

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of Black Hills)
Corporation for Approval of its Ad Valorem) Docket No. 25-BHCG-247-TAR
Tax Surcharge Calculation of 2025)
Adjustment.)

**NOTICE OF FILING OF STAFF'S
REPORT AND RECOMMENDATION**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (“Staff” and “Commission,” respectively), and files the instant Report and Recommendation (“R&R”) regarding Staff’s review of Black Hills Energy’s (“Black Hills”) proposed 2025 Ad Valorem Tax Surcharge Rider (“AVTS”) calculation.

Staff recommends the Commission approve Black Hills’s AVTS Rider of \$1,434,596 with the following three (3) conditions:

1. Black Hills shall file an updated tariff with the Commission reflecting the revised surcharge before implementing the surcharge;
2. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in ad valorem taxes will be reflected in the subsequent year ad valorem surcharge calculation; and
3. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, Black Hills shall file its AVTS annual true-up in December of each calendar year.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,
/s/ Carly R. Masenthin
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REPORT AND RECOMMENDATION
UTILITIES DIVISION

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Bill Baldry, Senior Auditor
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director of Utilities
Jeff McClanahan, Director of Utilities

DATE: January 8, 2025

SUBJECT: Docket No. 25-BHCG-247-TAR – In the Matter of the Application of Black Hills Corporation for Approval of its Ad Valorem Tax Surcharge Calculation of 2025 Adjustment.

EXECUTIVE SUMMARY:

Staff recommends approval of Black Hills Energy’s (“Black Hills”) proposed 2025 Ad Valorem Tax Surcharge Rider (“ATSR”) calculation. The surcharge would be in effect during the period of February 2025 through January 2026 and is in addition to the Ad Valorem tax expense that was included in base rates during the calendar year of 2024.¹ The surcharge is designed to recover \$1,434,596, which is an increase of \$327,658 from last year’s surcharge amount of \$1,106,938. Black Hills’s ATSR would increase Kansas residential customer bills by \$0.13 per month, or \$1.56 annually, based on an average annual natural gas usage of 59.1 Therms.

BACKGROUND:

On December 20, 2024, Black Hills Corporation (“Black Hills”) filed its 2025 ATSR request with the Kansas Corporation Commission (the “Commission”) in accordance with K.S.A. 66-117(f). The statute provides for a utility to increase or decrease any existing surcharge based upon an increase or decrease in ad valorem tax expense incurred on Black Hills’ books and records. In addition, K.S.A. 66-117(f) requires a Commission order within thirty (30) days of the date Black Hills filed its application, which, in this Docket, is by January 21, 2025.²

¹ The current base rates were established in December 2021 in Black Hills’s most recent rate case (Docket No. 21-BHCG-418-RTS (“21-418 Docket”). The Commission’s April 7, 2008 Order in Docket No. 08-AQLG-834-TAR approved Black Hills’s Ad Valorem Tax Surcharge Rider.

² The 30-day deadline falls on January 19, 2025, which is a Sunday, and Monday, January 20, 2025 is a holiday. Therefore, the final Order is due by the following Tuesday, January 21, 2025.

ANALYSIS:

The Commission derives its authority to review Ad Valorem tariffs from K.S.A. 66-117(f), which, in part, states:

Whenever...a natural gas public utility...files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expense charged on its books and records for ad valorem taxes, such utility shall report annually to the [Commission] the changes in expense charged for ad valorem taxes. ...Upon a showing that the surcharge is applied to bills in a reasonable manner and is calculated to...reduce any existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility, the [C]ommission shall approve such tariffs within 30 days of the filing.

On December 20, 2024, Black Hills filed its 2025 ATSR request with the Commission in accordance with K.S.A. 66-117(f), accompanied by copies of Black Hills's 2024 ad valorem tax statements. Staff tied the amounts in the ad valorem tax statements to the ATSR total for 2024, as shown in Attachments 1 and 2 of Black Hills's application.

Staff recommends the Commission find that Black Hills is allowed to collect \$1,434,596 through its proposed 2025 AVTS. This amount is composed of the portion of the 2024 ad valorem tax not included in base rates of \$1,959,387 and (\$524,790) that Black Hills over recovered in 2024, resulting in a rate of \$0.00932 per Therm. As a result of its review, Staff recommends the Commission find that Black Hills's 2025 ATSR will be applied in a reasonable manner and is calculated to increase any existing surcharge based upon an increase in ad valorem tax expenses incurred on the books and records of Black Hills.

RECOMMENDATION:

Staff recommends the Commission approve Black Hills's ad valorem tax surcharge of \$1,434,596 with the following three (3) conditions:

1. Black Hills shall file an updated tariff with the Commission reflecting the revised surcharge before implementing the surcharge;
2. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in ad valorem taxes will be reflected in the subsequent year ad valorem surcharge calculation; and
3. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, Black Hills shall file its ATSR annual true-up in December of each calendar year.

CERTIFICATE OF SERVICE

25-BHCG-247-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served via electronic service this 8th day of January, 2025, to the following:

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