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Via e-filing Express

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

RE: 21-BHCG-026-CPL
Compliance Filing
Report Parts 1 and 5

Dear Ms. Retz:

Pursuant to the Kansas Corporation Commission's ("Commission") July 9th Order Approving Application For Accounting Authority Order ("AAO Order") in Docket No. 20-GIMG-423-ACT, Black Hills/Kansas Gas Utility Company, LLC d/b/a Black Hills Energy ("Black Hills") submits Reports 1 and 5, which are required to be filed within one month from the Commission's order.

Respectfully submitted,

/s/ Dari Dornan

Dari Dornan
Associate General Counsel

BLACK HILLS ENERGY KANSAS

DOCKET NO. 21-BHCG-026-CPL

RESPONSE TO THE KANSAS CORPORATION COMMISSION

REPORTING REQUIREMENT – Part 1

1. One month from a Commission Order approving the AAO, the Gas Utilities shall file a detailed narrative, with numerical examples if possible, describing the processes and procedures they plan to utilize to identify and track all cost increases and decreases associated with the response to COVID-19. Additionally, each utility should report on its proposed methodology for quantifying any lost revenues that it has experienced during the COVID-19 pandemic. Staff anticipates that an appropriately responsive filing would detail the accounting controls and processes to identify and track cost increases and decreases, the specific methodology behind identifying the baseline from which these costs will be compared, cost categories and account codes anticipated to be utilized, and other utility-specific details. This filing should be updated as additional information becomes available that changes the content of the original filing.

RESPONSE:

Identifying and Tracking Cost Increases

In March, the Company established two work orders to track costs that are directly resulting from the Company's response to Covid-19.

The first work order, #10069994, is used to track normal course of business labor activities associated with COVID-19. For example, if an employee is participating in an update or safety meeting associated with COVID-19, the employee's time is coded to this work order. While the Company is tracking these labor activities, these costs were not included in the monthly and quarterly information filed by the Company within its Quarterly Report on July 15th as these costs are considered normal course of business labor activities.

The second work order, #10069979, is specific for costs outside of normal course of business and driven by the Company's response to COVID-19. The expenses tracked on this COVID-19 work order are identified and categorized using resource codes that identify the type of cost and general ledger FERC accounts that identify the function of the cost. Black Hills Energy uses this work order to identify both direct and indirect costs charged to the Kansas Gas Business Unit. As reflected on the Company's July 15, 2020 Quarterly Report, expenses identified and tracked to this work order through June 30, 2020 include increased bad debt expense, purchasing of materials and personal protective equipment to ensure the safety of employees and customers, and costs associated with implementing the Company's pandemic business continuity plan, including mobilizing a work-from-home environment for employees.

The increased bad debt expense reflects accounting accruals during 2020 based on the expected effect of COVID-19 on bad debt expense. The accounting accruals considered the percentage of

customer accounts in arrears and the growth in the accounts receivable balance comparable to periods in prior years. The actual impact to write-offs due to the temporary suspension of disconnects that started on March 16, 2020 will not be known until customers proceed through the normal collection path.

Identifying and Tracking Cost Savings

In order to track potential cost savings resulting from the Company's response to Covid-19 the Company first identified cost categories that have exhibited reductions likely resulting from Covid-19. As of June 30, 2020, the cost categories identified include travel, conferences and training, office supplies, and utilities. For purposes of estimating cost savings in the Company's initial Quarterly Report filed on July 15, 2020, the Company compared actual 2020 expenses for these cost categories with actual expenses for the same reporting period in 2019. As the Company continues to evaluate the ongoing impact of Covid-19 on its business, the Company will continue to assess the appropriate baseline for purposes of estimating cost savings. Given that there may be timing differences year over year, the estimated cost savings may vary month to month.

Identifying and Tracking Lost Revenues

For purposes of the Company's initial quarterly report filed on July 15, 2020 the Company provided a comparison of actual revenues for the reporting period in 2020 compared to the same reporting period for 2019. As the Company continues to evaluate the ongoing impact of Covid-19 on its business, the Company will continue to assess the appropriate baseline for purposes of estimating lost revenues.

Specific to forgone late payment fee revenues the Company is tracking the late payment fees that would otherwise have been assessed on customer bills and is able to determine the amount of late payment fee revenues lost on a monthly and quarterly basis.

Additionally, for the Company's large volume commercial and industrial customers Black Hills is monitoring those accounts and maintaining communication with the customers to assess to what extent each customer's natural gas usage has been affected by Covid-19. For the Company's residential and small commercial customers, the Company has not yet established a proposed methodology for determining any lost revenues.

REPORTING REQUIREMENTS – Part 5

5. One month from a Commission Order approving the AAO, the Gas Utilities shall file a detailed narrative describing what customer programs/protections each has implemented to assist its customers as a result of the COVID-19 pandemic. This is an opportunity for the Gas Utilities to highlight the customer assistance they are providing over and above the minimum or baseline customer protections that the Commission requires for all regulated utilities. Additionally, if the Gas Utilities have made charitable donations to customer assistance organizations or provided other direct customer financial assistance, those efforts should be detailed here. This filing should be updated as additional information becomes available that changes the content of original filing.

RESPONSE:

Customer Programs and Offerings

Black Hills Energy temporarily suspended disconnects due to non-payment by customers beginning on March 16, 2020. The Company issued a news release containing the disconnect waiver statement and posted the statement in the newly created COVID-19 section of the Black Hills Energy website. The disconnection waiver statement was e-mailed to customers and was posted on the Company's official social media sites. The press release was sent to local officials and local media across Kansas. The Company has continued to update the COVID-19 section of its website with state specific information related to customer assistance, safety protocols, and the status of disconnect waivers.

Black Hills Energy realizes that due to the economic impacts of COVID-19 customers may be facing financial hardships, affecting their ability to timely pay their energy bills. As such, the company has been proactively informing customers of the many assistance options that are available to them and has provided guidance on how they can access support. Assistance options available to customers include budget billing, payment arrangements of up to 12 months, and access to LIHEAP funding.

Further, in May the Company waived late payment fees for all customers retroactively back to March 11th. The Company is continuing to waive late payment fees through December 31, 2020.

Finally, although the Commission's order suspending disconnects due to non-payment expired at the end of May 2020, the Company voluntarily extended the suspension of disconnects due to non-payment until August 1, 2020 to continue to support its customers. During this extended period, the Company executed a proactive communication effort with customers to inform them of the many assistance options that are available and to provide guidance on how they can access support.

Charitable Contributions

In response to the COVID-19 pandemic, Black Hills Energy executed multiple community responses in Kansas, including charitable contributions on behalf of Black Hills Energy Kansas and the Black Hills Energy Corporation Foundation. A total of \$27,000 was committed in March to support communities that Black Hills Energy serves in Kansas. These charitable contributions were provided to the following organizations:

- Salvation Army of Ford County to provide homebound seniors with nutritious meals;
- Western Kansas Community Foundation to provide funding to area nonprofits;
- United Way of Seward County to support area nonprofits;
- The Douglas County Community Foundation to support area nonprofits;
- The Ballard Center to support immediate needs in Douglas County;
- Heartland Health in Lawrence to help support community health testing;
- Kansas Big Brothers Big Sisters to fund their homebound meal program for kids in Lawrence, Wichita, and Dodge City;
- The American Red Cross to help fund their response to the pandemic; and,
- Ascension Health Via Christi Foundation to help 3D print face shields for first responders during the initial influx into hospitals.

Black Hills Energy also mobilized its employees to support customers and communities through internal giving campaigns. Month-long food drives were organized throughout the state to support area food pantries in Lawrence, Wichita, Dodge City, Garden City, and Liberal Kansas.

Most recently, the Black Hills Energy Corporate Foundation made a \$15,000 contribution in July 2020 to support Kansas customers through the Company's emergency utility assistance funding program, Black Hills Cares. This gift was in addition to the more than \$22,000 of customer and employee donations made through Black Hills Cares that the Company passed through to emergency social services agencies for the January through March timeframe.