

Black Hills/Kansas Gas Utility Company, LLC
 d/b/a Black Hills Energy
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Dari Dornan

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May 7, 2021

Via e-filing EXPRESS

Mr. Lynn M. Retz, Secretary
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, KS 66604-4027

RE: Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy General Rate Case

Dear Ms. Retz:

Enclosed for filing is an electronic copy of an Application, Supporting Exhibits and Direct Testimony on behalf of Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy, in connection with the request for a general rate increase in its rates charged for natural gas.

The Application is based on a twelve-month test period ending December 31, 2020, as adjusted, and seeks an annual revenue increase of \$10.2 million.

One complete copy of the filing is comprised of two files: (1) Application and Supporting Schedules 1 through 18, and (2) Direct Testimony sponsoring all schedules, pro forma adjustments, depreciation study, class cost of service study, and other proposals. Responses to Staff's Initial Set of 90 data requests are being served on Staff.

Hard copies and electronic copies are being provided to the Commissioners, Staff legal department, and Staff Utility Division.

If you have any questions, please let me know.

Respectfully submitted,

/s/ Dari Dornan

Dari Dornan #28818
Associate General Counsel

Attachments

cc: Todd Love
David W. Nickel

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Black)
Hills/Kansas Gas Utility Company, LLC,)
d/b/a Black Hills Energy, for Approval of the)
Commission to Make Certain Changes in its)
Rates for Natural Gas Service)

Docket No. 21-BHCG- 418 -RTS

APPLICATION

COMES NOW the Applicant, Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy (“Black Hills” or “Applicant”), and in compliance with K.S.A. 66-1,200, 66-1,202, 66-1,203, 66-117 and the Kansas Corporation Commission's (“Commission”) Rules of Practice and Procedure, K.A.R. 82-1-231, states as follows:

1. Applicant is a limited liability company organized under the laws of the State of Kansas and has its principal place of business in Kansas at 601 North Iowa Street, Lawrence, Kansas 66044. Applicant is a wholly owned subsidiary of Black Hills Utility Holdings, Inc. (“BHUH”), which is a subsidiary of Black Hills Corporation (“BHC”). BHUH and BHC owned utilities serve approximately 1.27 million electric and gas customers in 823 communities in the Midwest. They currently own and operate electric utility businesses in South Dakota, Wyoming and Colorado, and natural gas utility businesses in Kansas, Nebraska, Iowa, Arkansas, Colorado, and Wyoming.

2. All communications regarding this Application should be addressed to:

Thomas D. Stevens
Black Hills Energy
655 E. Millsap Road, Suite 104
Fayetteville, AR 72703
Tom.Stevens@blackhillscorp.com

with copies to:

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3. Applicant is duly authorized to transact business in the State of Kansas, holds appropriate certificates from this Commission to transact business as a natural gas public utility, and is now and has been engaged in the purchase, transmission, sale and distribution of natural gas in the State of Kansas in accordance with the laws of said State and Rules and Regulations of this Commission. Applicant provides retail natural gas service to approximately 117,000 customers in Kansas, including natural gas service to approximately 65 communities in Kansas and other areas throughout 50 counties in Kansas.

4. The test year for this filing is the twelve-month period ending December 31, 2020, as adjusted for known and measurable changes.

5. Natural gas sold by Applicant is obtained from Black Hills Service Company, LLC (“BHSC”), which is a subsidiary of BHC and an affiliate of Black Hills. BHSC’s Gas Supply and Transportation department procures and administrates natural gas supplies, interstate pipeline transportation, intrastate gas pipeline transportation, and natural gas storage for all BHC and BHUH utility operations, both electric and gas.

6. In order to provide for the current requirements for natural gas distribution in the areas served by it, Applicant has a net gas plant investment in Kansas of \$263,077,584 and a rate base of \$230,337,778, as of December 31, 2020, as adjusted.

7. Applicant filed its last rate review over seven years ago in Docket No. 14-BHCG-502-RTS, using a twelve-month test period ending December 31, 2013. Several factors make the filing of this rate application necessary at this time.

8. Applicant has managed expenses and continues to address safety and system reliability related main replacements and make prudent investments to enhance the operating efficiency of its gas distribution system, resulting in the proposed rate base increases. The Gas System Reliability Surcharge (“GSRS”) Rider has allowed Applicant to recover costs associated with safety and system reliability-related main replacements. However, in order to continue use of the GSRS, the statutes require Applicant to file a general rate review with the Commission. See, K.S.A. 66-2201, *et seq.* This Application, in part, is being filed to comply with the GSRS statutory provisions to renew the GSRS, and to reflect other revenue, expense and rate base adjustments.

9. Presently effective rates do not produce sufficient revenues to cover the reasonable cost of Applicant's continued ability to render reasonably sufficient and efficient service. The

existing retail natural gas rates of Applicant are unjust and unreasonable in that its jurisdictional earnings are deficient. Applicant must earn a reasonable return on its property dedicated to public service in order to acquire necessary capital at reasonable rates, carry out necessary new construction, provide adequate supplies of gas, and continue to render the quality of service the customers require from its public utility. The present return to Applicant is not just and reasonable. Therefore, Applicant proposes to adjust its rates in this proceeding to increase its revenues annually by \$10.2 million and resetting the GSRS rate to zero. The overall revenue increase includes rolling into base rates revenues currently collected through the GSRS of \$4.9 million. The net revenue increase of \$5.3 million will be substantially offset by a refund of excess accumulated deferred income taxes, including carrying costs, in the amount of \$2.8 million per year for three years through the Company's proposed Tax Adjustment Rider ("TA Rider"). Accounting for the rebasing of the GSRS and the refund through the TA Rider, the net impact to customers for the next three years is a proposed increase in revenues of \$2.5 million. This will result in an overall rate of return of 7.05 percent.

10. This Application meets the filing requirements set forth in the Commission's Rules of Practice and Procedure. In compliance with the Commission's Rules of Practice and Procedure, filed herewith and incorporated by reference are Schedules containing the following information:

Section 1	Letter of Transmittal and Application
Section 2	General Information and Publicity
Section 3	Rate Base and Return
Section 4	Plant Investment

Section 5	Accumulated Provision for Depreciation, Amortization and Depletion
Section 6	Working Capital
Section 7	Capitalization and Cost of Capital
Section 8	Financial and Operating Data
Section 9	Test Year and Pro Forma Income Statements
Section 10	Depreciation and Amortization
Section 11	Taxes
Section 12	Allocation Basis
Section 13	Annual Report
Section 14	Additional Evidence (Territory Map)
Section 15	Additional Evidence (Optional)
Section 16	Financial Statements (Letter from external auditor)
Section 17	Summary of Current and Proposed Rates
Section 18	Proposed Tariff Sheets

11. Also included as part of this Application are the testimony and exhibits of Mr. Thomas D. Stevens, Mr. Jerry A. Watkins, Mr. Robert W. Daniel, Mr. Douglas N. Hyatt, Ms. Christianne M. Curran, Mr. Kenneth L. Crouch, Ms. Rachel R. Schuldt, Ms. Kristi L Johnson, Mr. John J. Spanos, and Mr. Adrien M. McKenzie.

12. Applicant's filing includes depreciation studies sponsored by Mr. Spanos and new depreciation rates based upon the depreciation studies.

13. With respect to rate design, Applicant is proposing a traditional two-part rate design. Mr. Hyatt is sponsoring a class cost of service study in support of Applicant's proposed rate design.

14. As part of this Application, Applicant is also seeking to provide customers additional benefits of federal and state tax reform through a Tax Adjustment Rider, to true up the pension and retiree healthcare expense tracker balance accumulated since the trackers were authorized in the Company's last rate review, and to make revisions to Applicant's tariff.

WHEREFORE, Applicant respectfully requests the Commission's approval to (1) adjust base rates to increase annual revenues by \$10.2 million, which includes \$4.9 million currently recovered through the GSRS mechanism; (2) establish the Tax Adjustment Rider; and (3) such other necessary and proper relief as required to fulfill this Application.



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Attorneys for Applicant

VERIFICATION

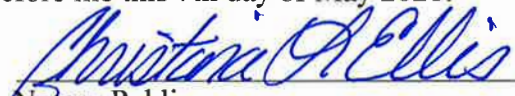
STATE OF NEBRASKA)
) ss:
COUNTY OF LANCASTER)

Dari Dornan, being duly sworn upon her oath, deposes and states that she is the attorney for Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy; that she has read and is familiar with the foregoing Application; knows the contents thereof; and that the statements contained therein are true.



Dari Dornan

SUBSCRIBED AND SWORN to before me this 7th day of May 2021.



Notary Public

Commission/Appointment Expires:

