owned utility rate case to come before the Commission. Likewise, in Docket No. 19-
15 ATMG-525-RTS (19-525 Docket), the Commission again reaffirmed the decision
16 regarding incentive compensation in its Order which states:

17 The Commission concludes there is no reason to revisit its prior decisions on
18 incentive compensation. Likewise, the Commission concludes there is no reason to
19 revisit its decision announced in the 10-415 Docket to disallow incentive programs
20 that focus on the financial aspect, rather than operational aspects. Accordingly, the
21 Commission reaffirms its intent to disallow the costs of management incentive
22 programs that focus on financial criteria. The Commission adopts Staff's
23 recommendation to remove 100% of Atmos's short term Management Incentive
24 Plan expenses, 50% of the time lapse portion of the Long Term Incentive Plan, and
25 100% of the expense associated with the Performance Based portion of the Long
26 Term Incentive Plans allocated to Atmos's Kansas operations. Pursuant to K.S.A.
27 77-415(b), the Commission designates this paragraph as precedential.³¹
28

29 **Q. Please explain Black Hills' request for recovery of executive incentive compensation.**

30 A. Black Hills presents additional facts in this case believing they demonstrate that all
31 elements of compensation are a necessary and prudent cost of providing utility service to

³⁰ *Ibid*, pp. 50-51.

³¹ *Order on Atmos Energy Corporation's Application for a Rate Increase*, 19-525 Docket, p. 17, paragraph 46 (Feb. 24, 2020).

1 customers and inviting the Commission to consider setting a new precedent in this
2 proceeding regarding the treatment of incentive compensation. Black Hills asserts that the
3 total employee compensation package, which includes base pay and incentives, would be
4 significantly less competitive without the incentive plan component. The Company
5 maintains that offering competitive compensation packages not only attracts and retains
6 skilled employees but are structured to benefit customers directly and indirectly with
7 employees focusing on safety, efficiency, and customer satisfaction. Black Hills
8 specifically states: “Variable incentives motivate, recognize and reward employees and are
9 based on clearly defined performance metrics and goals. BHC’s compensation package is
10 well-crafted and drives employee focus and performance, enhancing both the
11 organization’s financial strength and operations. BHC constantly evaluates compensation
12 for market competitiveness. If incentive compensation is disallowed, employee total
13 compensation would fall below the market median.”³² Consequently, Black Hills proposes
14 that the Commission allow full recovery of its incentive compensation.

15 **Q. Does Staff agree with the Company’s position regarding treatment of incentive**
16 **compensation?**

17 A. No, Staff does not agree that ratepayers should share the burden of financially-based
18 incentive compensation. Black Hills’ executive incentive compensation is designed to
19 incent behaviors which are far more financially beneficial to, and focused on, shareholders
20 rather than ratepayers. Staff does not find any reason to justify amending the
21 Commission’s presidential order concerning recovery of financially-based incentive
22 compensation from ratepayers. Therefore, consistent with past Commission Orders

³² See Direct Testimony of Kris Pontious, p. 18.

1 disallowing these expenses, Staff recommends removing the incentive compensation tied
2 to financial metrics.

3 **Q. Please continue by identifying and explaining the exhibits containing the components**
4 **of Staff's payroll adjustment.**

5 A. The following exhibits attached to my testimony provide support and calculation for Staff's
6 payroll adjustment:

- 7 • **Exhibit KLF-8** – Staff's summary of total direct payroll expense adjustment.
- 8 • **Exhibit KLF-8a** – Staff's summary of total direct payroll expense adjustment
9 by FERC Account.
- 10 • **Exhibit KLF-8b** – Details Staff's adjustment to Black Hills' direct employees
11 base wages, 401(k) contributions, retirement contributions, and insurance costs
12 for health, life, dental, and AD&D insurance through February 28, 2025.
- 13 • **Exhibit KLF-8c** – Calculates Staff's 3-year average of overtime, stand-by, and
14 call out pay.
- 15 • **Exhibit KLF-8d** – Calculates Staff's changes and updates to direct employee
16 incentive compensation.

17 **D. Intercompany Charges**

18 **Q. Please continue by discussing Staff Adjustment No. 13 to the income statement.**

19 A. Staff Adjustment No. 13 (IS-13) to the income statement decreases operating income by
20 \$95,323.³³ Staff's adjustment updates and revises Black Hills Adjustment IS-18 related to
21 intercompany charges, which are allocated expenses from BHSC, consisting of shared
22 labor and employee benefits, shared insurance premiums, and pooled medical benefit costs.

³³ See Exhibit KLF-9.

1 Costs incurred by BHSC to provide shared services support for Black Hills are allocated
2 using the current Cost Allocation Manual (CAM). Black Hills' adjustment is comprised
3 of the following components:

- 4 • Updated CAM allocation factors to be applied to the *Pro Forma* period expenses
5 so the CAM calculations utilized in computing the new rates for BHSC match the
6 *Pro Forma* period expenses in the revenue requirement;
- 7 • Labor related adjustments including annualization of labor expense after the 2025
8 merit increases and promotions, based upon payrates at March 1, 2025, and
9 adjusting the AIP and STIP payout to 100% of target;
- 10 • Insurance premiums are adjusted to reflect the estimated new contract rates for
11 operations insurance, property insurance and general business insurance; and
- 12 • Pooled medical benefit costs are adjusted to reflect the 2025 level of expense.

13 **Q. How does Staff's adjustment related to intercompany charges differ from Black Hills**
14 **pro forma intercompany charges calculation?**

15 A. Staff's adjustment is consistent with Black Hills' methodology; however, Staff utilizes
16 more up-to-date, known and measurable information as of February 28, 2025. Staff
17 calculated an adjusted balance for intercompany charges, which include labor and non-
18 labor expenses, that represents on-going annual allocated costs contained in the following
19 components:

- 20 • Update labor related costs by annualizing actual data for the months of January
21 and February 2025, to account for updates to the cost allocations, 2025 merit
22 increases, as well as changes in employment after the test year;

- incentive pay based on the actual annual payout during the test year and removing financial performance payouts (more detail below);
- update non-labor related costs to the 12-months ending February 28, 2025 and adjust for updated cost allocations; and
- increase insurance premiums to reflect new contract rates for operations, property, and general business insurance.

Q. Please explain Staff's calculation of allocated BHSC labor costs.

A. First, Staff calculated the amount of allocated labor to include in the cost of service by annualizing recorded actuals for January and February 2025. This calculation updates labor cost by reflecting the updated CAM factors, 2025 merit increases, new hires and separations, and promotions since the end of the test period. In addition, Staff adjusted incentive compensation to remove the amount of AIP and STIP awarded above the 100% target paid out during the test period.

Q. Please explain Staff's calculation of allocated BHSC non-labor costs.

A. Staff updates the amount of allocated non-labor costs to actual balances 12 months ending February 28, 2025. Staff's adjustment also reflects the updated CAM factors by applying the percentage of change from Black Hills' non-labor CAM update. Staff adjusted for the CAM update for the months of October, November, and December 2024, due to the new CAM being effective in January 2025. Additionally, Staff adjusted for increases to allocated BHSC insurance premiums to reflect the most updated contract rates for operations, property, and general business insurance.

1 **Q. Please continue by identifying and explaining the exhibits containing the components**
2 **of Staff's intercompany charges adjustment.**

3 A. The following exhibits attached to my testimony provide support and calculation for Staff's
4 intercompany charges adjustment:

- 5 • **Exhibit KLF-9** – Staff's summary of total intercompany charges adjustment.
- 6 • **Exhibit KLF-9a** – Details Staff's adjustment to intercompany labor.
- 7 • **Exhibit KLF-9b** – Details Staff's adjustment to intercompany incentive
8 compensation.
- 9 • **Exhibit KLF-9c** – Details Staff's adjustment to intercompany non-labor.
- 10 • **Exhibit KLF-9d** - Details Staff's adjustment to intercompany insurance
11 expense.

12 **E. Severance**

13 **Q. Please continue by discussing Staff Adjustment No. 14 to the income statement.**

14 A. Staff Adjustment No. 14 (IS-14) to the income statement increases operating income by
15 \$118,673.³⁴ Staff's adjustment revises Black Hills' Adjustment IS-21 regarding severance
16 expense associated with employee position eliminations during the test year in the amount
17 of \$144,989. Black Hills' normalization of severance expense is based on an average of
18 the 3-year period ending September 30, 2024. Staff's adjustment removes the remaining
19 amount of severance expense from the test year. Staff views severance payments as one-
20 time, non-recurring expenses; therefore, these costs should not be included in the cost of
21 service since it is not representative of on-going expenses. Additionally, Staff's adjusted
22 payroll expense already accounts for all known changes to employment expense through

³⁴ See Exhibit KLF-10.

February 28, 2025. Therefore, Staff contends it would be inappropriate for ratepayers to pay for both current employees of the Company, and to pay for the severance costs included in the cost of service for former employees of the Company.

Q. Please explain how Staff has historically treated severance expenses in rate cases.

A. Staff has consistently recommended that test year severance expenses should be removed from the cost of service providing the same rationale stipulated in this docket. In KGS's most recent rate case, Docket No. 24-KGSG-610-RTS, Staff recommended a similar adjustment to remove test year severance expenses maintaining a similar argument. Staff also made this recommendation in Evergy's last approved rate case before the Commission, in Docket No. 23-EKCE-775-RTS. Therefore, consistent with previous rate cases before the Commission, Staff recommends removing the severance payments made during the test year.

F. Payment Processing Fee

Q. Please continue by discussing Staff Adjustment No. 15 to the income statement.

A. Staff Adjustment No. 15 (IS-15) increases Black Hills' operating income by \$46,137.³⁵ Staff's adjustment revises Black Hills' Adjustment IS-22 regarding an increase to the fees associated with processing credit and debit card payments for customers to pay their monthly gas bills. Black Hills' adjustment consists of two components; (1) an out-of-period adjustment to account for invoice coding errors and timing differences, and (2) an adjustment to reflect an increase to the fee charged per transaction, as well as a projected increase in the number of transactions. Black Hills' witness Samantha Johnson states: "This adjustment allows customers the convenience of paying their bill with a credit or

³⁵ See Exhibit KLF-11.

1 debit card without the customer incurring separate fees. Customers increasingly want the
2 convenience of this payment method, without a separate service fee, and the fees associated
3 with card processing are reduced per transaction when they are paid by the utility rather
4 than by individual customers paying bills.”³⁶

5 Staff’s adjustment follows the same general methodology with the exception of the
6 second component that calculates a projected increase in the number of transactions. Staff
7 calculated the increase in transaction fees by using the actual number of transactions
8 processed during 2024, rather than project the number of transactions based on the year-
9 over-year average increase in number of transactions.

10 **G. Commission Fee**

11 **Q. Please continue by discussing Staff Adjustment No. 16 to the income statement.**

12 A. Staff Adjustment No. 16 (IS-16) increases Black Hills’ operating income by \$11,793.³⁷
13 Staff’s adjustment revises Black Hills’ Adjustment IS-24 increasing O&M expense related
14 to: (1) Citizens Utility Rates Board (CURB) and Commission assessment fees; and (2) test
15 year docket fees. Quarterly assessment fees are charged to the Company by CURB and the
16 Commission based on total Company revenues. To calculate the increase in regulated
17 assessment fees, Staff applies the current assessment rates³⁸ from the most recent invoices
18 related to the CURB assessment fee (Docket No. 25-ALLB-028-ASM) and the
19 Commission costs assessment fee (Docket No. 25-ALLX-029-ASM) to Staff’s calculated
20 incremental revenue requirement for this rate case. This adjustment will need to be updated

³⁶ See Direct Testimony of Samantha Johnson, p. 46.

³⁷ See Exhibit KLF-12.

³⁸ Assessment rates from the most recent invoices related to the Citizens Utility Rates Board Assessment Fee Docket 25-ALLB-028-ASM and the Commission Costs Assessment Fee Docket 25-ALLX-029-ASM.

as the case progresses to reflect any changes in Staff's revenue requirement position and, ultimately, to reflect the results of the Commission's Final Order.

H. PHMSA Fee

Q. Please continue by discussing Staff Adjustment No. 17 to the income statement.

A. Staff Adjustment No. 17 (IS-17) increases Black Hills' operating income by \$17,114.³⁹ Staff's adjustment removes the effect of Black Hills Adjustment IS-26 regarding an anticipated increase to the annual Pipeline and Hazardous Materials Safety Administration (PHMSA) fees. Black Hills' adjustment calculates a 3-year average annual increase in the amount of 10.66% by averaging the per mile cost (unit price) stated on the PHMSA invoices for 2022, 2023, and 2024. This average percentage is then applied to the most recent PHMSA invoice amount to calculate the estimated increase in PHMSA fees. Staff's adjustment reverses Black Hills' adjustment since the fee is based on a projected increase and is not known and measurable.

I. Research and Development

Q. Please continue by discussing Staff Adjustment No. 18 to the income statement.

A. Staff Adjustment No. 18 (IS-18) increases Black Hills' operating income by \$29,864.⁴⁰ Staff's adjustment revises Black Hills' Adjustment IS-27 regarding research and development fees that the Company is proposing to include in the cost of service. Black Hills' adjustment includes membership costs in the amount of \$0.50 per customer multiplied by the average number of customers in the test year.⁴¹

³⁹ See Exhibit KLF-13.

⁴⁰ See Exhibit KLF-14.

⁴¹ Determined by the average number of monthly bills from the billing determinants.

1 **Q. Please explain the membership costs related to research and development.**

2 A. Black Hills is requesting to include the cost of membership for the Operations Technology
3 Development (OTD) organization, which is a member-controlled partnership of natural gas
4 distribution companies. On page 14 of Nick Smith’s Direct Testimony, it states: “OTD is
5 a not-for-profit organization focused on developing, testing, and implementing new
6 technologies to improve the safety, reliability, and environmental stewardship of natural
7 gas distribution systems. Through its membership in OTD, Black Hills is one of many
8 entities engaged with OTD, and their research partners. Black Hills joins with other natural
9 gas distribution companies to address shared challenges, leverage collective expertise, and
10 develop innovative solutions to the benefit of the natural gas industry and their customers.”

11 **Q. Please explain how the funding of OTD’s research benefit Kansas customers.**

12 A. Black Hills currently uses a project that was funded through OTD called the Locusview
13 Digital Construction Management (DCM) Application. This DCM Application is used on
14 every construction site by Black Hills in all natural gas distribution states within their
15 service territory. The Membership with OTD will allow Black Hills to proactively develop
16 and implement technologies that improve operational efficiency, reliability, and safety
17 while also helping to promote environmental preservation.

18 **Q. Please explain Staff’s position on investing in research and development.**

19 A. Staff agrees that investing in research and development is beneficial for both the Company
20 and rate payers, and therefore, the cost of membership should be shared equally between
21 shareholders and customers. Please see Ashlyn Hefley’s Direct Testimony for further
22 discussion on Staff’s position regarding the benefits of these costs.

1 **J. Rate Case Expense**

2 **Q. Please continue by discussing Staff Adjustment No. 21 to the income statement.**

3 A. Staff Adjustment No. 21 (IS-21) increases Black Hills' operating income by \$303,949.⁴²
4 Staff's adjustment revises Black Hills' Adjustment IS-20 requesting to recover its rate case
5 expenses from this proceeding and related expenses incurred in conjunction with two
6 previous proceedings, consisting of the following:

- 7 • estimated total cost of the current rate case in the amount of \$700,000 and then
8 amortized over a three-year period;
- 9 • Anadarko Acquisition Expenses as approved in Docket No. 21-BHCG-418-RTS,
10 in the amount of \$19,154 then amortized over 1.25 years; and
- 11 • 2021 KS Gas Rate Review 3rd Party Expenses as approved in Docket No. 21-
12 BHCG-418-RTS, in the amount of \$155,484 then amortized over 1.25 years.⁴³

13 Staff's adjustment revises rate case expense by updating Black Hills' estimated
14 expenses using actual amounts incurred for this Docket by the Company, provided to Staff
15 at the time of filing this testimony, and by Staff and CURB through April 18, 2025. In
16 addition, Staff includes the amount of previous rate case expense yet to be recovered to
17 calculate the total amount of rate case expense and then amortized over five years. If the
18 previous rate case expense was amortized over only 1.25 years, Black Hills would continue
19 to recover that amount until the next rate case. Staff recommends updating the amount of
20 rate case expense included in this case as actual known and measurable costs become
21 available.

⁴² See Exhibit KLF-15.

⁴³ Black Hills is proposing a 15-month amortization period, 1.25 years, for the recovery of the prior rate case expenses as this timeframe is the remaining months included in the original amortization schedule of these expenses from Docket No. 21-BHCG-418-RTS.

1 **Q Please explain why Staff is proposing a five-year amortization period for rate case**
2 **expense.**

3 A. Generally, Staff considers the most appropriate amortization period for rate case expense
4 be the average number of years between the company's previously filed rate case filings.
5 Black Hills filed the last two rate cases in the years 2014 (Docket No. 14-BHCG-502-RTS)
6 and 2021 (Docket No. 21-BHCG-418-RTS), therefore, Staff is recommending an
7 amortization period of 5 years for this rate proceeding.

8 **K. GSRS Revenue**

9 **Q. Please continue by discussing Staff Adjustment No. 22 to the income statement.**

10 A. Staff Adjustment No. 22 (IS-22) decreases Black Hills' operating income by \$4,377,414.⁴⁴
11 Staff's adjustment revises Black Hills Adjustment IS-9 to include the amount of GSRS
12 incremental revenue that will be collected as approved in its most recent GSRS filing
13 Docket No. 24-BHCG-727-TAR. Staff's adjustment removes the incremental GSRS
14 revenue as well as the amount of GSRS revenue included in the test year.

15 Per K.S.A. 66-2203, a natural gas public utility is required to have filed a general
16 rate case proceeding within the last 60 months to remain eligible for the Commission to
17 approve the utility's GSRS filing. The filing of this rate case Application extends the
18 Commission's ability to approve future Black Hills GSRS filings and effectively resets the
19 timeframe for eligible GSRS filings. The GSRS revenues and associated assets currently
20 being collected through the GSRS have been "rolled in" to base rates in this proceeding.

⁴⁴ See Exhibit KLF-16.

Subsequent to rates being approved and becoming effective pursuant to the Commission's final order in this proceeding, the GSRS will be reset to zero.⁴⁵

L. Income Taxes

Q. Please continue by discussing Staff's adjustment to income taxes.

A. Staff Adjustment No. 23 (IS-23) increases operating income by \$257,247. Staff's adjustment is shown in its revenue requirement Schedule B-4, which reflects the effects on income taxes related to Staff's adjustments to rate base, income statement, interest expense, and capital structure. This adjustment will need to be updated for any changes made by the Commission to Staff's adjustments.

Q. Please continue by discussing Staff's adjustment within Schedule B-4 of Staff's filed revenue requirement schedules.

A. Within Staff's revenue requirement schedules filed in this rate case proceeding, Schedule B-4 details the calculation of Staff's total adjusted income tax expense to be included in the cost of service. Staff's adjustment decreases federal income taxes in the amount of \$146,620⁴⁶ as a result of updating the balances to the 12-months ending February 28, 2025, for the following components: (1) research and development tax credits; (2) amortization of EDIT related to protected plant; and (3) amortization of EDIT related to BHSC plant.

Q. Please explain the EDIT related refund to customers through the TA Rider.

A. Between January 2022 and December 2024, the amount of \$9,020,533 in non-protected EDIT has been refunded to customers.⁴⁷ Since the previous Black Hills rate case, there

⁴⁵ See the Direct Testimony of Chad Unrein for further analysis of the removal of GSRS from Staff's schedules.

⁴⁶ See Exhibit KLF-17.

⁴⁷ Protected EDIT is currently being refunded through base rates over the ARAM, as stated in the Settlement Agreement approved in the 2021 rate case.

1 has been additional non-protected federal EDIT. Black Hills' is required to make a final
2 true-up determination pursuant to its tariff for any over- or under-refunded amounts of non-
3 protected EDIT. The Company will file a change in the method of accounting for tax repair
4 deductions on its 2024 federal income tax return in October 2025. This change will
5 reclassify some of the protected EDIT to non-protected EDIT.

6 **Q. Please explain the change in accounting for tax repair deductions.**

7 A. In April 2024, the IRS released Revenue Procedure 2023-15 to provide a safe harbor
8 method (NGSH) that taxpayers may use to determine whether to deduct or capitalize
9 expenditures to repair, maintain, replace, or improve natural gas transmission and
10 distribution property, resulting in more tax deductions. Black Hills calculated a true-up
11 adjustment for tax repairs using the new method going back to the year tax repair
12 deductions were claimed. Therefore, the EDIT related to tax depreciation deductions
13 during 2008 through 2017, are now reassigned as tax repair deductions and are no longer
14 protected EDIT.

15 **Q. How did Black Hills propose to return the additional non-protected EDIT to**
16 **customers?**

17 A. The exact amount of non-protected EDIT that needs to be returned will not be known and
18 measurable until Black Hills files its federal income tax return in October 2025.⁴⁸ As a
19 result, the Company does not reflect a pro forma adjustment in its revenue requirement
20 filed in this Application. Black Hills proposes to remove the non-protected EDIT for tax
21 repair deductions from rate base and refund the EDIT to customers through the TA Rider,
22 similar to the refund of non-protected EDIT in the prior rate case, beginning November 1,

⁴⁸ Black Hills estimates the amount of non-protected EDIT to be returned to customer to be between \$2.7 and \$3.3 million.

2025, through April 30, 2026. As a result, customers would receive refunds during the winter heating season when bills are typically higher with increased usage. The Company isn't proposing to make changes to its TA Rider at this time but plans to include a red-lined version of its proposed TA Rider revisions in rebuttal testimony.⁴⁹

Q. Please discuss Staff's position on Black Hills' proposal to refund the non-protected EDIT through the TA Rider.

A. Staff recommends refunding the amount of non-protected EDIT through the TA Rider as Black Hills proposed in this docket. After Black Hills files its 2024 income tax return and the amounts are finalized, a true-up adjustment will be made in the TA Rider. The Company proposes this true-up adjustment occur prior to the first month of refunds being given to customers. If time does not allow for a true-up prior to November 1, 2025, the Company proposes to true-up the final EDIT amount at the end of the refund period, after April 30, 2025.

M. Damage Prevention

Q. Please discuss Staff's position on Black Hills Adjustment IS-28 regarding damage prevention expense.

A. Black Hills Adjustment IS-28 increases expenses for necessary additional funding to advertise and promote public awareness concerning the "call before you dig" program in the state of Kansas. This includes expenses for media campaigns promoting damage prevention through social media and community events. Supporting Black Hills' position, witness Nick Smith states: "By implementing a comprehensive damage prevention program awareness and education campaign, Black Hills aims to reduce these incidents,

⁴⁹ See Direct Testimony of Rob Daniels, p. 23.

enhance public and employee safety, and minimize service disruptions.”⁵⁰ Responding to CURB Data Request No. 65, Black Hills further argues: “All parties benefit from the enhanced safety, reliability, and cost savings that come from a reduction in third party damages to the Company’s natural gas system. Fewer excavation damages reduce the frequency and risk of gas leaks and while minimizing service interruptions and lowering operational expenses.”

Staff agrees with Black Hills’ position to include in the cost of service, additional funding to educate the public about safety and preventing damage when digging. Please see Ashlyn Hefley’s Direct Testimony for further discussion on Staff’s position regarding the requirements for recovering these costs.

VIII. Conclusion

Q. Does that conclude your testimony?

A. Yes, thank you.

SUMMARY OF EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
KLF-1	Work paper for Materials & Supplies Adjustment
KLF-2	Work paper for Prepayments Adjustment
KLF-3	Work paper for Customer Deposits Adjustment
KLF-4	Work paper for Customer Advances Adjustment
KLF-5	Work paper for ADIT and EDIT
KLF-5(a)	Detail paper for NOL Carryforward

⁵⁰ See Direct Testimony of Nick Smith, p. 16.

1	KLF-6	Work paper for Bad Debt Adjustment
2	KLF-7	Work paper Forfeited Discounts Adjustment
3	KLF-8	Work paper for Direct Payroll Adjustment
4	KLF-8(a)	Detail paper for Direct Payroll Adjustment
5	KLF-9	Work paper for Intercompany Charges Adjustment
6	KLF-9(a)	Detail paper for Intercompany Labor
7	KLF-9(b)	Detail paper for Intercompany Incentive Compensation
8	KLF-9(c)	Detail paper for Intercompany Non-Labor
9	KLF-9(d)	Detail paper for Intercompany Insurance Expense
10	KLF-10	Work paper for Severance Expense Adjustment
11	KLF-11	Work paper for Payment Processing Fee Adjustment
12	KLF-12	Work paper for Commission Fee Adjustment
13	KLF-13	Work paper for PHMSA Fee Adjustment
14	KLF-14	Work paper for Research & Development Adjustment
15	KLF-15	Work paper for Rate Case Expense Adjustment
16	KLF-16	Work paper for GSRS Revenue
17	KLF-17	Work paper for Amortized EDIT

Black Hills/Kansas Gas Utility Company, LLC
Materials Supplies
Rate Base Adjustment No. 5
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-1

Line No.	Description	Account No. 154	Account No. 163	Total Materials and Supplies
1	February 2024	\$ 2,395,528	\$ 441,542	\$ 2,837,070
2	March 2024	2,438,060	455,340	2,893,400
3	April 2024	2,329,917	450,033	2,779,950
4	May 2024	2,490,308	490,730	2,981,038
5	June 2024	2,466,154	390,801	2,856,955
6	July 2024	2,515,471	441,612	2,957,083
7	August 2024	2,604,513	376,918	2,981,431
8	September 2024	2,467,083	390,585	2,857,668
9	October 2024	2,507,889	425,260	2,933,149
10	November 2024	2,445,364	516,058	2,961,422
11	December 2024	2,391,457	472,785	2,864,242
12	January 2025	2,463,529	578,245	3,041,774
13	February 2025	2,399,655	619,152	3,018,807
14	Staff's updated 13 month average			\$ 2,920,307
15	Staff's Adjustment			62,639
16	Black Hills Adjustment			41,439
17	Staff's Total Adjustment to Materials & Supplies			\$ 21,200

Sources:

Section 6 Schedule 1
KSG Direct Exhibit SKJ-2 Schedule F-1
Update DR KCC-116 Trial Balance

Prepayments

Rate Base Adjustment No. 6

Test Year Ending September 30, 2024

Line No.	Description	Prepaid Insurance Account No. 165002	Prepaid Other Account No. 165012	Prepaid Dues & Subscriptions Account No. 165020	Total Prepaid Expense Account No. 165000
1	February 2024	\$ 25,546	\$ 13,170	\$ 9,479	\$ 48,195
2	March 2024	20,251	1,075	8,125	29,451
3	April 2024	14,956	29,292	6,771	51,019
4	May 2024	9,661	32,383	5,417	47,461
5	June 2024	4,366	14,762	4,063	23,191
6	July 2024	52,651	12,999	2,708	68,359
7	August 2024	46,674	22,444	1,354	70,472
8	September 2024	40,696	7,800	-	48,496
9	October 2024	80,421	21,252	-	101,673
10	November 2024	71,876	10,626	-	82,502
11	December 2024	63,332	-	-	63,332
12	January 2025	54,788	18,070	-	72,858
13	February 2025	46,244	9,035	-	55,279
14	Staff's updated 13 month average				\$ 58,637
15	Staff's Adjustment				10,141
16	Black Hills Adjustment				3,807
17	Staff's Total Adjustment to Prepayments				\$ 6,334

Sources:

Section 6 Schedule 1

KSG Direct Exhibit SKJ-2 Schedule F-1

Update DR KCC-118

Black Hills/Kansas Gas Utility Company, LLC
Customer Deposits
Rate Base Adjustment No. 7
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-3

Line No.	Description	Customer Deposits
1	February 2024	\$ 1,131,751
2	March 2024	1,134,056
3	April 2024	1,136,881
4	May 2024	1,130,417
5	June 2024	1,116,513
6	July 2024	1,111,554
7	August 2024	1,096,793
8	September 2024	1,090,806
9	October 2024	1,094,790
10	November 2024	1,110,953
11	December 2024	1,122,564
12	January 2025	1,135,655
13	February 2025	1,123,273
14	Staff's 13 month average	<u>\$ 1,118,154</u>
15	Staff's Total Adjustment to Customer Deposits	<u><u>\$ 27,348</u></u>

Sources:

Section 3 Schedule 2

KSG Direct Exhibit SKJ-2 Schedule C-1

Update DR KCC-119

Black Hills/Kansas Gas Utility Company, LLC
Customer Advances
Rate Case Adjustment No. 8
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-4

Line No.	Description	Customer Advances
1	February 2024	\$ 506,474
2	March 2024	506,474
3	April 2024	506,474
4	May 2024	506,474
5	June 2024	506,945
6	July 2024	506,945
7	August 2024	506,945
8	September 2024	506,945
9	October 2024	506,945
10	November 2024	506,945
11	December 2024	506,945
12	January 2025	506,945
13	February 2025	415,670
14	Staff's 13 month average	<u>\$ 499,779</u>
15	Staff's Adjustment to Customer Advances	<u><u>\$ (7,166)</u></u>

Sources:

Section 3 Schedule 2

KSG Direct Exhibit SKJ-2 Schedule C-1

Update DR KCC-120

Line No.	Account & Description	Test Year Ended September 30, 2024	Black Hills' Pro Forma Adjustments	Black Hills' Adjusted Total	For the Period Ended February 28, 2025	Update to February	Staff's Pro Forma Adjustments	Staff's Adjusted Total	Staff's Total Adjustment
Deferred Income Tax Assets									
1	190300 - DTA LT - VACATION:	\$ 107,390	\$ -	\$ 107,390	\$ 118,580	\$ 11,190	\$ -	\$ 118,580	\$ 11,190
2	190300 - DTA LT - BAD DEBT RESERVE:	576,298	39,458	615,756	720,815	144,517	37,621	758,436	142,679
3	190300 - DTA LT - EMPLOYEE GROUP INSURANCE:	26,999	-	26,999	34,274	7,275	-	34,274	7,275
4	190300 - DTA LT - AIP BONUS:	172,079	-	172,079	22,046	(150,034)	-	22,046	(150,034)
5	190300 - DTA LT - WORKMANS COMP:	(45,485)	-	(45,485)	(40,601)	4,884	-	(40,601)	4,884
6	190300 - DTA LT-OTHER:	2,533,810	-	2,533,810	2,359,431	(174,380)	-	2,359,431	(174,380)
7	190300 - DTA LT-RETIREE HEALTHCARE:	-	-	-	-	-	-	-	-
8	190300 - DTA LT-TAX ON TAX FED GROSS UP - TCJA	83,263	(95,094)	(11,830)	745	(82,518)	-	745	12,575
9	190300 - DTA LT-PERFORMANCE PLAN:	0	-	0	0	0	-	0	0
10	190300 - DTA LT-LINE EXTENSION DEP GAS:	162,933	-	162,933	143,966	(18,967)	-	143,966	(18,967)
11	190300 - DTA LT-PENSION FAS 87:	(403,647)	(2,599)	(406,246)	(386,797)	16,850	-	(386,797)	19,449
12	190300 - DTA LT-PENSION FAS 158 LIAB:	1,086,907	(1,086,907)	-	-	-	-	-	-
13	190300 - DTA LT-RET HLTH FAS158 LIAB:	141,642	(141,642)	-	-	-	-	-	-
14	190300 - DTA LT-NOL CARRYFORWARD:	(1)	2,380,166	2,380,165	-	1	2,618,790	2,618,790	238,624
15	190300 - DTA LT-INS RESERVE LIAB:	1	-	1	(0)	(1)	-	(0)	(1)
16	190300 - DTA LT - ALT FUEL VEHICLE CREDIT:	50,000	-	50,000	50,000	-	-	50,000	-
17	190300 - DTA LT - R&D CREDIT:	549,676	-	549,676	614,049	64,373	-	614,049	64,373
18	190300 - DTA LT - PUC FEES:	83,215	4,592	87,808	69,211	(14,004)	1,360	70,572	(17,236)
19	190998 - DTA LT - SVC CO FAS 109 OTHER:	72,966	-	72,966	70,192	(2,775)	-	70,192	(2,775)
20	Subtotal Deferred Income Tax Assets	\$ 5,198,048	\$ 1,097,975	\$ 6,296,023	\$ 3,775,910	\$ (193,589)	\$ 2,657,770	\$ 6,433,680	\$ 137,657
Accelerated Deferred Income Taxes - Property									
21	282300 - DEF TAX PROPERTY LT-ACCELERATED DEP:	\$ (42,182,475)	\$ (6,207,968)	\$ (48,390,443)	\$ (45,475,272)	\$ (3,292,798)	\$ -	\$ (45,475,272)	\$ 2,915,170
22	282300 - DEF TAX PROPERTY LT-CWIP:	218,644	-	218,644	177,660	(40,984)	-	177,660	(40,984)
23	282300 - DEF TAX PROPERTY LT-OTHER PROPERTY:	177,660	-	177,660	84,377	(93,284)	-	84,377	(93,284)
24	Subtotal Accelerated Deferred Income Taxes - Property	\$ (41,786,171)	\$ (6,207,968)	\$ (47,994,139)	\$ (45,213,236)	\$ (3,427,065)	\$ -	\$ (45,213,236)	\$ 2,780,903
Regulatory Liabilities - Federal TCJA EDIT									
25	254015 - PROTECTED PROPERTY RB	\$ (12,189,693)	\$ 221,880	\$ (11,967,814)	\$ (11,962,694)	\$ 226,999		\$ (11,962,694)	\$ 5,120
26	254015 - NON-PROTECTED COST OF REMOVAL - ARAM	724,243	(13,753)	710,489	804,932	80,689		804,932	94,443
27	254015 - NON-PROTECTED PROPERTY RB_PT	(386,997)	386,997	-	-	-		-	-
28	254015 - NON-REFUNDED ARAM	\$142,296	(142,296)	-	-	-		-	-
29	Subtotal Regulatory Liabilities	\$ (11,710,151)	\$ 452,827	\$ (11,257,324)	\$ (11,157,762)	\$ 307,689	\$ -	\$ (11,157,762)	\$ 99,562
Regulatory Liabilities - Kansas EDIT									
30	254015 - REG LIAB EXCESS DEF STATE	\$ (752,105)	\$ 752,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	Subtotal Regulatory Liabilities	\$ (752,105)	\$ 752,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Line No.	Account & Description	Test Year Ended September 30, 2024	Black Hills' Pro Forma Adjustments	Black Hills' Adjusted Total	For the Period Ended February 28, 2025	Update to February	Staff's Pro Forma Adjustments	Staff's Adjusted Total	Staff's Total Adjustment
Accumulated Deferred Income Taxes - Other									
32	283300 - DTL LT - PREPAID EXPENSES:	\$ (10,168)	\$ -	\$ (10,168)	\$ (11,593)	\$ (1,424)	\$ (1,330)	\$ (12,923)	\$ (2,755)
33	283300 - DTL LT-RETIREE HEALTHCARE:	(143,491)	(3,669)	(147,159)	(155,495)	(12,005)		(155,495)	(8,336)
34	283300 - DTL DEFERRED REGULATORY	-	-	-	(4,161)	(4,161)	-	(4,161)	(4,161)
35	Subtotal Accumulated Deferred Income Taxes - Other	\$ (153,659)	\$ (3,669)	\$ (157,328)	\$ (171,250)	\$ (17,591)	\$ (1,330)	\$ (172,580)	\$ (15,252)
Other Utility Plant									
36	282998 - BHSC ALLOC DEF TAX PROPERTY-LT ACCELERATED DEP	\$ (1,221,469)	\$ 10,619	\$ (1,210,850)	\$ (1,311,554)	\$ (90,085)	\$ -	\$ (1,311,554)	\$ (100,705)
37	254998 - BHSC ALLOC REG LIAB EDIT PROTECTED PROPERTY	(331,068)	50,555	(280,513)	(319,029)	12,039	-	(319,029)	(38,516)
38	254998 - BHSC ALLOC REG LIAB EDIT NONPROTECTED PROPERTY	(13,970)	4,816	(9,154)	(12,913)	1,057	-	(12,913)	(3,759)
39	Subtotal Other Utility Plant	\$ (1,566,507)	\$ 65,990	\$ (1,500,516)	\$ (1,643,496)	\$ (76,989)	\$ -	\$ (1,643,496)	\$ (142,980)
40	Total Other Rate Base Items - Tax	\$ (50,770,545)	\$ (3,842,740)	\$ (54,613,285)	\$ (54,409,834)	\$ (3,407,545)	\$ 2,656,440	\$ (51,753,394)	\$ 2,859,891

Sources: DR#110

Black Hills/Kansas Gas Utility Company, LLC.
ADIT and EDIT
Rate Base Adjustment No. 9
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-5a

Line No.	Description	With Accelerated Depreciation	Without Accelerated Depreciation
	Adjusted Pretax Income		
1	Utility Op Income	\$22,931,311	22,931,311
2	Less synchronized interest	(7,356,535)	(7,356,535)
3	Adjusted Pretax Income	15,574,776	15,574,776
	Permanent and Temporary Differences		
4	Book & Tax Difference Accelerated Depreciation	(28,614,929)	
5	Other Perm Differences	61,393	61,393
6	Other Temp Differences on Stmt K	508,327	508,327
7	Total Permanent and Temporary Differences	(28,045,208)	569,720
8	Taxable Income / (NOL)	(12,470,432)	16,144,497
9	190300.DT4165 DTA LT - NOL Carryforward	(1)	(1)
10	DTA-NOL Fed @21%	2,618,791	-
11	190300.DT4165 DTA LT - NOL Carryforward as of 09/30/2024		(1)
12	DTA- NOL for Pro Forma Period		\$ 2,618,790

Black Hills/Kansas Gas Utility Company, LLC
Bad Debt
Income Statement Adjustment No. 10
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-6

Line No.	Description	Amount
1	March 2022 - February 2023 Net Write-Offs	\$ 855,680
2	March 2023 - February 2024 Net Write-Offs	1,229,749
3	March 2024 - February 2025 Net Write-Offs	<u>718,892</u>
4	Average Net Write Offs	\$ 934,774
5	March 2022 - February 2023 Billed Revenues	\$ 184,522,765
6	March 2023 - February 2024 Billed Revenues	125,210,902
7	March 2024 - February 2025 Billed Revenues	<u>125,458,469</u>
8	Average Billed Revenue	\$ 145,064,045
9	Average Effective Uncollectible Rate (3 year average)	0.6444%
10	Adjusted Revenue	\$ 134,397,409
11	Net Write Off Calculated	\$ 866,039
12	904 - Uncollectible Accounts	<u>\$ 686,894</u>
13	Staff's Adjustment	\$ 179,145
14	Black Hills Adjustment	\$ 187,896
15	Total Adjustment - Uncollectible Accounts FERC 904	<u>\$ (8,751)</u>

Sources:
KSG-SKJ RRS IS-19_Sched H-9 WP 25
DR#144

Black Hills/Kansas Gas Utility Company, LLC.
Forfeited Discounts
Income Statement Adjustment No. 11
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-7

Line No.	Description	Amount
1	March 2022 - February 2023 Forfeited Discounts	\$ 93
2	March 2023 - February 2024 Forfeited Discounts	422,734
3	March 2024 - February 2025 Forfeited Discounts	<u>359,459</u>
4	Average Forfeited Discounts	260,762
5	March 2022 - February 2023 Billed Revenues	\$ 196,285,475
6	March 2023 - February 2024 Billed Revenues	140,681,457
7	March 2024 - February 2025 Billed Revenues	<u>130,885,267</u>
8	Average Billed Revenue	\$ 155,950,733
9	Average Forfeited Discount Rate (3 year average)	0.1672%
10	Adjusted Revenue	\$ 121,735,471
11	Net Forfeited Discounts Calculated	\$ 203,551
12	487 - Forfeited Discounts	<u>\$ 333,613</u>
13	Total Adjustment - Forfeited Discounts FERC 487	<u><u>\$ (130,062)</u></u>

Black Hills/Kansas Gas Utility Company, LLC.
Direct Payroll
Income Statement Adjustment No. 12
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-8

Line No.	Account & Description	Test Year Per Book Total	FERC Account Allocator %	Black Hills' Adjusted Payroll Expense	Black Hills' Adjustment to Payroll Expense	Staff's Adjusted Payroll Expense	Staff's Adjustment to Payroll Expense
1	Production and Gathering						
2	Operation						
3	750 - Operation Supervision & Engineering	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
4	752 - Gas Wells Expense	-	0.00%	-	-	-	-
5	753 - Field Line Expense	-	0.00%	-	-	-	-
6	754 - Field Compressor Station Expense	-	0.00%	-	-	-	-
7	755 - Field Compressor Station Fuel and Power	-	0.00%	-	-	-	-
8	756 - Field Measuring & Regulating Station Expense	-	0.00%	-	-	-	-
9	757 - Purification Expense	-	0.00%	-	-	-	-
10	758 - Gas Well Royalties	-	0.00%	-	-	-	-
11	759 - Other Expenses	-	0.00%	-	-	-	-
12	760 - Rents	-	0.00%	-	-	-	-
13	Total Production Operation Expenses	\$ -		\$ -	\$ -	\$ -	\$ -
	Maintenance						
14	761 - Maintenance Supervision & Engineering	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
15	762 - Maintenance of Structures & Improvements	-	0.00%	-	-	-	-
16	763 - Maintenance of Producing Gas Wells	-	0.00%	-	-	-	-
17	764 - Maintenance of Field Lines	-	0.00%	-	-	-	-
18	765 - Maintenance of Field Compressor Station Equipment	-	0.00%	-	-	-	-
19	766 - Maintenance of Field Measuring & Regulating Station Equipment	-	0.00%	-	-	-	-
20	767 - Maintenance of Purification Equipment	-	0.00%	-	-	-	-
21	Total Production Maintenance Expenses	\$ -		\$ -	\$ -	\$ -	\$ -
	Other Gas Supply Expense						
	Operation						
22	804 - Natural Gas City Gate Purchase	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
23	805 - Other Gas Purchases	-	0.00%	-	-	-	-
24	805.1 - Purchased Gas Cost Adjustments	-	0.00%	-	-	-	-
25	805.2 - Financial Gas Cost Adj	-	0.00%	-	-	-	-
26	806 - Exchange Gas	-	0.00%	-	-	-	-
27	808 - Gas Storage-Gas Ops	-	0.00%	-	-	-	-
28	808.1 - Withdrawals from Storage	-	0.00%	-	-	-	-
29	808.2 - Gas Delivered to Storage	-	0.00%	-	-	-	-
30	812 - Gas Used for Other Utility Operation	-	0.00%	-	-	-	-
31	813 - Other Gas Supply Expense	-	0.00%	-	-	-	-
32	Total Other Gas Supply Expense	\$ -		\$ -	\$ -	\$ -	\$ -

Black Hills/Kansas Gas Utility Company, LLC.
Direct Payroll
Income Statement Adjustment No. 12
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-8

Line No.	Account & Description	Test Year Per Book Total	FERC Account Allocator %	Black Hills' Adjusted Payroll Expense	Black Hills' Adjustment to Payroll Expense	Staff's Adjusted Payroll Expense	Staff's Adjustment to Payroll Expense
Underground Storage Expense							
Operation							
33	814 - Operation Supervision & Engineering	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
34	816 - Wells Expense	-	0.00%	-	-	-	-
35	817 - Lines Expense	-	0.00%	-	-	-	-
36	818 - Compressor Station Expense	-	0.00%	-	-	-	-
37	819 - Compressor Station Fuel and Power	-	0.00%	-	-	-	-
38	820 - Storage - Measuring & Regulating Station Expense	-	0.00%	-	-	-	-
39	821 - Purification Expense	-	0.00%	-	-	-	-
40	824 - Other Expenses	-	0.00%	-	-	-	-
41	826 - Rents	-	0.00%	-	-	-	-
42	Total Operation Underground Storage Expense	\$ -		\$ -	\$ -	\$ -	\$ -
Maintenance							
43	830 - Maintenance Supervision & Engineering	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
44	832 - Maintenance of Reservoirs & Wells	-	0.00%	-	-	-	-
45	833 - Maintenance of Lines	-	0.00%	-	-	-	-
46	834 - Maintenance of Compressor Station Equipment	-	0.00%	-	-	-	-
47	835 - Maintenance of Measuring & Regulating Station Equipment	-	0.00%	-	-	-	-
48	836 - Maintenance of Purification Equipment	-	0.00%	-	-	-	-
49	Total Maintenance Underground Storage Expense	\$ -		\$ -	\$ -	\$ -	\$ -
50	Total Underground Storage Expense	\$ -		\$ -	\$ -	\$ -	\$ -
Transmission Expense							
Operation							
51	850 - Operation Supervision & Engineering	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
52	851 - System Control & Load Dispatching	1,053	0.01%	1,125	72	1,094	(31)
53	852 - Communication System Expenses	733	0.01%	783	50	762	(22)
54	853 - Compressor Labor & Expense	-	0.00%	-	-	-	-
55	856 - Mains Expense	45,526	0.51%	48,643	3,117	47,300	(1,343)
56	857 - Measuring & Regulating Station Expense	1,809	0.02%	1,933	124	1,880	(53)
57	859 - Other Expenses	729	0.01%	778	50	757	(21)
58	860 - Rents	-	0.00%	-	-	-	-
59	Total Operation	\$ 49,850		\$ 53,263	\$ 3,413	\$ 51,792	\$ (1,471)

Black Hills/Kansas Gas Utility Company, LLC.
Direct Payroll
Income Statement Adjustment No. 12
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-8

Line No.	Account & Description	Test Year Per Book Total	FERC Account Allocator %	Black Hills' Adjusted Payroll Expense	Black Hills' Adjustment to Payroll Expense	Staff's Adjusted Payroll Expense	Staff's Adjustment to Payroll Expense
Maintenance							
60	861 - Maintenance Supervision & Engineering	\$ 20,237	0.23%	\$ 21,623	\$ 1,386	\$ 21,025	\$ (597)
61	862 - Maintenance of Structures & Improvements	3,485	0.04%	3,724	239	3,621	(103)
62	863 - Maintenance of Mains	1,948	0.02%	2,082	133	2,024	(57)
63	864 - Maintenance of Compressor Station Equipment	-	0.00%	-	-	-	-
64	865 - Maintenance of Measuring & Regulating Station Equipment	1,194	0.01%	1,276	82	1,241	(35)
65	866 - Maintenance of Communication Equipment	4,049	0.05%	4,326	277	4,206	(119)
66	867 - Maintenance of Other Equipment	-	0.00%	-	-	-	-
67	Total Maintenance	\$ 30,913		\$ 33,030	\$ 2,117	\$ 32,118	\$ (912)
68	Total Transmission Expense	\$ 80,763		\$ 86,293	\$ 5,530	\$ 83,909	\$ (2,383)
Distribution Expense Operation							
69	870 - Dist. Operating and Supervision Engineering	\$ 467,888	5.25%	\$ 499,922	\$ 32,035	\$ 486,116	\$ (13,807)
70	871 - Dist. Load Dispatching	1,049	0.01%	1,121	72	1,090	(31)
71	872 - Compressor Station Labor & Expense	-	0.00%	-	-	-	-
72	873 - Distr Fuel/Power Compr Station	-	0.00%	-	-	-	-
73	874 - Oper./Inspect Underground Dist. Mains - Gas	1,248,737	14.02%	1,334,233	85,496	1,297,384	(36,849)
74	875 - Dist. Measuring & Regulating Station Expense - General	328,033	3.68%	350,492	22,459	340,812	(9,680)
75	876 - Dist. Measuring & Regulating Station Expense - Industrial	20,365	0.23%	21,759	1,394	21,159	(601)
76	877 - Measuring & Regulating Station Expense - City Gate Check Station	110,467	1.24%	118,030	7,563	114,770	(3,260)
77	878 - Oper./Inspect Meters & Collect Data - Gas	589,804	6.62%	630,186	40,382	612,782	(17,404)
78	879 - Dist. Customer Installation Expense	469,300	5.27%	501,431	32,131	487,582	(13,849)
79	880 - Dist. Ops. Other Expenses	917,619	10.30%	980,445	62,826	953,368	(27,078)
80	881 - Dist. Oper. Rents	-	0.00%	-	-	-	-
81	Total Operation	\$ 4,153,262		\$ 4,437,620	\$ 284,359	\$ 4,315,062	\$ (122,558)
Maintenance							
82	885 - Dist. Maint. Supervision & Engineering	\$ 70,297	0.79%	\$ 75,109	\$ 4,813	\$ 73,035	\$ (2,074)
83	886 - Maintenance of Structures & Improvements	-	0.00%	-	-	-	-
84	887 - Perf. Underground Distribution Line Maintenance - Gas	380,397	4.27%	406,442	26,044	395,217	(11,225)
85	888 - Dist. Maint. of Compressor Station Equipment	50,077	0.56%	53,505	3,429	52,027	(1,478)
86	889 - Maintenance of Measuring & Regulating Station Expense -General	61,561	0.69%	65,776	4,215	63,959	(1,817)
87	890 - Dist. Maint. of Measuring & Regulating Station Equip - Industrial	67,856	0.76%	72,502	4,646	70,499	(2,002)
88	891 - Maintenance of Measuring & Regulating Station - City Gate Check Stn.	143,640	1.61%	153,475	9,835	149,236	(4,239)
89	892 - Dist. Maint. of Services	212,632	2.39%	227,190	14,558	220,915	(6,275)
90	893 - Dist. Maint. of Meters & House Regulators	441,520	4.96%	471,749	30,229	458,721	(13,029)
91	894 - Dist. Maint. of Other Equipment	39,035	0.44%	41,707	2,673	40,556	(1,152)
92	Total Maintenance	\$ 1,467,014		\$ 1,567,455	\$ 100,441	\$ 1,524,165	\$ (43,290)
93	Total Distribution Expense	\$ 5,620,276		\$ 6,005,076	\$ 384,800	\$ 5,839,227	\$ (165,848)

Black Hills/Kansas Gas Utility Company, LLC.
Direct Payroll
Income Statement Adjustment No. 12
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-8

Line No.	Account & Description	Test Year Per Book Total	FERC Account Allocator %	Black Hills' Adjusted Payroll Expense	Black Hills' Adjustment to Payroll Expense	Staff's Adjusted Payroll Expense	Staff's Adjustment to Payroll Expense
Customer Account Expenses							
Operation							
94	901 - Customer Accounts Supervision	\$ 87,774	0.99%	\$ 93,784	\$ 6,010	\$ 91,194	\$ (2,590)
95	902 - Meter Reading Expense	278,991	3.13%	298,093	19,102	289,860	(8,233)
96	903 - Customer Record & Collection Expense	190,646	2.14%	203,699	13,053	198,073	(5,626)
97	904 - Uncollectible Accounts	-	0.00%	-	-	-	-
98	905 - Miscellaneous Customer Accounts Expense	18,159	0.20%	19,402	1,243	18,866	(536)
99	Total Customer Account Expense	<u>\$ 575,571</u>		<u>\$ 614,978</u>	<u>\$ 39,407</u>	<u>\$ 597,994</u>	<u>\$ (16,984)</u>
Customer Service and Information Expenses							
Operation							
100	907 - Supervision	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
101	908 - Customer Assistance Expense	-	0.00%	-	-	-	-
102	909 - Informational/Instructional Advertising Expense	-	0.00%	-	-	-	-
103	910 - Miscellaneous Cust Serv & Inform Expense	-	0.00%	-	-	-	-
104	Total Customer Srvc & Inform Exp.	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sales Expenses							
Operation							
105	911 - Supervision	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
106	912 - Demonstrating and Selling Expense	-	0.00%	-	-	-	-
107	913 - Advertising Expenses	4,825	0.05%	5,155	330.34	5,013	(142)
108	916 - Miscellaneous Sales Expense	-	0.00%	-	-	-	-
109	Total Sales Expense	<u>\$ 4,825</u>		<u>\$ 5,155</u>	<u>\$ 330</u>	<u>\$ 5,013</u>	<u>\$ (142)</u>
Administrative & General Expense							
Operation							
110	920 - Administrative & General Salaries	\$ 443,332	4.98%	\$ 473,685	\$ 30,353	\$ 460,603	\$ (13,082)
111	921 - Office Supplies & Expense	-	0.00%	-	-	-	-
112	922 - Administrative Expense Transferred-Cr	-	0.00%	-	-	-	-
113	923 - Outside Services Employed	-	0.00%	-	-	-	-
114	924 - Property Insurance	-	0.00%	-	-	-	-
115	925 - Injuries and Damages	-	0.00%	-	-	-	-
116	926 - Employee Pensions and Benefits	1,989,361	22.33%	2,125,565	136,204.24	2,066,861	(58,704)
117	927 - Franchise Requirements	-	0.00%	-	-	-	-
118	928 - Regulatory Commission Expense	-	0.00%	-	-	-	-
119	929 - Duplicate Charges - Credit	-	0.00%	-	-	-	-
120	930.1 - General Advertising Expense	-	0.00%	-	-	-	-
121	930.2 - Miscellaneous General Expense	-	0.00%	-	-	-	-
122	931 - Rents	-	0.00%	-	-	-	-
123	Total Operation	<u>\$ 2,432,693</u>		<u>\$ 2,599,250</u>	<u>\$ 166,558</u>	<u>\$ 2,527,464</u>	<u>\$ (71,786)</u>
Maintenance							
124	932 - Maintenance of General Plant	\$ 193,287	2.17%	\$ 206,521	\$ 13,234	\$ 200,817	(5,704)
125	Total Administrative & General Exp	<u>\$ 2,625,980</u>		<u>\$ 2,805,771</u>	<u>\$ 179,792</u>	<u>\$ 2,728,281</u>	<u>\$ (77,490)</u>
126	Total Operating & Maintenance Exp	<u>\$ 8,907,415</u>	100%	<u>\$ 9,517,272</u>	<u>\$ 609,858</u>	<u>\$ 9,254,424</u>	<u>\$ (262,848)</u>

Black Hills/Kansas Gas Utility Company, LLC.

Docket No. 25-BHCG-298-RTS

Direct Labor

Exhibit KLF-8a

Income Statement Adjustment No. 12

Test Year Ending September 30, 2024

Line No.	Description	Test Year Direct Labor Per Book	Black Hills' Adjusted Labor	Staff's Adjusted Labor
1	Base Pay	\$ 5,161,971	\$ 6,253,943	\$ 6,155,228
2	Other	1,066,917	891,286	785,455
3	Benefits	925,388	1,165,382	1,154,584
4	401K	1,064,595	644,534	615,290
5	AIP	604,948	540,300	530,659
6	STIP	44,079	21,827	13,209
7	Equity Comp	27,088	-	
8	LTIP	12,428	-	
9	Total Adjusted Labor	\$ 8,907,414	\$ 9,517,273	\$ 9,254,425

Line No.	Description	12-months ending February 28, 2023	12-months ending February 28, 2024	12-months ending February 28, 2025	3 Year Average
	<u>Overtime Labor</u>				
10	Union	77,251	59,818	55,271	64,113
11	NonUnion	1,063,438	548,042	615,413	742,298
	<u>Standby Labor</u>				
12	Union	38,056	36,418	37,888	37,454
13	NonUnion	351,053	333,007	342,755	342,272
	<u>Callout Labor</u>				
14	Union	52,230	39,709	33,129	41,689
15	NonUnion	113,383	84,596	77,592	91,857
16	Other Labor	1,508	84,596	1,336	29,147
17	Total Other Pay	1,696,919	1,186,185	1,163,384	1,348,829

Black Hills/Kansas Gas Utility Company, LLC.
Intercompany Charges
Income Statement Adjustment No. 13
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-9

Line No.	Account & Description	Test Year Expenses	Black Hills' Adjusted Total	Staff's Adjusted Total	Staff's Adjustment
Transmission Expense					
Operation					
1	850 - Operation Supervision & Engineering	\$ 180,821	\$ 181,608	171,315	(10,293)
2	851 - System Control & Load Dispatching	221	230	3,464	3,234
3	852 - Communication System Expenses	329	319	372	54
4	853 - Compressor Labor & Expense	-	-	(1)	-
5	856 - Mains Expense	-	662	-	(662)
6	857 - Measuring & Regulating Station Expense	-	-	(1)	-
7	859 - Other Expenses	214,039	214,039	226,774	12,735
8	860 - Rents	-	-	(1)	-
9	Total Operation	\$ 395,410	\$ 396,857	\$ 401,922	\$ 5,068
Maintenance					
10	861 - Maintenance Supervision & Engineering	\$ -	\$ 49	-	(49)
11	862 - Maintenance of Structures & Improvements	-	-	(1)	-
12	863 - Maintenance of Mains	(142)	(142)	0	142
13	864 - Maintenance of Compressor Station Equipment	-	-	-	-
14	865 - Maintenance of Measuring & Regulating Station Equipment	-	-	-	-
15	866 - Maintenance of Communication Equipment	-	-	-	-
16	867 - Maintenance of Other Equipment	-	-	-	-
17	Total Maintenance	\$ (142)	\$ (93)	\$ (1)	\$ 93
18	Total Transmission Expense	\$ 395,267	\$ 396,764	\$ 401,921	\$ 5,161
Distribution Expense					
Operation					
19	870 - Dist. Operating and Supervision Engineering	\$ 968,437	\$ 931,567	879,549	(52,019)
20	871 - Dist. Load Dispatching	-	15	-	(15)
21	872 - Compressor Station Labor & Expense	(567)	(559)	-	559
22	873 - Distr Fuel/Power Compr Station	-	-	(1)	-
23	874 - Oper./Inspect Underground Dist. Mains - Gas	1,035	1,012	501	(511)
24	875 - Dist. Measuring & Regulating Station Expense - General	-	-	-	-
25	876 - Dist. Measuring & Regulating Station Expense - Industrial	-	-	-	-
26	877 - Measuring & Regulating Station Expense - City Gate Check Station	-	-	-	-
27	878 - Oper./Inspect Meters & Collect Data - Gas	-	-	-	-
28	879 - Dist. Customer Installation Expense	-	-	-	-
29	880 - Dist. Ops. Other Expenses	8,150	8,264	39,050	30,785
30	881 - Dist. Oper. Rents	9,025	9,025	7,219	(1,807)
31	Total Operation	\$ 986,080	\$ 949,325	\$ 926,316	\$ (23,007)

Black Hills/Kansas Gas Utility Company, LLC.
Intercompany Charges
Income Statement Adjustment No. 13
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-9

Line No.	Account & Description	Test Year Expenses	Black Hills' Adjusted Total	Staff's Adjusted Total	Staff's Adjustment
Maintenance					
32	885 - Dist. Maint. Supervision & Engineering	\$ -	\$ -	-	-
33	886 - Maintenance of Structures & Improvements	-	-	(1)	-
34	887 - Perf. Underground Distribution Line Maintenance - Gas	646	531	11	(520)
35	888 - Dist. Maint. of Compressor Station Equipment	-	-		
36	889 - Maintenance of Measuring & Regulating Station Expense -General	-	-		
37	890 - Dist. Maint. of Measuring & Regulating Station Equip - Industrial	-	15	-	(15)
38	891 - Maintenance of Measuring & Regulating Station - City Gate Check Stn.	-	-	0	0
39	892 - Dist. Maint. of Services	-	-	0	0
40	893 - Dist. Maint. of Meters & House Regulators	48,479	49,590	52,348	2,758
41	894 - Dist. Maint. of Other Equipment	-	0	-	(0)
42	Total Maintenance	\$ 49,125	\$ 50,136	\$ 52,358	\$ 2,223
43	Total Distribution Expense	\$ 1,035,205	\$ 999,460	\$ 978,674	\$ (20,784)
Customer Account Expenses					
Operation					
44	901 - Customer Accounts Supervision	\$ 106,504	\$ 112,935	119,874	6,940
45	902 - Meter Reading Expense	12,808	13,120	17,400	4,280
46	903 - Customer Record & Collection Expense	2,083,328	2,183,342	2,215,645	32,303
47	904 - Uncollectible Accounts	-	-	(1.00)	-
48	905 - Miscellaneous Customer Accounts Expense	35,885	36,470	45,542	9,072
49	Total Customer Account Expense	\$ 2,238,526	\$ 2,345,867	\$ 2,398,461	\$ 52,595
Customer Service and Information Expenses					
Operation					
50	907 - Supervision	\$ 51,062	\$ 53,612	48,174	(5,438)
51	908 - Customer Assistance Expense	123,383	130,036	110,267	(19,769)
52	909 - Informational/Instructional Advertising Expense	18,828	18,828	2,463	(16,364)
53	910 - Miscellaneous Cust Serv & Inform Expense	395	377	(2)	(378)
54	Total Customer Srvc & Inform Exp.	\$ 193,667	\$ 202,853	\$ 160,903	\$ (41,950)

Black Hills/Kansas Gas Utility Company, LLC.
Intercompany Charges
Income Statement Adjustment No. 13
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-9

Line No.	Account & Description	Test Year Expenses	Black Hills' Adjusted Total	Staff's Adjusted Total	Staff's Adjustment
Sales Expenses					
Operation					
55	911 - Supervision	\$ -	\$ -	(1)	-
56	912 - Demonstrating and Selling Expense	192,470	202,147	158,393	(43,754)
57	913 - Advertising Expenses	1,957	1,901	449	(1,452)
58	916 - Miscellaneous Sales Expense	4,699	4,699	4,699	-
59	Total Sales Expense	\$ 199,126	\$ 208,746	\$ 163,539	\$ (45,206)
Administrative & General Expense					
Operation					
60	920 - Administrative & General Salaries	\$ 6,039,753	\$ 6,600,117	6,714,897	114,781
61	921 - Office Supplies & Expense	1,334,089	1,308,909	1,280,121	(28,788)
62	922 - Administrative Expense Transferred-Cr	(1,404,856)	(1,404,858)	(1,482,846)	(77,989)
63	923 - Outside Services Employed	853,157	835,681	830,150	(5,530)
64	924 - Property Insurance	18,101	19,713	37,842	18,129
65	925 - Injuries and Damages	741,348	1,108,983	1,087,785	(21,198)
66	926 - Employee Pensions and Benefits	1,622,563	2,082,154	2,181,188	99,034
67	927 - Franchise Requirements	-	-	(1.00)	-
68	928 - Regulatory Commission Expense	193,900	193,970	168,303	(25,667)
69	929 - Duplicate Charges - Credit	-	-	(1)	-
70	930.1 - General Advertising Expense	14,241	13,846	8,339	(5,507)
71	930.2 - Miscellaneous General Expense	203,775	200,418	207,249	6,832
72	931 - Rents	779,675	800,218	766,824	(33,395)
73	Total Operation	\$ 10,395,746	\$ 11,759,150	\$ 11,799,850	\$ 40,702
Maintenance					
74	932 - Maintenance of General Plant	\$ 1,267,997	\$ 1,240,532	1,345,337	104,805
75	Total Administrative & General Exp	\$ 11,663,743	\$ 12,999,682	\$ 13,145,187	\$ 145,507
76	Total Operating & Maintenance Exp	\$ 15,725,534	\$ 17,153,372	\$ 17,248,686	\$ 95,323

Black Hills/Kansas Gas Utility Company, LLC.
Intercompany Charges
Income Statement Adjustment No. 13
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-9a

Line No.	FERC Acct. No.	Description	Test Year Expenses	Black Hills' Updatd Cost Allocation Rates	Black Hills' Adjustment to Labor	Black Hills' Adjustment for Medical Increases	Black Hills' Adjusted Labor Expense	Black Hill's Total Adjustment	12-months ending February 28, 2025	Staff's Annualized 2025	Staff's Incentive Compensation Adjustment	Staff's Adjusted Labor Expense	Staff's Total Adjustment
1	_850	TRANS OPS SUPERV & ENG	90,778	(1,574)	4,752	-	93,955	3,178	85,527	109,551	(1,141)	108,410	14,454
2	_851	TRANS SYS CONTR & LOAD DISPATC	221	(7)	16	-	230	9	579	3,471	(7)	3,464	3,234
3	_852	COMMUNICATION SYS EXP	-	-	-	-	-	-	-	-	-	-	-
4	_856	TRANS MAINS EXPENSE	-	-	662	-	662	662	-	-	-	-	(662)
5	_859	OTHER TRANS OPS EXP	-	-	-	-	-	-	-	-	-	-	-
6	_861	TRANS MAINT SUPERV & ENGIN	-	-	49	-	49	49	-	-	-	-	(49)
7	_863	TRANS MAINT OF MAINS	(142)	-	1	-	(142)	1	-	-	-	-	142
8	_870	DIST OPS SUPERVISION AND ENGIN	780,475	(6,953)	(26,270)	-	747,252	(33,223)	751,034	719,604	(10,058)	709,547	(37,706)
9	_871	DIST LOAD DISPATCHING	-	-	15	-	15	15	-	-	-	-	(15)
10	_872	DIST COMPR STAT LABR & EXP	(567)	-	9	-	(559)	9	-	-	-	-	559
11	_874	OPER/INSPECT UG DIST MAINS-GAS	530	(15)	(8)	-	507	(23)	363	-	(4)	(4)	(511)
12	_880	DIST OPS OTHER EXPENSE	4,671	(106)	246	-	4,811	140	9,022	29,609	(122)	29,487	24,676
13	_881	DIST OPER RENTS	-	-	-	-	-	-	-	-	-	-	-
14	_885	DIST MAINT SUPER & ENG	-	-	-	-	-	-	-	-	-	-	-
15	_887	PERF UG DISTRIB LINE MAINT-GAS	620	(0)	(114)	-	506	(114)	6	(14)	(0)	(14)	(520)
16	_890	DS MNT MEAS & REG STAT EQ-GEN	-	-	15	-	15	15	-	-	-	-	(15)
17	_893	DIST MAINT METERS & HSE REGS	43,999	(97)	1,236	-	45,138	1,139	43,319	47,263	(363)	46,900	1,762
18	_894	DIST MAINT OF OTHER EQUIP	-	-	0	-	0	0	-	-	-	-	(0)
19	_901	CUST ACCTS SUPERVISION	119,937	(247)	6,655	-	126,345	6,408	125,630	135,334	(1,683)	133,651	7,307
20	_902	READ METERS	12,267	(7)	327	-	12,587	319	20,527	16,039	(290)	15,748	3,162
21	_903	CUST ACCTS RECORDS & COLLECTIO	1,127,671	(2,065)	102,196	-	1,227,802	100,131	1,146,901	1,199,751	(15,005)	1,184,746	(43,056)
22	_905	MISC CUSTOMER ACCOUNTS	35,897	(69)	655	-	36,483	586	43,975	46,129	(590)	45,539	9,056
23	_907	CUSTOMER SERVICE SUPERVISION	54,508	(250)	2,796	-	57,054	2,546	54,646	52,141	(733)	51,408	(5,646)
24	_908	CUSTOMER ASSISTANCE EXP	123,089	(467)	7,125	-	129,746	6,658	123,540	111,746	(1,674)	110,073	(19,673)
25	_909	INFORMATIONAL & INSTRUCT ADS	73	(0)	40	-	113	39	183	659	(2)	657	544
26	_910	MISC CUST SERVICE & INFO	395	(11)	(7)	-	377	(18)	395	-	(5)	(5)	(382)
27	_912	SALES DEMONSTRATING & SELLING	191,839	-	9,802	-	201,641	9,802	181,306	160,662	(2,433)	158,229	(43,412)
28	_913	SALES ADVERTISING EXPENSES	-	-	-	-	-	-	-	-	-	-	-
29	_916	MISCELLANEOUS SALES EXPENSES	-	-	-	-	-	-	-	-	-	-	-
30	_931	I/C RENT EXPENSE	-	-	-	-	-	-	-	-	-	-	-
31	_920	ADMIN AND GENERAL SALARIES	6,039,753	(96,620)	657,485	-	6,600,618	560,865	6,063,428	6,733,089	(17,967)	6,715,122	114,505
32	_921	OFFICE SUPPLIES & EXPENSE	25,179	(427)	(12)	-	24,740	(439)	30,034	20,465	-	20,465	(4,275)
33	_922	ADMIN EXP TRANS CREDIT	-	-	(1)	-	(1)	(1)	-	-	-	-	1
34	_923	OUTSIDE SERVICES	-	-	-	-	-	-	-	-	-	-	-
35	_924	PROPERTY INSURANCE	-	-	-	-	-	-	-	-	-	-	-
36	_925	INJURIES AND DAMAGES	-	-	-	-	-	-	-	-	-	-	-
37	_926	EMPLOYEE PENSIONS & BENEFITS	1,869,549	(25,377)	217,562	268,098	2,329,832	460,284	1,925,193	2,421,542	-	2,421,542	91,710
38	_928	REGULATORY COMMISSION EXP	-	-	-	-	-	-	-	-	-	-	-
39	_930.1	GENERAL ADVERTISING	421	(7)	5	-	419	(2)	420	-	(2)	(2)	(422)
40	_930.2	MISCELLANEOUS GENERAL EXP	5,124	(143)	1,452	-	6,432	1,308	2,376	-	(29)	(29)	(6,461)
41	_932	MAINTENANCE GENERAL PLANT GAS	2,404	(32)	(23)	-	2,349	(55)	-	-	-	-	(2,349)
Total			\$ 10,528,690	\$ (134,476)	\$ 986,663	\$ 268,098	\$ 11,648,976	\$ 1,120,285	10,608,402	11,807,042	(52,108)	11,754,934	105,958

1,226,244
7.65%
93,808
75,452 Black Hills adjustment to FICA tax
18,356 Adjustment to FICA tax

Black Hills/Kansas Gas Utility Company, LLC.
Intercompany Charges
Income Statement Adjustment No. 13
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-9b

Line No.	Account No.	AIP	Non Officer	Officer	Account No. 920	Total Adjustment
1	416800	(22)	167	(212)		(67)
2	417101	311	(2,337)	2,959		933
3	850000	(380)	2,858	(3,618)		(1,141)
4	851000	(2)	19	(24)		(7)
5	870000	(3,353)	25,193	(31,898)		(10,058)
6	872000	-	-	-		-
7	874000	(1)	11	(14)		(4)
8	880000	(41)	304	(385)		(122)
9	887000	(0)	0	(0)		(0)
10	893000	(121)	910	(1,152)		(363)
11	901000	(561)	4,215	(5,337)		(1,683)
12	902000	(97)	727	(921)		(290)
13	903000	(5,002)	37,584	(47,587)		(15,005)
14	905000	(197)	1,477	(1,871)		(590)
15	907000	(244)	1,836	(2,324)		(733)
16	908000	(558)	4,192	(5,308)		(1,674)
17	909000	(1)	6	(7)		(2)
18	910000	(2)	13	(16)		(5)
19	912000	(811)	6,095	(7,717)		(2,433)
20	426400	(95)	712	(902)		(284)
21	920000	(20,210)	151,844	(192,255)	(69,275)	(129,896)
22	920001	(1)	7	(9)		(3)
23	920999	37,316	(280,368)	354,984		111,932
24	930100	(1)	6	(8)		(2)
25	930200	(10)	72	(92)		(29)
26		\$ 5,917	\$ (44,457)	\$ 56,289	\$ (69,275)	\$ (51,527)

Black Hills/Kansas Gas Utility Company, LLC.
Intercompany Charges
Income Statement Adjustment No. 13
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-9c

Line No.	FERC Acct. No.	Description	Test Year Expenses	Black Hills' Adjustment to Update Cost Allocation Rates	Black Hills' Adjustment for Insurance Premium	Black Hills' Adjusted Non-Labor	Black Hills' Total Adjustment	12-months ending February 28, 2025	Staff's Adjustment to Update Cost Allocation Rates	Staff's Adjustment for Insurance Premium	Staff's Adjusted Non-Labor	Staff's Adjustment to Non-Labor
1	_850	TRANS OPS SUPERV & ENG	90,043	(2,389)	-	87,655	(2,389)	65,060	(2,155)		62,905	(24,749)
2	_851	TRANS SYS CONTR & LOAD DISPATC	-	-	-	-	-	-	-		-	-
3	_852	COMMUNICATION SYS EXP	329	(10)	-	319	(10)	381	(9)		372	54
4	_856	TRANS MAINS EXPENSE	-	-	-	-	-	-	-		-	-
5	_859	OTHER TRANS OPS EXP	214,039	-	-	214,039	-	226,774	-		226,774	12,735
6	_861	TRANS MAINT SUPERV & ENGIN	-	-	-	-	-	-	-		-	-
7	_863	TRANS MAINT OF MAINS	-	0	-	0	0	-	0		0	(0)
8	_870	DIST OPS SUPERVISION AND ENGIN	187,962	(3,624)	-	184,338	(3,624)	173,271	(3,269)		170,002	(14,336)
9	_871	DIST LOAD DISPATCHING	-	-	-	-	-	-	-		-	-
10	_872	DIST COMPR STAT LABR & EXP	-	-	-	-	-	-	-		-	-
11	_874	OPER/INSPECT UG DIST MAINS-GAS	505	-	-	505	-	505	-		505	-
12	_880	DIST OPS OTHER EXPENSE	3,479	(26)	-	3,453	(26)	9,585	(23)		9,562	6,109
13	_881	DIST OPER RENTS	9,025	-	-	9,025	-	7,219	-		7,219	(1,807)
14	_885	DIST MAINT SUPER & ENG	-	-	-	-	-	-	-		-	-
15	_887	PERF UG DISTRIB LINE MAINT-GAS	26	(1)	-	25	(1)	26	(1)		25	0
16	_890	DS MNT MEAS & REG STAT EQ-GEN	-	-	-	-	-	-	-		-	-
17	_893	DIST MAINT METERS & HSE REGS	4,480	(27)	-	4,452	(27)	5,473	(25)		5,448	996
18	_894	DIST MAINT OF OTHER EQUIP	-	-	-	-	-	-	-		-	-
19	_901	CUST ACCTS SUPERVISION	(13,432)	26	-	(13,406)	26	(13,800)	23		(13,777)	(371)
20	_902	READ METERS	541	(7)	-	534	(7)	1,658	(6)		1,652	1,118
21	_903	CUST ACCTS RECORDS & COLLECTIO	955,657	(85)	-	955,571	(85)	1,030,976	(77)		1,030,899	75,328
22	_905	MISC CUSTOMER ACCOUNTS	(11)	0	-	(11)	0	3	0		3	15
23	_907	CUSTOMER SERVICE SUPERVISION	(3,447)	6	-	(3,440)	6	(3,240)	6		(3,234)	206
24	_908	CUSTOMER ASSISTANCE EXP	295	(1)	-	294	(1)	195	(1)		194	(99)
25	_909	INFORMATIONAL & INSTRUCT ADS	18,754	(39)	-	18,715	(39)	1,842	(36)		1,807	(16,908)
26	_910	MISC CUST SERVICE & INFO	-	-	-	-	-	3	-		3	3
27	_912	SALES DEMONSTRATING & SELLING	631	(120)	-	511	(120)	272	(108)		164	(347)
28	_913	SALES ADVERTISING EXPENSES	1,957	(57)	-	1,901	(57)	500	(51)		449	(1,452)
29	_916	MISCELLANEOUS SALES EXPENSES	4,699	-	-	4,699	-	4,699	-		4,699	-
30	_931	I/C RENT EXPENSE	779,675	20,543	-	800,218	20,543	748,293	18,531		766,824	(33,394)
31	_920	ADMIN AND GENERAL SALARIES	-	(237)	-	(237)	(237)	(11)	(214)		(225)	12
32	_921	OFFICE SUPPLIES & EXPENSE	1,308,910	(24,742)	-	1,284,169	(24,741)	1,281,974	(22,318)		1,259,656	(24,513)
33	_922	ADMIN EXP TRANS CREDIT	(1,404,856)	-	-	(1,404,856)	-	(1,482,846)	-		(1,482,846)	(77,990)
34	_923	OUTSIDE SERVICES	853,157	(17,477)	-	835,681	(17,476)	845,915	(15,765)		830,150	(5,531)
35	_924	PROPERTY INSURANCE	18,101	(114)	1,727	19,713	1,613	34,813	(103)	3,132	37,842	18,129
36	_925	INJURIES AND DAMAGES	741,348	(23,499)	391,135	1,108,983	367,636	933,384	(21,198)	175,599	1,087,785	(21,198)
37	_926	EMPLOYEE PENSIONS & BENEFITS	(246,985)	(693)	-	(247,679)	(693)	(239,729)	(625)		(240,354)	7,324
38	_928	REGULATORY COMMISSION EXP	193,900	69	-	193,970	69	168,240	63		168,303	(25,667)
39	_930.1	GENERAL ADVERTISING	13,819	(393)	-	13,427	(393)	8,696	(354)		8,341	(5,085)
40	_930.2	MISCELLANEOUS GENERAL EXP	198,652	(4,649)	-	194,003	(4,649)	211,472	(4,194)		207,278	13,276
41	_932	MAINTENANCE GENERAL PLANT GAS	1,265,593	(27,405)	-	1,238,188	(27,405)	1,370,058	(24,721)		1,345,337	107,149
Total			\$ 5,196,844	\$ (84,950)	\$ 392,862	\$ 5,504,756	\$ 307,912	\$ 5,391,661	\$ (76,630)	\$ 178,731	\$ 5,493,762	\$ (10,995)

Black Hills/Kansas Gas Utility Company, LLC.
Intercompany Charges
Income Statement Adjustment No. 13
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-9d

Line No.	Description	Account No. 924 Property Insurance	Account No. 925 Injuries & Damages	Total
1	Test Year Expenses	\$ 17,986	\$ 717,848	\$ 735,835
2	Black Hill's Update Adjustment	25,273	1,421,773	1,447,046
3	Less A&G 22%	19,713	1,108,983	1,128,696
4	Black Hill's Insurance Adjustment	\$ 1,727	\$ 391,135	\$ 392,861
5	Baseline for proposed Rider	\$ 37,945	\$ 1,108,983	\$ 1,146,928
6	Staff's Update through February 28, 2025	34,813	933,384	968,197
7	Staff's Total Insurance Adjustment	\$ 3,132	\$ 175,599	\$ 178,731

Black Hills/Kansas Gas Utility Company, LLC.
Severance
Income Statement Adjustment No. 14
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-10

Line No.	Description	Amount
1	Test Year Severance Expense	\$ 144,989
2	Black Hills Pro Forma Adjustment	<u>(26,316)</u>
3	Black Hills Adjusted Total	\$ 118,673
4	Staff's Adjustment	<u>(144,989)</u>
5	Total Staff Adjustment to Severance Expense	\$ (118,673)

Sources:

KSG-SKJ RRS IS-21_Sched H-11 WP 27

DR#151

Black Hills/Kansas Gas Utility Company, LLC.
Payment Processing Fee
Income Statement Adjustment No. 15
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-11

Line No.	Account & Description	Amount
1	Test Year Payment Processing fees	\$ 202,625
2	Correction to GL coding error during test year	<u>113,846</u>
3	Total Test Year Payment Processing fees	\$ 316,471
4	Incremental increase in fees during the Pro Forma year	14,052
5	Total Pro Forma year Payment Processing Fees	330,523
6	Black Hills' Adjustment to Payment Processing Fee	<u>174,035</u>
7	Adjustment to Customer Record & Collection Expense FERC 903	<u><u>\$ (46,137)</u></u>

Sources:

KSG-SKJ RRS IS-22_Sched H-12 WP 28

DR#146 and DR#152

Black Hills/Kansas Gas Utility Company, LLC.
Commission Fees
Income Statement Adjustment No. 16
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-12

Line No.	Account & Description	Amount
CURB Assessment Fee Docket: 25-ALLB-028-ASM		
1	Incremental Revenue Increase	\$ 8,718,246
2	Current Quarterly Assessment Rate from Most Recent Invoice	<u>0.000025644609</u>
3	Quarterly Incremental CURB Assessment Fee Expense	\$ 224
4	Annual Incremental CURB Assessment Fee Expense	<u>\$ 894</u>
Commission Costs Assessment Fee Docket: 25-ALLX-029-ASM		
5	Incremental Revenue Increase	\$ 8,718,246
6	Current Quarterly Assessment Rate from Most Recent Invoice	<u>0.000160078273</u>
7	Quarterly Incremental Commission Costs Assessment Expense	\$ 1,396
8	Annual Incremental Commission Costs Assessment Expense	<u>\$ 5,582</u>
9	Black Hills Pro Forma Adjustment to Commission Fees	<u>\$ 21,868</u>
10	Total Adjustment - Regulatory Commission Expense FERC 928	<u><u>\$ (15,391)</u></u>

Sources:

KSG-SKJ RRS IS-24_Sched H-14 WP 30

Black Hills/Kansas Gas Utility Company, LLC.
PHMSA Fee
Income Statement Adjustment No. 17
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-13

Line No.	Description	Amount
1	KSG Allocation of Most Recent PHMSA Invoice (Assessment Paid April 2024)	\$ 160,553
2	FY 2025 Projected Increase	10.66%
3	Black Hills Pro Forma Adjustment to FERC 859	<u>\$ 17,114</u>
4	Staff's Adjustment to PHMSA Fee Expense	<u><u>\$ (17,114)</u></u>

Sources:

KSG-SKJ RRS IS-26_Sched H-16 WP 32

DR Nos. 147 and 153

Black Hills/Kansas Gas Utility Company, LLC.
Research Developement
Income Statement Adjustment No. 18
Test Year Ending September 30, 2024

Docket No. 25-BHCG-298-RTS
Exhibit KLF-14

Line No.	Description	Amount
1	Monthly Average Customer Count	119,455
2	Per Customer Fee	\$ 0.50
3	Total Miscellaneous General Expense FERC 930.2	59,728
4		50%
5	Staff's Total Adjustment for Research & Development	(29,864)

Sources:

KSG-SKJ RRS IS-27_Sched H-17 WP 33

DR#154

Line No.	Description	Amount	Total
	<u>Anderson & Byrd LLP</u>		
1	October 2024	\$ 509	
2	November 2024	1,680	
3	December 2024	378	
4	January 2025	5,021	
5	February 2025	2,002	
6	March 2025		
7	April 2025		
8	Total Anderson & Byrd LLP		\$ 9,590
	<u>Financial Concepts and Applications, Inc.</u>		
9	December 2024	\$ 11,175	
10	January 2025	6,075	
11	February 2025		
12	March 2025		
13	April 2025		
14	Total Financial Concepts and Applications, Inc.		\$ 17,250
	<u>Other Rate Case Expenses</u>		
15	ALL NEEDS COMPUTER & MAILING SVCS INC	\$ 6,881	
16	MITTERA GROUP INC	39,316	
17	Total Other Rate Case Expenses		\$ 46,197
18	Total Company Rate Case Expense		\$ 73,037
19	KCC Staff Rate Case Expense	88,649	
20	CURB Rate Case Expense	9,148	
21	Total Rate Case Expense		\$ 97,797
	<u>Prior Rate Case Expenses</u>		
22	Anadarko Acquisition Expenses	19,154	
23	2021 KS Gas Rate Review 3rd Party Expenses	155,484	
24	Total Prior Rate Case Expense		\$ 174,638
25	Total Rate Case Expense		\$ 345,472
26	Amortization Period		5
27	Total Annual Amortization		69,094
28	Per Book Rate Case Amortization		139,710
29	Staff's Adjustment to Rate Case Expense		(70,616)
30	Black Hills' Adjustment to Rate Case Expense		233,333
31	Staff's Total Adjustment to Rate Case Expense		\$ (303,949)

Sources:

KSG-SKJ RRS IS-20_Sched H-10 WP 26

DR#117

Line No.	Description	Test Year Revenues	Black Hills' Pro Forma Adjustment	Black Hills' Adjusted Revenue	Staff's Adjustment to Revenue
1	480 - Residential Sales	\$ 2,028,080	\$ 941,814	\$ 2,969,894	\$ (2,969,894)
2	481 - Commercial and Industrial Sales	687,313	319,179	1,006,492	(1,006,492)
3	489 - Revenue from Transport of Gas of Others	279,805	129,938	409,743	(409,743)
4		\$ 2,995,199	\$ 1,390,930	\$ 4,386,129	\$ (4,386,129)

Line No.	Description	Test Year Expenses	Black Hills' Pro Forma Adjustments	Black Hills' Adjusted Total	For the Period Ended February 28, 2025	Staff's Adjustment
1	Research and Development Tax Credits	\$ (108,882)	\$ -	\$ (108,882)	\$ (106,756)	\$ 2,126
2	Amortization Protected Plant EDIT - ARAM	(1,523,021)	1,061,683	(461,339)	(617,290)	(155,951)
3	Amortization Service Company Plant EDIT - ARAM	(53,599)	(6,478)	(60,077)	(52,872)	7,205
4	Total Staff Adjustment - to Schedule B-4					\$ (146,620)

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Katie Figgs, being duly sworn upon her oath deposes and states that she is a Managing Auditor for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that she 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 her knowledge, information and belief.



Katie Figgs
Managing Auditor
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 30 day of April, 2025.



Notary Public

My Appointment Expires: 4/28/29



NOTARY PUBLIC - State of Kansas
ANN M. MURPHY
My Appt. Expires 4/28/29

CERTIFICATE OF SERVICE

25-BHCG-298-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony was served via electronic service this 9th day of May, 2025, to the following:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067-0017
jflaherty@andersonbyrd.com

JEFF AUSTIN
AUSTIN LAW P.A.
7111 W. 151st ST.
SUITE 315
OVERLAND PARK, KS 66223
jeff@austinlawpa.com

NICK SMITH, MANAGER - REGULATORY & FINANCE
BLACK HILLS/KANSAS GAS UTILITY COMPANY LLC
D/B/A Black Hills Energy
601 NORTH IOWA STREET
LAWRENCE, KS 66044
nick.smith@blackhillscorp.com

JEFFREY DANGEAU, ASSOCIATE GENERAL COUNSEL
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
D/B/A BLACK HILLS ENERGY
655 EAST MILLSAP DRIVE, STE. 104
PO BOX 13288
FAYETTEVILLE, AR 72703-1002
jeff.dangeau@blackhillscorp.com

ROB DANIEL, DIRECTOR OF REGULATORY
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
D/B/A BLACK HILLS ENERGY
2287 COLLEGE ROAD
COUNCIL BLUFFS, IA 51503
rob.daniel@blackhillscorp.com

DOUGLAS LAW, ASSOCIATE GENERAL COUNSEL
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
D/B/A BLACK HILLS ENERGY
2287 COLLEGE ROAD
COUNCIL BLUFFS, IA 51503
douglas.law@blackhillscorp.com

JOSEPH R. ASTRAB, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
joseph.astrab@ks.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
todd.love@ks.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
shonda.rabb@ks.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
della.smith@ks.gov

CERTIFICATE OF SERVICE

25-BHCG-298-RTS

ALEX GOLDBERG, ATTORNEY
EVERSHEDS SUTHERLAND (US) LLP
1196 S MONROE STREET
DENVER, CO 80210
alexgoldberg@eversheds-sutherland.com

MOLLY E MORGAN, ATTORNEY
FOULSTON SIEFKIN LLP
1551 N. Waterfront Parkway
Suite 100
Wichita, KS 67206
mmorgan@foulston.com

JAMES P ZAKOURA, ATTORNEY
FOULSTON SIEFKIN LLP
7500 COLLEGE BOULEVARD, STE 1400
OVERLAND PARK, KS 66201-4041
jzakoura@foulston.com

DAVID N DITTEMORE
FREEDOM PIPELINE, LLC
609 REGENT PARK DRIVE
MT. JULIET, TN 37122-6391
d.dittemore28@gmail.com

MONTGOMERY ESCUE, CONSULTANT
FREEDOM PIPELINE, LLC
3054 KINGFISHER POINT
CHULUOTA, FL 32766
montgomery@escue.com

KIRK HEGER
FREEDOM PIPELINE, LLC
1901 UNIVERSITY DRIVE
LAWRENCE, KS 66044
kirkheger@gmail.com

AARON BAILEY, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
aaron.bailey@ks.gov

PATRICK HURLEY, CHIEF LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
patrick.hurley@ks.gov

PAUL MAHLBERG, GENERAL MANAGER
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
mahlberg@kmea.com

TERRI J PEMBERTON, GENERAL COUNSEL
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
pemberton@kmea.com

DARREN PRINCE, MANAGER, REGULATORY & RATES
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
prince@kmea.com

DIXIE RIEDEL, DIRECTOR OF NATURAL GAS, KMGA
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
riedel@kmea.com

CERTIFICATE OF SERVICE

25-BHCG-298-RTS

GLEND A. CAFER, MORRIS LAING LAW FIRM
MORRIS LAING EVANS BROCK & KENNEDY CHTD
800 SW JACKSON STE 1310
TOPEKA, KS 66612-1216
gcafer@morrislaing.com

LUKE A. SOBBA, ATTORNEY
MORRIS LAING EVANS BROCK & KENNEDY CHTD
800 SW JACKSON STE 1310
TOPEKA, KS 66612-1216
lsobba@morrislaing.com

WILL B. WOHLFORD, ATTORNEY
MORRIS LAING EVANS BROCK & KENNEDY CHTD
300 N MEAD STE 200
WICHITA, KS 67202-2745
wwohlford@morrislaing.com

PHOENIX Z. ANSHUTZ, ATTORNEY
PENNER LOWE LAW GROUP, LLC
245 N WACO STREET, STE 125
WICHITA, KS 67202
panshutz@pennerlowe.com

FRANK A. CARO, JR., ATTORNEY
POL SINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
fcaro@polsinelli.com

JARED R. JEVONS, ATTORNEY
POL SINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
jjevons@polsinelli.com

RICHARD L. HANSON
RICHARD L. HANSON
16171 ROAD I
LIBERAL, KS 67901
rlhanson@wbsnet.org

LAURA PFLUMM CEREZO, ATTORNEY
SEABOARD ENERGY KANSAS, LLC
D/B/A SEABOARD CORPORATION
9000 W 67TH STREET
STE 200
MERRIAM, KS 66202
laura.cerezo@seaboardcorp.com

LAURA PFLUMM CEREZO, ATTORNEY
SEABOARD ENERGY KANSAS, LLC
D/B/A SEABOARD FOODS LLC
9000 W 67TH STREET
STE 200
MERRIAM, KS 66202
laura.cerezo@seaboardcorp.com

JENNIFER CHARNO NELSON, ATTORNEY
SEABOARD ENERGY KANSAS, LLC
D/B/A SEABOARD CORPORATION
9000 W 67TH STREET
STE 200
MERRIAM, KS 66202
jennifer.nelson@seaboardfoods.com

JENNIFER CHARNO NELSON, ATTORNEY
SEABOARD ENERGY KANSAS, LLC
D/B/A SEABOARD FOODS LLC
9000 W 67TH STREET
STE 200
MERRIAM, KS 66202
jennifer.nelson@seaboardfoods.com

STACY WILLIAMS, SVP, GENERAL COUNSEL
SYMMETRY ENERGY, LLC
1111 Louisiana St.
Houston, TX 77002
stacy.williams@symmetryenergy.com

CERTIFICATE OF SERVICE

25-BHCG-298-RTS

DON KRATTENMAKER, VICE PRESIDENT
WOODRIVER ENERGY, LLC
633 17th STREET, STE. 1410
DENVER, CO 80202
don.krattenmaker@woodriverenergy.com

Ann Murphy

Ann Murphy