

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

<b>In the Matter of the Application of</b>	)	
<b>Black Hills/Kansas Gas Utility</b>	)	
<b>Company, LLC, d/b/a Black Hills</b>	)	<b>Docket No. 21-BHCG-418-RTS</b>
<b>Energy, for Approval of the</b>	)	
<b>Commission to Make Certain Changes</b>	)	
<b>in its Rates for Natural Gas Service.</b>	)	

**DIRECT TESTIMONY**

**PREPARED BY**

**KRISTINA A LUKE FRY**

**UTILITIES DIVISION**

**KANSAS CORPORATION COMMISSION**

**September 10, 2021**

## Contents

I.	Introduction and Witness Qualifications .....	1
II.	Executive Summary .....	2
III.	Overview.....	5
IV.	Just and Reasonable Review .....	8
V.	Staff Schedules.....	11
VII.	Adjustments to Revenue Requirement.....	12
A.	Payroll .....	12
B.	Payroll Tax.....	13
C.	Incentive Compensation.....	13
D.	Research and Development.....	14
E.	Forfeited Discounts .....	15
F.	Intercompany Charges .....	15
G.	Alternative Forms of Payment .....	18
H.	Rate Case Expense .....	19
I.	ADIT Adjustment .....	20
J.	EDIT and Tax Adjustment Rider .....	21
VIII.	Conclusion .....	24

## I. Introduction and Witness Qualifications

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

2    A.    My name is Kristina Luke Fry. My business address is 1500 Southwest Arrowhead Road,  
3       Topeka, Kansas, 66604.

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

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

7   **Q.    Please describe your educational background and professional experience?**

8    A.    In December of 2014, I earned a Master of Business Administrative degree from Washburn  
9       University. I also hold a Bachelor's of Science in Business Administrative with a major in

Accounting from Kansas State University. I began employment with the Commission as a Regulatory Auditor in September 2010 and became a Senior Auditor in July 2013. I assumed my current position in August 2015.

**Q. Have you previously submitted testimony before this Commission?**

A. Yes. I have submitted written testimony before this Commission on multiple occasions regarding various regulatory accounting and ratemaking issues. This work includes testimony filings in 20 dockets, including this one. A list of the other dockets that encompass this experience is available upon request.

## **II. Executive Summary**

**Q. What are your responsibilities in the review of the rate case filing made by Black Hills/Kansas Gas Utility Company (BHE) in Docket No. 21-BHCG-418-RTS (21-418 Docket), filed on May 7, 2021?**

A. My responsibilities as the lead auditor in this case are to analyze, audit, and review BHE's rate case Application and oversee the preparation of Staff's revenue requirement recommendations. In addition, I calculate and am sponsoring selected Staff adjustments to BHE's Income Statement. My duties are carried out under the direction of the Chief of Revenue Requirements, Cost of Service and Finance, Justin Grady.

**Q. What is the purpose of your testimony?**

A. In summary, I recommend that the Commission:

- Update BHE's Payroll and Benefit Expenses from an estimated amount included in BHE's Application to actual expenses recorded through June 2021.
- Update BHE's Payroll Tax to reflect Staff's adjustment to Payroll and Incentive Compensation.

- 1 • Reduce the amount of Incentive Compensation Expense in the cost of service to
- 2 remove amounts paid above the 100% threshold.
- 3 • Reject the Company's request to include Research and Development costs from the
- 4 Gas Technology Institute in the cost of service.
- 5 • Update the Company's forfeited Discounts to reflect Staff's adjusted Revenue
- 6 Requirement amount.
- 7 • Update the Intercompany Charges Adjustment to update Wages and Salaries to
- 8 June 2021 and normalize the amount of Travel expense incurred.
- 9 • Adjust the credit card payment expense adjustment to eliminate BHE's projected
- 10 increase in the number of customers paying bills with a credit card.
- 11 • Update Rate Case Expense to the most recently known amount and amortize this
- 12 expense over five years.
- 13 • Reject the Company's request for a Tax Adjustment Rider and instead include these
- 14 credits to the cost of service in base rates.

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

17 A. Bill Baldry: Mr. Baldry sponsors testimony to update BHE's pension trackers, update  
18 BHE's pension expense and post retirement expense as of June 30, 2021 and make  
19 corrections to insurance premiums and worker's compensation expenses.

20 Ian Campbell: Mr. Campbell sponsors Staff's adjustments to update BHE's Plant in  
21 Service, Accumulated Depreciation, Accumulated Deferred Income Tax, Depreciation,  
22 Customer Deposits, Prepayments, and Storage Gas to balances as of June 30, 2021. Mr.

Campbell also sponsors testimony removing various expenses from the cost of service that Staff contends are not appropriate for ratepayer recovery.

Dr. Lana Ellis: Dr. Ellis sponsors testimony supporting the weather normalization and customer annualization revenue adjustments.

Adam Gatewood: Mr. Gatewood sponsors testimony related to Staff's recommended cost of capital and capital structure.

Dr. Bob Glass: Dr. Glass sponsors testimony related to Staff's proposed rate design.

Roxie McCullar: Ms. McCullar sponsors testimony related to Staff's recommended depreciation rates.

Justin Grady: Mr. Grady sponsors testimony regarding the company's proposed changes to its General Terms and Conditions tariffs.

Justin Prentiss: Mr. Prentis sponsors testimony related to Staff's proposed class cost of service.

**Q. How is the rest of your testimony organized?**

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

**(1) Overview** – I provide an overview which presents some of the significant components of the rate case and how they differ from BHE's last general rate case. I also discuss the major drivers of this rate case.

**(2) Just and Reasonable Review** – I discuss Staff's revenue requirement analysis. I also present a table of Staff's adjustments to the pro forma Income Statement and Rate Base that defines the differences between Staff's and BHE's recommended revenue requirement.

**(3) Adjustments to Revenue Requirement** – I discuss and support my adjustments to BHE's revenue requirement.

1 **III. Overview**

2 **Q. Please provide an overview of BHE.**

3 A. BHE serves approximately 117,000 customers in 65 communities across 50 counties in  
4 Kansas. BHE's four regional operations centers are located in Lawrence, Wichita,  
5 Southwest Kansas, and Goodland. Southwest Kansas is further subdivided into service  
6 centers located in Dodge City, Garden City, and Liberal. The Company's Kansas  
7 operations are widely disbursed through larger communities and in many rural areas. In  
8 addition to customers in rural areas, BHE serves approximately 34,800 customers in  
9 Lawrence, 30,500 customers in Wichita, 10,300 customers in Dodge City, 10,700  
10 customers in Garden City, 7,300 customers in Liberal, and 2,300 customers in Goodland.

11 **Q. Please provide an overview of the rate case request as filed by BHE.**

12 A. BHE's Application, filed on May 7, 2021, requests a gross revenue requirement increase  
13 of \$10.2 million increase in its natural gas service rates. After rebasing the amounts  
14 currently collected through the Gas System Reliability Surcharge (GSRS)<sup>1</sup> and reflecting  
15 the Tax Adjustment Rider credit to customers, the net rate impact of this request is an  
16 annual increase of \$780,995.<sup>2</sup> This increase is supported by pro forma revenues of \$62.4  
17 million, pro forma expenses of \$46.2 million, and a pro forma rate base of \$230.3 million.  
18 BHE has requested a 10.15 percent return on equity and a 7.0512 percent overall rate of  
19 return (after tax weighted average cost of capital). The table below summarizes how some

---

<sup>1</sup> In the Application, the Company assumed a GSRS revenue amount of \$4.9 million would be the offset to base rates, however the Company was recently approved to collect \$6,610,982 in the GSRS in Docket 22-BHCG-434-TAR.

<sup>2</sup> BHE's Application stated that the net effect of the increase was \$5.3 million, but that was because of the lower GSRS amount of \$4.9 million and not including the effect of the Tax Adjustment Rider. Staff's calculation of \$780,995 relies on the more updated and accurate GSRS number of \$6,610,982 and rebasing of the tax items included in the Tax Adjustment Rider.

of these elements have changed since BHE's last general rate case, Docket Nos. 14-BHCG-502-RTS (14-502 Docket).

<b>BHE Pro Forma Rate Base, Revenue, Expenses, Income (in Millions)</b>		
<b>Description</b>	<b>14-502 Docket</b>	<b>21-418 Docket</b>
Net Plant	\$147.85	\$263.1
Net Rate Base	\$131.2	\$230.3
Total Operating Revenue	\$110.4	\$52.3
Total Operating Expense	\$104.9	\$44.1
Operating Income	\$5.47	\$8.18

**Q. What are the primary drivers of BHE's requested rate increase?**

A. According to BHE testimony, there are three major drivers behind BHE filing this rate case, including: (1) Renew the GSRS to support the Company's Accelerated Pipeline Replacement Program and ongoing system integrity and reliability investments necessary to safely and reliably provide service to its customers; (2) Increase base rates to address the Company's revenue deficiency, primarily resulting from capital additions to plant since the Company's 2014 Rate Proceeding; and (3) provide customers the benefit of excess accumulated deferred income taxes (EDIT) resulting from federal and state tax reform.

**Q. What is the total rate impact of BHE's proposed rate increase?**

A. BHE requests an overall revenue requirement increase of \$10.2 million, inclusive of the base revenue requirement increase. After accounting for the rebasing of the GSRS and tax adjustment rider, the net impact to customers is \$780,995. The results of Staff's revenue requirement recommendation is presented in the same manner as follows:

<b>Net Rate Impact</b>			
<b>Description</b>	<b>BHE (Original)</b>	<b>BHE (Revised)</b>	<b>Staff</b>
Base Revenue Requirement Increase	\$10,199,943	\$10,199,943	\$2,917,886
Tax Adjustment Rider <sup>3</sup>	\$(2,801,966)	\$(2,801,966)	\$0
<b>Total Increase to Customers</b>	<b>\$7,391,977</b>	<b>\$7,391,977</b>	<b>\$2,917,886</b>
GSRS Rebased	\$4,900,000	\$6,610,982	\$6,610,982
<b>Net Revenue Increase to Customers</b>	<b>\$2,491,977</b>	<b>\$780,995</b>	<b>\$(3,693,096)</b>

**Q. What test year did BHE use in its Application before the Commission?**

A. BHE's revenue requirement schedules are based on a historical test year of the 12-months ending December 31, 2020.

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

A. Staff recommends that BHE be granted a base rate increase (revenue requirement increase) of \$2.92 million, which results in a net decrease to ratepayers of \$3.69 million (after accounting for the removal of the GSRS going forward), which is comparable to BHE's revised proposed net revenue requirement increase of \$780 thousand. I have presented a table below that captures the major differences between BHE's and Staff's revenue requirement analysis (the following amounts are presented in millions).

<b>Description</b>	<b>BHE</b>	<b>Staff</b>
Total Revenue Increase	\$10,199,943	\$2,917,886
Pro Forma Rate Base	\$230,337,779	\$233,922,850
Operating Income	\$8,181,683	\$12,317,727
Return on Equity	10.15%	9.20%
Rate of Return	7.05%	6.25%

<sup>3</sup> Staff is recommending that the Tax Adjustment benefits be included in base rates and not separately like the Company did.



1  
2 **IV. Just and Reasonable Review**

3 **Q. Do you believe that Staff's revenue requirement analysis results in just and**  
4 **reasonable rates?**

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

7 The leading cases in this area clearly indicate that the goal should be a rate fixed  
8 within the 'zone of reasonableness' after the application of a balancing test in which  
9 the interests of all concerned parties are considered. In rate-making cases, the  
10 parties whose interests must be considered and balanced are these: (1) The utility's  
11 investors vs. the ratepayers; (2) the present ratepayers vs. the future ratepayers; and  
12 (3) the public interest.<sup>4</sup>  
13

14 Each of the balancing factors will be discussed in turn:

15 **(1) Investors vs. ratepayers** – Each of Staff's adjustments presented below are presented  
16 with the intention of producing a revenue requirement that is reflective of BHE's ongoing  
17 normalized operations to the extent practicable and necessary. This affords BHE (and its  
18 investors) the opportunity to earn its authorized return, but does not guarantee such. Also,  
19 Staff has removed expenses from the cost of service that Staff contends are inappropriate  
20 to recover from BHE ratepayers or are more appropriately shared between ratepayers and  
21 shareholders. Further, as discussed in Adam Gatewood's testimony, Staff believes its  
22 Return on Equity recommendation is an accurate reflection of the capital costs currently  
23 required in the market for public utility equity and is representative of a just and reasonable  
24 return on invested capital.

---

<sup>4</sup> *Kan. Gas and Electric Co. v. State Corp Comm'n*, 239 Kan. 483, 488 (1986).

1       **(2) Current vs. future ratepayers** – Where possible, Staff has attempted to identify any  
2       intergenerational issues (such as the proper depreciation techniques and the amortization  
3       of infrequent events or elimination of non-recurring events) and has made  
4       recommendations that Staff contends are appropriately balanced between present and  
5       future ratepayers.

6       **(3) Public interest generally** – Generally speaking, the public interest is served when  
7       ratepayer's interests are carefully considered and balanced against the interests of  
8       management and the shareholders of the utility. This process/review includes protecting  
9       ratepayers from unreasonably high prices, discriminatory prices, and/or unreliable service.  
10      This also includes assuring that rates are not so low that the utilities that serve those  
11      ratepayers are unable to provide reliable service, remain financially stable, and attract  
12      capital on reasonable terms. Staff has carefully considered the public interest in developing  
13      its recommendations presented in this Docket and feels that the public interest will be  
14      served if its recommendations are adopted by the Commission.

15             Staff's revenue requirement does not adversely impact BHE's ability to provide  
16      efficient and sufficient service, as it is based on BHE's ongoing, normalized cost of service  
17      and includes provisions such as updated plant and plant related balances as of June 30,  
18      2021, updated payroll and pension expense for all BHE employees as of June 30, 2021,  
19      and other updated, current cost of service items. Staff's revenue requirement allows BHE  
20      sufficient revenues and cash flows to allow it the opportunity to earn its rate of return, but  
21      does not guarantee such.

22      **Q. What accounts for the differences between Staff's and BHE's recommended revenue**  
23      **requirement increase?**

A. Listed below is a table of each Staff adjustment and the Staff witness sponsoring each adjustment. Although the particulars of each adjustment are different, Staff adjustments are usually made in order to correct an error present in BHE's Application, to revise a pro forma adjustment to utilize more current known and measureable data, or to remove expenses that would not be appropriate to recover from ratepayers. These adjustments are made with the intention that the end result will be a revenue requirement that is in the public interest because it is representative of ongoing, normalized operations and will result in just and reasonable rates for all stakeholders involved.

<b>Adjustment No.</b>	<b>Witness</b>	<b>Description</b>	<b>Effect on Rate Base or Revenue Requirement</b>
RB-1	Campbell	Plant in Service	\$10,345,885
RB-2	Campbell	Accumulated Depreciation	\$1,394,024
RB-3	Campbell	Materials and Supplies	\$(129,208)
RB-4	Campbell	Storage Gas	\$60,083
RB-5	Campbell	Prepayments	\$(55,832)
RB-6	Campbell	Customer Deposits	\$110,474
RB-7	Campbell	Customer Advances	\$100,479
RB-8	Campbell	Accumulated Deferred Income Taxes	\$(8,240,834)
IS-1	Luke Fry	Payroll & Benefit Update	\$279,059
IS-2	Luke Fry	FICA Tax Update	\$56,712
IS-3	Luke Fry	Incentive Compensation	\$112,200
IS-4	Luke Fry	Research and Development	\$58,184
IS-5	Luke Fry	Forfeited Discounts	\$(26,541)
IS-6	Luke Fry	Intercompany Charges	\$949,022
IS-7	Luke Fry	Alternative Forms of Payment	\$46,353
IS-8	Luke Fry	Rate Case Expense	\$155,939
IS-9	Ellis	Weather Normalization	\$429,186
IS-10	Campbell	Depreciation Expense	\$164,218
IS-11	Campbell	Fleet Depreciation Expense	\$3,773
IS-12	Campbell	Bad Debt Expense	\$110,723
IS-13	Campbell	Rent	\$3,300
IS-14	Campbell	Travel Expense	\$106,378
IS-15	Campbell	Dues	\$24,450
IS-16	Campbell	Advertising	\$58,994
IS-17	Campbell	Interest on Customer Deposits	\$21,964

IS-18	Campbell	Miscellaneous Revenues	\$3,531
IS-19	Campbell	Data Improvement Integrity Program	\$52,064
IS-20	Baldry	Pension Expense	\$167,050
IS-21	Baldry	Pension & Postretirement Benefit Tracker 1	\$(4,079)
IS-22	Baldry	Post Retirement Benefits	\$(23,185)
IS-23	Baldry	Insurance Premium	\$63,156
IS-24	Baldry	Worker's Compensation	\$271,006
IS-25	Luke Fry	Income Taxes	\$1,053,412

1

2

### V. Staff Schedules

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

4 A. Summary schedules are presented first, with the Schedules showing the derivation of the  
5 recommended adjustments following. The elements comprising the proposed revenue  
6 requirement are summarized on Staff Schedule REV REQ. Staff's proposed Rate Base is  
7 brought forward from Staff Schedule A-1, Staff Adjusted and Pro Forma Rate Base.  
8 Similarly, Staff's adjusted Net Operating Income recommendations are brought forward  
9 from Staff Schedule B-1, Staff Adjusted and Pro Forma Operating Income Statement.  
10 Staff's cost of capital recommendation is set forth on Staff Schedule C-1, Capital Structure.

11 The Schedules are organized as follows:

12	<u>Staff Schedule</u>	<u>Explanation</u>
13	Rev Req	Lists the individual components of Staff's Pro Forma revenue requirement
14		calculation for Company;
15	A-1	Test year Rate Base as adjusted by Company and Staff;
16	A-2	Lists individual Staff adjustments to Company's Pro Forma Rate Base;
17	A-3	Explanation of Staff's adjustments to Rate Base;
18	B-1	Test year Income Statement as adjusted by Company and Staff;
19	B-2	Lists individual Staff adjustments to Company's Pro Forma Income Statement;

1 B-3 Explanation of Staff's adjustments to Income Statement;  
2 B-4 Test-year Income Taxes as adjusted by Company and Staff;  
3 B-4-1 Staff's interest expense calculation;  
4 C-1 Company's test-year and Staff's adjusted Capital Structure.  
5 C-2 Staff's adjustments to Capital Structure.  
6 C-3 Explanation of Staff's adjustments to Capital Structure.

7 **VII. Adjustments to Revenue Requirement**

8 **A. Payroll**

9 **Q. Please start your discussion of the adjustments to the Revenue Requirement by**  
10 **discussing Staff Adjustment No. 1 to the Income Statement.**

11 A. Staff Adjustment No. 1 (IS-1) reduces operating expense by \$279,059.<sup>5</sup> Staff's adjustment  
12 revises BHE Adjustment No. IS-18 to Wage and Salaries Expense. On pages 36 to 38 of  
13 BHE witness Rachel Schuldt's Direct Testimony, the witness explains that BHE reflects  
14 the annualization of the wages, salaries, and benefits for the direct employees of the  
15 Company. The adjustment calculated the ongoing annual expenses of each of the 132 direct  
16 employees of the Company.

17 **Q. Please discuss how Staff's payroll adjustment differs from BHE.**

18 A. Staff's adjustment uses the actual wages, salaries, and benefits recorded for the twelve  
19 months ending June 30, 2021. Staff's adjustment to update to 12 months ending June 30,  
20 2021, includes 12 months of actual known and measureable expense that contains the pay  
21 increase that the Company included in the cost of service as an estimate. In addition, Staff's

---

<sup>5</sup> See Staff Exhibit KALF-1.

1 adjustment includes actual benefits recorded instead of the max amount of benefits that  
2 could be recorded, which is how the company calculated its adjustment.

3 **B. Payroll Tax**

4 **Q. Please continue by discussing Staff Adjustment No. 2 to the Income Statement.**

5 A. Staff Adjustment No. 2 (IS-2) reduces operating expense by \$56,712.<sup>6</sup> Staff's adjustment  
6 revises BHE Adjustment No. IS-35 to FICA Tax Expense. On page 55 of BHE witness  
7 Rachel Schuldt's Direct Testimony, the witness explains that BHE calculated a revised  
8 amount of FICA tax by multiplying the adjustment amount of taxable wages in O&M by  
9 applicable FICA rate. Staff's adjustment uses the same calculation but applies the payroll  
10 tax rate to Staff's calculated wages and salaries expense so that the most current known  
11 and measurable information is utilized in the calculation of the adjustment to payroll tax.  
12 Staff also reduces the amount of FICA tax in the case to reflect the changes Staff made to  
13 Incentive Compensation expense.

14 **C. Incentive Compensation**

15 **Q. Please continue by discussing Staff Adjustment No. 3 to the Income Statement.**

16 A. Staff Adjustment No. 3 (IS-3) reduces operating expense by \$112,200 to remove incentive  
17 compensation expense included in BHE's cost of service.<sup>7</sup> Staff's adjustment normalizes  
18 the amount of Incentive Compensation expense to bring it down to 100% of the target  
19 incentive amount and removes incentive compensation expense associated with the  
20 attainment of financial metrics. As stated in the testimony of BHE's witness Kristi Johnson,  
21 the Company's compensation programs are designed to be externally competitive,  
22 internally equitable, personally motivating, cost effective, and legally compliant. The

---

<sup>6</sup> See Staff Exhibit KALF-2.

<sup>7</sup> See Staff Exhibit KALF-3.

1 Company intends for its pay to reflect the median of the market, assuming that the target  
2 level is attained. Therefore, Staff is adjusting the amount of Incentive Compensation to  
3 reflect the target percentage, which would be reflective of the median market level. This  
4 adjustment also makes sense because over time one would expect that, if the targets were  
5 set appropriately, the average payout for these incentive compensation plans would  
6 approximate 100% of the target. In other words, if employees are consistently beating the  
7 target, you would expect prudent management to increase the expectations that are included  
8 in the target to bring the actual performance down to 100% of the target.

9 Next, Staff removed the portion of Incentive Compensation awards for executives  
10 based on financial performance. Recently the Commission reaffirmed its decision  
11 regarding incentive compensation in its Order, which states:

12 The Commission concludes there is no reason to revisit its prior decisions on  
13 incentive compensation. Likewise, the Commission concludes there is no reason  
14 to revisit its decision announced in the 10-415 Docket to disallow incentive  
15 programs that focus on the financial aspect, rather than operational aspects.  
16 Accordingly, the Commission reaffirms its intent to disallow the costs of  
17 management incentive programs that focus on financial criteria.<sup>8</sup>  
18

19 Therefore, consistent with past Commission Orders disallowing these expenses,  
20 Staff recommends removing the incentive compensation tied to financial metrics.

21 **D. Research and Development**

22 **Q. Please continue by discussing Staff Adjustment 4 to the Income Statement.**

23 A. Staff Adjustment No. 4 (IS-4) reduces operating expense by \$58,184.<sup>9</sup> Staff's adjustment  
24 revises BHE's Adjustment No. IS-32 to Research and Development Expense. On page 49  
25 of BHE witness Rachel Schuldt's Direct Testimony, the witness explains the proposed

---

<sup>8</sup> *Order on Atmos Energy Corporation's Application for a Rate Increase*, 19-525 Docket, p. 17 (Feb. 24, 2020).

<sup>9</sup> See Staff Exhibit KALF-4.

1 funding of the Operations Technology Development (OTD) Program into base rates.  
2 Staff's adjustment removes this amount.

3 **Q. Has Staff filed testimony on this topic in the past?**

4 A. Yes, in the 2018 Kansas Gas Service rate case, Staff witness Leo Haynos provided  
5 testimony as to why Research and Development should not be included. The removal of  
6 this type of expense has been Staff's position in each of the most recent Kansas Gas Service  
7 rate proceedings.<sup>10</sup> Staff's position is that this program reflects an optional investment in  
8 Research and Development, which provides very little, if any, direct benefit to Kansas  
9 customers.

10 **E. Forfeited Discounts**

11 **Q. Please continue by discussing Staff Adjustment 5 to the Income Statement.**

12 A. Staff Adjustment No. 5 (IS-5) decreases operating revenues by \$26,541.<sup>11</sup> Staff's  
13 adjustment revises BHE Adjustment No. IS-7 to forfeited discounts. On pages 29 and 30  
14 of BHE witness Rachel Schuldt's Direct Testimony, the witness explains that BHE  
15 calculates the average forfeited discount rate using a 3-year average to increase the amount  
16 of discounts forfeited in the Test Year. The Company argues that the adjustment is needed  
17 in order to normalize Test Year activity that was impacted by COVID-19. Staff's  
18 adjustment uses the same average forfeited discount rate but applies the rate to Staff's  
19 revenue instead of the Company's.

20 **F. Intercompany Charges**

21 **Q. Please continue by discussing Staff Adjustment 6 to the Income Statement.**

---

<sup>10</sup> Dockets 16-KGSG-491-RTS (16-491) and 18-KGSG-560-RTS.

<sup>11</sup> See Staff Exhibit KALF-5.



1 A. Staff Adjustment No. 6 (IS-6) decreases operating expense by \$949,022.<sup>12</sup> Staff's  
2 adjustment revises BHE Adjustment No. IS-21 to Intercompany Charges. On pages 40 to  
3 43 of BHE witness Rachel Schuldt's Direct Testimony, the witness explains that BHE's  
4 adjustment is made up of five components: update Cost Allocation Rates; Administrative  
5 and General Transfer Credit; COVID Charges; Travel Expenses; and Wages and Salaries  
6 annualization. Staff reviewed BHE's adjustment and recommends changes to two parts of  
7 the Intercompany Charges adjustment. The first is to normalize travel expense incurred  
8 during the test year. The second is to update Wages and Salaries expenses to reflect more  
9 ongoing normalized levels.

10 **Q. Please elaborate on the portion of Staff's adjustment related to Intercompany Travel**  
11 **expenses.**

12 A. In its adjustment, the Company adjusted the 2020 test year to reflect 2019 travel expenses,  
13 reasoning that the test year was abnormally low due to travel restrictions resulting from  
14 COVID-19. Staff agrees that 2020 was not a normal travel year and that it would be  
15 unreasonable to expect future travel expenses to be similar to what it was in 2020, when  
16 nearly all travel was restricted as a result of the COVID-19 virus. However, Staff is not  
17 convinced that it is reasonable to assume that ongoing normalized operations will be  
18 reflective of 2019 level of travel expenses.

19 As a result of the COVID-19 pandemic, all businesses were required to adapt and  
20 make changes to how they would conduct business with travel restrictions. For many  
21 entities, including the KCC, this including the increased utilization of virtual meeting  
22 technologies, video conferences, etc. Due to this, business entities have gotten used to the

---

<sup>12</sup> See Staff Exhibit KALF-6.

1 capabilities, cost savings, and efficiencies of these technologies and are now more likely  
2 to limit travel going forward, instead conducting business and holding meetings virtually.  
3 While some business travel will certainly resume once the pandemic subsides and the virus  
4 is more controlled, knowing exactly what the future holds for business travel is not  
5 possible. Because Staff's view is that the future of business is likely to be a mixture of  
6 some offsite travel and an increased use of virtual technologies, Staff recommends that the  
7 Commission use the average travel expense from 2019 and 2020 to arrive at appropriate  
8 and reasonable level of travel expense going forward.

9 **Q. Please elaborate on the portion of Staff's adjustment related to Intercompany Wages**  
10 **and Salaries.**

11 A. In its adjustment, BHE annualized the projected wage and salary expenses to reflect the  
12 costs of new positions, merit increases, promotions, and additional headcount of new  
13 positions. Staff's adjustment uses the actual expense recorded for the 12 months ending  
14 June 30, 2021. Staff recommends that the Commission include only actual known and  
15 measurable expense amounts in BHE's cost of service. While the adjustments the Company  
16 made may have some validity, at this point, these amounts are simply not known and  
17 measurable, and therefore they should not be relied on by the Commission to set BHE's  
18 rates. Further, in the Company's adjustment, it assumed that all employees would receive  
19 the max amount of incentive benefit payout, fully invest in the Company's 401k match  
20 program, and seek health insurance benefits from the Company. This final portion makes  
21 up a large portion of Staff's adjustment.

1 **G. Alternative Forms of Payment**

2 **Q. Please continue by discussing Staff Adjustment 7 to the Income Statement.**

3 A. Staff Adjustment No. 7 (IS-7) reduces operating expenses by \$46,353.<sup>13</sup> Staff's adjustment  
4 revises BHE Adjustment No. IS-31 for Alternative Forms of Payment. On page 48 of BHE  
5 witness Rachel Schuldt's Direct Testimony, the witness explains that customers are  
6 increasingly requesting the convenience of paying bills with credit or debit cards, as this is  
7 a common form of payment for all forms of goods and services that does not usually come  
8 with a convenience fee. The Company is requesting to include these costs in base rates. In  
9 order to reflect these costs in base rates, BHE took the number of customers currently  
10 paying with a credit or debit card and increased that amount by 25%. Then the Company  
11 multiplied that amount by the cost for the customer to pay online. Staff's adjustment uses  
12 the same calculation but, instead of increasing the number of customers paying online,  
13 Staff used the actual number of customers currently paying with credit or debit cards.

14 **Q. Why did Staff choose to not increase the amount of customers paying bills online?**

15 A. Staff did not increase the number of customers because there is not enough evidence of  
16 how much the increase of customer usage will be. In other words, it is not a known and  
17 measurable amount. In the other two jurisdictions where BHE made the change to include  
18 the costs into base rates, there was an increase of 12% and 7%.<sup>14</sup> Neither of these amounts  
19 are close to the 25% BHE included in its case. Further, Staff is not convinced that BHE's  
20 Kansas customers would respond in the same fashion as the other two states where data  
21 does exist. Because the amount of any gross up is speculative at best, Staff recommends

---

<sup>13</sup> See Staff Exhibit KALF-7.

<sup>14</sup> See Company's response to Staff Data Request No. 185 included in Exhibit KALF-10.

1 the Commission utilize the actual number of customers currently paying with a credit or  
2 debit card for the purpose of this adjustment.

3 **Q. Please provide a brief history of the Commission's treatment of Alternative Forms of**  
4 **Payment.**

5 A. On December 6, 2004, the Commission issued an Order adopting standards on the  
6 acceptance of credit cards by Kansas jurisdictional electric, natural gas, and water utilities,  
7 in Docket No. 04- GIMX-651-GIV (04-651 Docket). Through this Docket the Commission  
8 established minimum standards that were to be followed in the event that a utility wanted  
9 to allow its customers to pay their utility bill with a credit/debit card. Since 2004, the  
10 Commission has allowed multiple utility companies to recover credit/debit card charges in  
11 base rates as an exception to the standards established in the 04-651 Docket. In 2006 and  
12 2014, the Commission allowed KCP&L and Westar, respectively, to begin to recover the  
13 cost for Residential customers to pay bills via credit or debit cards in base rates. As  
14 discussed in those dockets,<sup>15</sup> customers expect that they will not be charged for the use of  
15 credit cards when they pay for goods and services. Staff agrees that customer's now expect  
16 to be able to pay with a credit or debit card without an added convenience fee. Accordingly,  
17 Staff recommends the Commission accept BHE's request to include the costs of these fees  
18 in the cost of service, instead of charging individual customers for these fees.

19 **H. Rate Case Expense**

20 **Q. Please continue by discussing Staff Adjustment 8 to the Income Statement.**

21 A. Staff Adjustment No. 8 (IS-8) reduces operating expense by \$155,939.<sup>16</sup> This adjustment  
22 revises BHE Adjustment No. IS-23 to update the amount of rate case expense in the cost

---

<sup>15</sup> Docket Nos. 06-KCPE-828-RTS and 14-WSEE-589-TAR, respectively.

<sup>16</sup> See Staff Exhibit KALF-8.

1 of service to equal the most updated, known and measurable amounts available to Staff at  
2 this time. On page 44 of BHE witness Rachel Schuldt's Direct Testimony, the witness  
3 explains that the Company is estimating total rate case expense to be \$750,000. BHE  
4 amortized that expense over 3 years. Staff updated the amount of rate case expense in the  
5 case to actual expense known at the time of Staff's internal number deadline and amortized  
6 this expense amount over 5 years. The amount of rate case expense for this case should be  
7 updated as the case proceeds.

8 **Q. Please explain the difference between Staff's and the Company's amortization period.**

9 A. The Company choose to amortize its rate case expense over 3 years, which is the  
10 amortization that was used in its last rate case. In that case, Staff Witness Andria Jackson  
11 recommended an amortization period of 4 years based on the amount of time between rate  
12 cases at that time. In this docket, Staff is recommending an amortization period of 5 years.  
13 The average amount of time between the Company's last four rate cases is approximately  
14 5.5 years. Staff typically looks at the average amount of time between filings when  
15 determining the appropriate amortization period for rate case expense.

16 **I. ADIT Adjustment**

17 **Q. Please continue by discussing your portion of Staff adjustment to Rate Base**  
18 **Adjustment 8 for ADIT.**

19 A. There are several components to my portion of this adjustment. First, while reviewing the  
20 ADIT balances and calculations, Staff discovered that there was a portion of ADIT that is  
21 related to Incentive Compensation expenses incurred during the test year. Since Staff is  
22 removing a portion of the expenses related to incentive compensation expense from the test  
23 year, it is appropriate to remove the same portion of ADIT relating to this expense. Staff's

1 calculation mirrors BHE's calculation used for other ADIT components, but instead is  
2 related to the removal of incentive compensation expense.

3 Next, the Company's Tax Adjustment Rider removes the EDIT related to House  
4 Bill 2585 (HB 2585) and the Tax Cuts and Jobs Act (TCJA) from base rates and instead  
5 includes those amounts in the rider. This portion of Staff's adjustment is necessary to  
6 properly reflect the Rate Base impact of Staff's recommendation to include the EDIT  
7 regulatory liability in base rates.

8 Finally, Staff is removing the Deferred Tax Liability (DTL) for Rate Case Expense.  
9 This is an expense amount that does not receive rate base treatment in Kansas, and therefore  
10 the corresponding DTL should also not be included in Rate Base.

11 **J. EDIT and Tax Adjustment Rider**

12 **Q. Please explain the adjustment Staff made to Staff Schedule B-4.**

13 A. Staff's adjustment to Staff Schedule B-4 reduces BHE's Tax Credit & EDIT Amortization  
14 by \$1,510,163<sup>17</sup> in the calculation of total income tax expense.<sup>18</sup> This amount is made up  
15 of multiple parts. First, Staff recommends that the unprotected<sup>19</sup> EDIT related to House  
16 Bill 2585 (HB 2585) and the Tax Cuts and Jobs Act (TCJA) be recovered through base  
17 rates instead of a separate credit on customer bills (the Tax Adjustment Rider requested by  
18 BHE). Second, Staff is including the deficient deferred tax asset associated with protected  
19 net operating losses (net operating losses tied to tax timing differences associated with  
20 depreciable assets) as an offset to the protected excess deferred tax liability. Third, Staff

---

<sup>17</sup> See Staff Exhibit KALF-9.

<sup>18</sup> See Staff Schedule B-4, Line 13, Column D.

<sup>19</sup> The distinction between protected and unprotected EDIT refers to the fact that protected EDIT is required to be amortized to customers over the life of the assets using the ARAM or alternative method if ARAM is unavailable. Unprotected EDIT is not subject to these tax normalization requirements and thus may be amortized over any period of time deemed just and reasonable by the Commission.

1 reverses the Company's adjustment associated with the recovery of the net operating loss  
2 carryforward (NOLC) lost when HB 2585 became law.

3 **Q. Please provide more detail on Staff's position regarding BHE's requested Tax**  
4 **Adjustment Rider.**

5 A. Staff recommends that the revenue requirement benefits of unprotected EDIT from the  
6 TCJA and HB 2585 be included in base rates in this case instead of being included in a  
7 separate rider. Staff's understanding of the rationale behind BHE's proposal is that the Tax  
8 Adjustment Rider is necessary because BHE seeks to refund the unprotected EDIT over  
9 just three years, and therefore, the Tax Adjustment Rider would better facilitate the removal  
10 of the credit from rates when the three year period is over. Instead of the company filing a  
11 rate case to remove the credit from rates, the Tax Adjustment Rider could just be sunset  
12 after three years.

13 Staff is not necessarily adamantly opposed to this concept if three years was to be  
14 used to amortize the EDIT amount, however, Staff is recommending amortizing the  
15 unprotected EDIT over five years instead of the Company's recommended three. Because  
16 Staff is recommending a five-year amortization, and because BHE has filed a Kansas rate  
17 case on average every 5.5 years as discussed above, Staff's position is that the Tax  
18 Adjustment Rider is unnecessary in this Docket. As detailed below several other Kansas  
19 utilities have amortized unprotected EDIT over a period of five years through base rates,  
20 without needing to use another rider on customer bills such as the Tax Adjustment Rider.

21 **Q. Why is Staff recommending an unprotected EDIT amortization of 5 years instead of**  
22 **three years in this case?**

1 A. An EDIT amortization period is not a straightforward or objective exercise. Instead,  
2 regulators must balance the desire to lower rates by a greater amount over a shorter time  
3 frame (with smaller amortization periods) with the desire to create a longer term rate benefit  
4 that comes from a longer amortization period. Compounding this difficulty is the fact that  
5 ADIT has historically been seen as a long-term source of cost free capital. So while shorter  
6 amortization periods reduce rates by a larger amount today, it also removes this rate base  
7 offset from rates faster, cutting down on the period that ratepayers are able to enjoy this  
8 benefit. Staff has not recommended an amortization period of less than five years in the  
9 most recent Kansas City Power and Light, Wester, and Atmos rate cases.<sup>20</sup> If Staff used  
10 the three-year amortization period similar to the Company, then Staff's Revenue  
11 Requirement would be \$1.05 million less than the current Staff revenue requirement  
12 recommendation.<sup>21</sup>

13 **Q. Please provide support for Staff's position for the recovery of NOLC.**

14 A. Staff reverses the Company's NOLC adjustment because the NOLC adjustment is based  
15 on other state regulatory activity as well as BHE non-regulated activity. Meaning, the  
16 NOLC is comprised of financial activity that was never reflected in base rates and therefore  
17 should not be included in this case.

18 Company witness Kenneth Crouch supports this adjustment. The witness amortized  
19 the net operating loss carryforward over 20 years and that amount of \$53,768 is then  
20 requested for revenue requirement recovery. The Company's witness follows that if tax

---

<sup>20</sup> See Order Approving Unanimous Settlement Agreement in Docket No. 18-KCPE-480-RTS; Order Approving Partial Unanimous Settlement Agreement in Docket No. 18-KGSG-560-RTS; and Order Approving Non-Unanimous Stipulation and Agreement in Docket No. 18-WSEE-328-RTS.

<sup>21</sup> \$6,197,788 divided by 5 years is \$1,239,558 and \$6,197,788 divided by 3 years is \$2,065,929. This is a difference of \$826,372. When put into Staff Schedules, the effect then becomes \$1.05 million because of other adjustments (bad debt, taxes, etc.) changing due to the change in revenue recommendation.



1 laws change and the Company is able to use the carryforward again, then any amount paid  
2 by customers would then be returned to customers.

3 In Staff's view, the problem with the Company's adjustment is the source of the  
4 NOLC amount. As stated in the Company's response to Staff Data Request No. 220,  
5 "Kansas laws require that all BHC companies be included in a combined Kansas income  
6 tax return. The combined income or losses of all BHC companies was apportioned to  
7 Kansas based on sales, payroll, and property within Kansas in relation to all other BHE  
8 companies."<sup>22</sup> In reviewing the detail pertaining the calculation of the NOLC, the activity  
9 relating to Kansas regulated activity is minimal, if any at all. Further, the original Deferred  
10 Tax Asset (DTA) associated with this NOL was not included in rate base<sup>23</sup> in BHE's  
11 previous Kansas rate case, Docket No. 14-BHCG-502-RTS. This indicates to Staff that the  
12 loss of value of the NOLC should also not be included in rates in this proceeding. Since  
13 these tax benefits are not solely related to regulated Kansas activities and they have never  
14 been included in Rate Base in previous BHE rate cases, they should not be included in rates  
15 now.

## 16 **VIII. Conclusion**

17 **Q. Please summarize your recommendations in this Docket.**

18 **A.** I recommend that the Commission make the following findings as they relate to BHE's  
19 requested rate changes in this Docket.

- 20 • Update BHE's Payroll and Benefit Expenses from an estimated amount included in  
21 BHE's Application to actual expenses recorded through June 2021.

---

<sup>22</sup> See Data Request Response No. 220 included in Staff Exhibit KALF-10.

<sup>23</sup> See Data Request Response No. 1 included in Staff Exhibit KALF-10.

- 1 • Update BHE's Payroll Tax to reflect Staff's adjustment to Payroll and Incentive
- 2 Compensation.
- 3 • Reduce the amount of Incentive Compensation Expense in the cost of service to
- 4 remove amounts paid above the 100% threshold.
- 5 • Reject the Company's request to include Research and Development costs from the
- 6 Gas Technology Institute in the cost of service.
- 7 • Update the Company's forfeited Discounts to reflect Staff's adjusted Revenue
- 8 Requirement amount.
- 9 • Update the Intercompany Charges Adjustment to update Wages and Salaries to
- 10 June 2021 and normalize the amount of Travel expense incurred.
- 11 • Adjust the credit card payment expense adjustment to eliminate BHE's projected
- 12 increase in the number of customers paying bills with a credit card.
- 13 • Update Rate Case Expense to the most recently known amount and amortize this
- 14 expense over five years.
- 15 • Reject the Company's request for a Tax Adjustment Rider and instead include these
- 16 credits to the cost of service in base rates.

17 **Q. Does that conclude your testimony?**

18 A. Yes.

19 **EXHIBITS**

20	KALF-1	Staff Exhibit to update Payroll and Benefit Expense
21	KALF-1A	Staff Exhibit detail for Staff's Labor and Benefit Expense Update
22	KALF-2	Staff Exhibit to update FICA Tax Expense
23	KALF-3	Staff Exhibit to remove Incentive Compensation

1	KALF-4	Staff Exhibit to remove Research and Development
2	KALF-5	Staff Exhibit to calculate Staff's revised Forfeited Discounts
3	KALF-6	Staff Exhibit reflecting Staffs Intercompany Charges
4	KALF-6A	Staff Exhibit detail updating Staff's Intercompany Charges
5	KALF-6B	Staff Exhibit normalizing Intercompany Travel expense
6	KALF-6C	Staff Exhibit updating Intercompany Payroll and Benefits
7	KALF-7	Staff Exhibit adjusting Alternative Forms of Payment
8	KALF-8	Staff Exhibit updating Rate Case Expense
9	KALF-9	Staff Exhibit breaking down Staff's adjustment to B-4
10	KALF-10	BHE's Responses to Staff Data Requests 1, 185, and 220

Staff

Exhibits

Black Hills Energy  
Payroll  
Income Statement Adjustment No. 1  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-1

Line No	Description	Amount
1	Black Hills Revenue Requirement	600,151
2	Staff's Revenue Requirement	<u>321,092</u>
3	Staff Adjustment to Payroll and Benefits	<u><u>(279,059)</u></u>

**Source:** Staff Exhibit KALF-1A

Line No.	FERC Account	Description	Black Hills Adjustment	Staff's Adjustment	Difference
1	850	Operation Supervision & Engineering	258	1,299	1,041
2	856	Mains Expense	2,804	2,483	(321)
3	859	Other Expenses	114	1,261	1,147
4	860	Rentrs	-	(608)	(608)
5	861	Maintenance Supervision & Engineering	1,303	1,600	297
6	863	Maintenance of Mains	1,484	1,143	(341)
7	864	Maintenance of Compressor Station Equipment	10	112	102
8	867	Maintenance of Other Equipment	11	26	15
9	870	Dist. Operating and Supervision Engineering	32,657	4,944	(27,713)
10	874	Dist. Mains & Services Expense	95,813	83,014	(12,799)
11	875	Dist. Measuring & Regulating Station Expense - General	24,433	3,003	(21,430)
12	876	Dist. Measuring & Regulating Station Expense - Industrial	1,347	1,066	(281)
13	877	Measuring & Regulating Station Expense - City Gate Check Station	8,954	(7,217)	(16,171)
14	878	Dist. Meter & House Regulator Expense	40,160	(61,025)	(101,185)
15	879	Dist. Customer Installation Expense	35,533	(15,934)	(51,466)
16	880	Dist. Other Expenses	83,277	15,639	(67,638)
17	885	Dist. Maint Supervision & Engineering	3,614	(6,784)	(10,398)
18	886	Maintenance of Structures & Improvements	11	-	(11)
19	887	Dist. Maint. of Mains	17,236	8,681	(8,555)
20	888	Dist. Maint. of Compressor Station Equipment	4,025	(28,094)	(32,118)
21	889	Maintenance of Measuring & Regulating Station Expense -General	5,185	5,957	773
22	890	Dist. Maint. of Measuring & Regulating Station Equip - Industrial	1,854	2,375	520
23	891	Maintenance of Measuring & Regulating Station Expense - City Gate Check Station	8,136	(14,188)	(22,324)
24	892	Dist. Maint. of Services	12,697	(18,579)	(31,275)
25	893	Dist. Maint. of Meters & House Regulators	57,270	102,356	45,086
26	894	Dist. Maint. of Other Equipment	1,871	1,542	(328)
27	901	Supervision	7,052	(1,709)	(8,761)
28	902	Meter Reading Expenses	23,209	12,365	(10,845)
29	903	Customer Record & Collection Expenses	16,619	(8,772)	(25,391)
30	905	Misc Customer Accounts Expenses	1,106	791	(316)
31	910	Miscellaneous Cust Serv & Inform Exp.	274	6,300	6,026
32	920	Administrative & General Salaries	46,519	104,876	58,357
33	926	Employee Pensions and Benefits	58,561	177,734	119,173
34	932	Maintenance of General Plant	6,754	(54,565)	(61,319)
35		<b>Total Payroll &amp; Benefits</b>	<b>600,151</b>	<b>321,092</b>	<b>(279,059)</b>

**Sources:** Black Hills Energy's Application and Supporting Workpapers  
Black Hills Energy's Response to Staff Data Request No. 163

Black Hills Energy  
FICA Tax  
Income Statement Adjustment No. 2  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-2

Line No	Description	Amount
1	Black Hill Energy's FICA Tax Adjustment	81,008
2	Staff's FICA Tax Adjustment	<u>22,669</u>
3	Staff Adjustment to Update Test Year FICA	(58,339)
4	Staff Adjustment to Incentive Compensation	112,200
5	FICA related to Incentive Compensation	<u>1.45%</u>
6	FICA to Remove for Incentive Compensation	1,627
7	<b>Staff's Adjustment to FICA Tax</b>	<b><u><u>(56,712)</u></u></b>

**Sources:** Black Hills Energy's Application and Supporting Workpapers  
Staff Exhibits KALF-1 and KALF-3

Black Hills Energy  
Incentive Compensation  
Income Statement Adjustment No. 3  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-3

Line No	Plan	Black Hills/ Kansas Gas		Black Hills Service Company	
		Included in Case	To Remove	Included in Case	To Remove
1	AIP	563,194	54,799	461,964	32,984
2	STIP	52,076	5,067	271,011	19,350
3	LTIP	52,492	-	216,549	-
4		667,762	59,866	949,524	52,334
5	Staff Adjustment to Incentive Compensation				<u>(112,200)</u>
6	Performance Goal Achieved	109.73%			107.14%

Sources: Black Hills Energy's Supplemental Responses to Data Requests 162 and 213



Black Hills Energy  
Research & Development  
Income Statement Adjustment No. 4  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-4

Line No	Description	Amount
1	Staff's Adjustment to Remove Research and Development	<u>(58,184)</u>

**Source:** Black Hills Energy's Application and Supporting Workpapers

Black Hills Energy  
Forfeited Discounts  
Income Statement Adjustment No. 5  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-5

Line No	Description	Amount
1	Adjusted Total Sales	10,199,943
2	LESS Cost of Gas Adjustment	<u>2,914,624</u>
3	Adjusted Revenue	7,285,319
4	Black Hills Forfeited Discount Rate	<u>0.3645%</u>
5	Staff Adjustment to Forfeited Discounts	<u><u>26,553</u></u>

**Sources:** Black Hills Energy's Application and Supporting Workpapers  
Schedule B-1 of Staff Schedules

Black Hills Energy  
Intercompany Charges  
Income Statement Adjustment No. 6  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-6

Line No	Description	Amount
1	Black Hills' Adjustment to Intercompany Charges	1,171,191
2	Staff's Adjustment to Intercompany Charges	<u>222,169</u>
3	Staff Adjustment to Intercompany Charges	<u>(949,022)</u>

**Source:** Staff Exhibit KALF-6A

Line No.	FERC Account	Description	Per Book Expenses Year Ended 12/31/2020	Annual Update Cost Allocation Rates	Adjustment for Increased Admin and Gen Transfer Credit	Adjustment for COVID Charges	Adjustment for Travel Expenses	Wages & Salaries Adjustment for Annualization of BHSC Employees	Adjusted Test Year	Increase/ (Decrease)
1	850	TRANS OPS SUPERV & ENG	108,187	(6,572)	-	-	3,113	(21,165)	83,564	(24,623)
2	851	System control and load dispatching.	261	(27)	-	-	-	(261)	(27)	(288)
3	852	COMMUNICATION SYS EXP	247	(26)	-	-	15	-	235	(11)
4	859	OTHER TRANS OPS EXP	156,933	(2,901)	-	-	34	2,597	156,663	(270)
5	861	TRANS MAINT SUPERV & ENGIN	170	(18)	-	-	244	1,253	1,649	1,479
6	863	TRANS MAINT OF MAINS	-	-	-	-	25	-	25	25
7	870	DIST OPS SUPERVISION AND ENGIN	823,297	2,530	-	(859)	14,363	10,927	850,258	26,961
8	871	DIST LOAD DISPATCHING	4	0	-	-	-	4,478	4,483	4,478
9	874	OPER/INSPECT UG DIST MAINS-GAS	269	2	-	-	18	33	323	53
10	875	DIST MEAS & REG STAT - GENERAL	120	1	-	-	-	(120)	1	(119)
11	878	OPER/INSP MTRS COLLECT DATAGAS	911	6	-	-	4	(911)	11	(900)
12	880	DIST OPS OTHER EXPENSE	24,498	100	-	-	426	2,182	27,206	2,708
13	881	DIST OPER RENTS	1,122	-	-	-	-	-	1,122	-
14	887	PERF UG DISTRIB LINE MAINT-GAS	86	1	-	-	(7)	-	79	(6)
15	888	DIST MAINT COMPR STATION EQUIP	55	(0)	-	-	(20)	1,590	1,624	1,570
16	893	DIST MAINT METERS & HSE REGS	67,190	(433)	-	(1)	1,874	6,883	75,513	8,322
17	901	CUST ACCTS SUPERVISION	91,723	(399)	-	(743)	1,568	(3,269)	88,881	(2,842)
18	902	READ METERS	21,662	(124)	-	-	(24)	(8,647)	12,867	(8,795)
19	903	CUST ACCTS RECORDS & COLLECTIO	1,798,912	(5,225)	-	(6,432)	7,533	(808)	1,793,979	(4,932)
20	905	MISC CUSTOMER ACCOUNTS	53,857	(142)	-	-	577	(676)	53,615	(241)
21	907	CUSTOMER SERVICE SUPERVISION	41,537	(184)	-	-	533	(4,519)	37,367	(4,170)
22	908	CUSTOMER ASSISTANCE EXP	167,081	(37)	-	-	2,187	39,142	208,373	41,292
23	909	INFORMATIONAL & INSTRUCT ADS	203	(1)	-	-	-	189	390	188
24	910	MISC CUST SERVICE & INFO	40	(0)	-	-	18	45	103	64
25	912	SALES DEMONSTRATING & SELLING	121,787	30	-	-	1,401	1,987	125,204	3,417
26	913	SALES ADVERTISING EXPENSES	28,801	51	-	-	42	-	28,894	92
27	920	ADMIN AND GENERAL SALARIES	5,052,558	77,516	-	(21,821)	-	120,419	5,228,671	176,113
28	921	OFFICE SUPPLIES & EXPENSE	1,148,825	1,273	-	(46,197)	119,608	(1,527)	1,221,982	73,157
29	922	ADMIN EXP TRANS CREDIT	(1,095,639)	-	(54,782)	-	-	-	(1,150,421)	(54,782)
30	923	OUTSIDE SERVICES	1,018,380	23,152	-	(11,534)	-	-	1,029,998	11,618
31	924	PROPERTY INSURANCE	6,975	2	(87)	-	-	-	6,890	(85)
32	925	INJURIES AND DAMAGES	374,591	14,046	(4,817)	-	-	-	383,820	9,229
33	926	EMPLOYEE PENSIONS & BENEFITS	1,586,003	19,826	(10,194)	-	-	(74,800)	1,520,836	(65,167)
34	928	Regulatory commission expenses.	172,226	-	-	-	-	-	172,226	-
35	929	DUPLICATE CHARGES - CREDIT	4	0	-	-	-	-	4	0
36	930.1	GENERAL ADVERTISING	477,146	2,246	-	-	-	161	479,553	2,407
37	930.2	MISCELLANEOUS GENERAL EXP	32,267	851	-	-	1,678	1,976	36,772	4,505
38	931	RENT EXPENSE	797,823	11,743	(9,973)	-	-	-	799,593	1,770
39	932	MAINTENANCE GENERAL PLANT GAS	690,887	16,391	-	-	-	3,563	710,841	19,954
40		Total	\$ 13,771,001	\$ 153,677	\$ (79,853)	\$ (87,588)	\$ 155,211	\$ 80,722	\$ 13,993,170	\$ 222,169

**Sources:** Black Hills Energy's Application and Supporting Workpapers  
Staff Exhibit KALF-6B and KALF-6C

Line No.	FERC Account	Description	Year Ending 2019	Year Ending 2020	Two-Year Average	Staff Adjustment
1	850	TRANS OPS SUPERV & ENG	\$ 8,263	\$ 2,036	\$ 5,149	\$ 3,113
2	852	COMMUNICATION SYS EXP	37	8	23	15
3	857	TRANS MEAS & REGUL STATION EXP	1	-	0	0
4	859	OTHER TRANS OPS EXP	86	17	52	34
5	861	TRANS MAINT SUPERV & ENGIN	488	-	244	244
6	863	TRANS MAINT OF MAINS	50	-	25	25
7	870	DIST OPS SUPERVISION AND ENGIN	49,766	21,040	35,403	14,363
8	874	OPER/INSPECT UG DIST MAINS-GAS	37	-	18	18
9	878	OPER/INSP MTRS COLLECT DATAGAS	9	-	4	4
10	880	DIST OPS OTHER EXPENSE	6,524	5,673	6,099	426
11	887	PERF UG DISTRIB LINE MAINT-GAS	72	86	79	(7)
12	888	DIST MAINT COMPR STATION EQUIP	-	39	20	(20)
13	893	DIST MAINT METERS & HSE REGS	6,430	2,682	4,556	1,874
14	901	CUST ACCTS SUPERVISION	3,650	513	2,081	1,568
15	902	READ METERS	0	49	25	(24)
16	903	CUST ACCTS RECORDS & COLLECTIO	20,758	5,692	13,225	7,533
17	905	MISC CUSTOMER ACCOUNTS	1,153	-	577	577
18	907	CUSTOMER SERVICE SUPERVISION	1,666	599	1,132	533
19	908	CUSTOMER ASSISTANCE EXP	4,448	75	2,261	2,187
20	910	MISC CUST SERVICE & INFO	75	38	56	18
21	912	SALES DEMONSTRATING & SELLING	3,889	1,087	2,488	1,401
22	913	MISCELLANEOUS SALES EXPENSES	83	-	42	42
23	921	OFFICE SUPPLIES & EXPENSE	300,035	60,818	180,426	119,608
24	930.2	MISCELLANEOUS GENERAL EXP	4,271	915	2,593	1,678
25		Total Travel Costs	<u>\$ 411,789</u>	<u>\$ 101,368</u>	<u>\$ 256,578</u>	<u>\$ 155,211</u>

**Sources:** Black Hills Energy's Application and Supporting Workpapers  
Black Hills Energy's Response to Staff Data Request No. 160

Line No.	FERC Account	Description	Test Year	12 Months Ending	Increase/ (Decrease)
				June 30, 2021	
1	850	TRANS OPS SUPERV & ENG	102,031	80,866	(21,165)
2	851	System control and load dispatching.	261	-	(261)
3	859	OTHER TRANS OPS EXP	4,952	7,549	2,597
4	861	TRANS MAINT SUPERV & ENGIN	-	1,253	1,253
5	870	DIST OPS SUPERVISION AND ENGIN	511,302	522,229	10,927
6	871	DIST LOAD DISPATCHING	4	4,483	4,478
7	874	OPER/INSPECT UG DIST MAINS-GAS	269	303	33
8	875	DIST MEAS & REG STAT - GENERAL	120	-	(120)
9	878	OPER/INSP MTRS COLLECT DATAGAS	911	-	(911)
10	880	DIST OPS OTHER EXPENSE	16,091	18,273	2,182
11	888	DIST MAINT COMPR STATION EQUIP	15	1,605	1,590
12	893	DIST MAINT METERS & HSE REGS	50,550	57,433	6,883
13	901	CUST ACCTS SUPERVISION	103,504	100,235	(3,269)
14	902	READ METERS	21,564	12,917	(8,647)
15	903	CUST ACCTS RECORDS & COLLECTIO	1,108,371	1,107,562	(808)
16	905	MISC CUSTOMER ACCOUNTS	53,798	53,122	(676)
17	907	CUSTOMER SERVICE SUPERVISION	45,211	40,691	(4,519)
18	908	CUSTOMER ASSISTANCE EXP	177,633	216,776	39,142
19	909	INFORMATIONAL & INSTRUCT ADS	203	391	189
20	910	MISC CUST SERVICE & INFO	-	45	45
21	912	SALES DEMONSTRATING & SELLING	108,703	110,690	1,987
22	920	ADMIN AND GENERAL SALARIES	5,050,214	5,170,632	120,419
23	921	OFFICE SUPPLIES & EXPENSE	45,612	44,085	(1,527)
24	926	EMPLOYEE PENSIONS & BENEFITS	1,845,238	1,770,438	(74,800)
25	930.1	GENERAL ADVERTISING	(4)	157	161
26	930.2	MISCELLANEOUS GENERAL EXP	3,938	5,914	1,976
27	932	MAINTENANCE GENERAL PLANT GAS	(2,882)	682	3,563
28		Total Wages and Salaries Charges	\$9,247,607	\$ 9,328,329	\$ 80,722

**Sources:** Black Hills Energy's Application and Supporting Workpapers  
Black Hills Energy's Response to Staff Data Request No. 160

Black Hills Energy  
Alternative Forms of Payment  
Income Statement Adjustment No. 7  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-7

Line No	Description	Residential Credit Card	Commercial Credit Card
1	Customer Count	112,335	1,495
2	Transaction Fee	\$ 1.45	\$ 7.50
3	Kansas Sales Tax	6.5%	6.5%
4	Total Transaction Fee	\$ 1.54	\$ 7.99
5	Total Transaction Costs	173,473	11,941
6	Staff's Total Transaction Costs		185,415
7	Black Hills Energy Total Transaction Costs		231,768
8	<b>Adjustment to Application</b>		<b>(46,353)</b>

**Source:** Black Hills Energy's Application and Supporting Workpapers

Black Hills Energy  
Rate Case Expense  
Income Statement Adjustment No. 8  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-8

Line No	Vendor	Detail	Amount
1	Anderson & Byrd	Legal Fees	27,856
2	CDW	SmartDisks	106
3	Communication Counsel of America	Witness Training	2,600
4	Delta Air	Witness Training	536
5	FINCAP	Capital Structure	23,900
6	Gannett Fleming Valuation and Rate Review	Depreciation	32,308
7	Navillus Utility Consulting-Rate Review	Class Cost of Service	19,250
8	PwC	Kansas Rate Case	5,831
9	Total Company Rate Case Expense		112,387
10	KCC Rate Case Expense (Expenses through August 7)		101,677
11	CURB Rate Case Expense (Expenses through August 7)		6,242
12	Total Rate Case Expense		220,306
12	Amortization Period		5
13	Staff Rate Case Expense		44,061
14	Black Hills Rate Case Expense in Case		200,000
15	Staff Adjustment		<u><u>(155,938.86)</u></u>

**Source:** Black Hills Energy's Response to Staff Data Request No. 219



Black Hills Energy  
EDIT  
Test Year Ending December 31, 2020

Docket No. 21-BHCG-418-RTS  
Exhibit KALF-9

Line No	Description	Amount
1	Kansas Regulaory Liability on HB2585 & TCJA	(6,197,788)
2	Amortize (Years)	<u>5</u>
3		(1,239,558)
4	Grossed Up Protected NOL DDFIT	4,199
5	Tax Rate	<u>0.79</u>
6		3,317
7	Protected Property Rate Base	(220,154)
8	Amortization of State NOL DTA - HB 2585	(53,768)
9	<b>Staff Adjustment toTax Credits and EDIT Amortization</b>	<b><u><u>(1,510,163)</u></u></b>

**Source:** Black Hills Energy's Application and Supporting Workpapers

## **Exhibit KALF-10**

BHE's Responses to Staff Data Requests:  
1, 185, and 220

**BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC  
d/b/a BLACK HILLS ENERGY  
DOCKET NO. 21-BHCG-       -RTS  
KANSAS CORPORATION COMMISSION  
DATA REQUEST NO. KCC-1**

DATE OF REQUEST: 05/07/2021  
DATE RESPONSE DUE: 05/07/2021  
REQUESTOR: Kansas Corporation Commission  
AUDITOR:  
ANSWERED BY: Rob Daniel  
DATE RESPONDED: 05/07/2021  
SUBJECT: Workpapers  
REFERENCE: KCC-1 (General)

---

**REQUEST:**

1. A complete, fully indexed & cross-referenced set of workpapers (hard copy & electronic copy with links and formulas intact) supporting Applicant's application, witnesses' testimony and exhibits.
2. A complete, fully indexed & cross-referenced set of workpapers (hard copy & electronic copy with links and formulas intact) supporting each Applicant pro forma adjustment.

**RESPONSE:** See Indexed attachments below and corresponding workpapers.

**ATTACHMENTS:**

Attachment KCC-1 ATTACHMENT A Curran Workpaper Index.pdf  
Attachment KCC-1 ATTACHMENT B Hyatt Workpaper Index.pdf  
Attachment KCC-1 ATTACHMENT C McKenzie Workpaper Index.pdf  
Attachment KCC-1 ATTACHMENT D Schuldt Workpaper Index.pdf  
Attachment KCC-1 ATTACHMENT E Spanos Workpaper Index.pdf  
Attachment KCC-1 ATTACHMENT F Stevens Workpaper Index.pdf

### **Verification of Response**

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

**Signed: /s/ Tom Stevens**

**Date: 05/07/2021**

## BLACK HILLS CORPORATION AND SUBSIDIARIES

EIN: 460458824

Kansas Net Operating deduction

Company	BH Gas Inc	BHC	CLFP	BHEP	BHGII BHGI merged with BHGII 12/1/2017 30-0410926 30-0410930	BHES	BHSC	BHCO Gas	BHUH	Totals
EIN	03-0606040	46-0458824	83-0110025	46-0343768		48-0926630	20-2110669	83-1513825	26-2840847	
2009 NOL Earned		114	3			404,711			5,354	410,182
2009 NOL Utilized										-
2009 LKE Audit Adjustment										-
2010 Tax Return Adjustment through NOL										-
Acquired NOL	8,389									8,389
Carry Forward to 2010	8,389	114	3	-	-	404,711	-	-	5,354	418,571
2010 NOL Earned		168,561	5,639						4,694,636	4,868,836
2010 NOL Utilized						(215,194)				(215,194)
2010 LKE Audit Adjustment									73,033	73,033
2010 Tax Return Adjustment through NOL										-
Carry Forward to 2011	8,389	168,675	5,642	-	-	189,517	-	-	4,773,023	5,145,246
2011 NOL Earned		779,117	19,604						17,295,895	18,094,616
2011 NOL Utilized						(18,070)				(18,070)
2011 LKE Audit Adjustment									58,577	58,577
2011 Tax Return Adjustment through NOL										-
Carry Forward to 2012	8,389	947,792	25,246	-	-	171,447	-	-	22,127,495	23,280,369
2012 NOL Earned										-
2012 NOL Utilized		(265,299)	(2,451)			(34,248)			(9,161,905)	(9,463,903)
2012 LKE Audit Adjustment									69,147	69,147
2012 Tax Return Adjustment through NOL		6,166	57	14					212,950	219,187
Carry Forward to 2013	8,389	688,659	22,852	14	-	137,199	-	-	13,247,687	14,104,800
2013 NOL Earned		88,509	482	724					3,676,378	3,766,093
2013 NOL Utilized						(28,348)				(28,348)
2013 LKE Audit Adjustment									82,011	82,011
2013 Tax Return Adjustment through NOL										-
Carry Forward to 2014	8,389	777,168	23,334	738	-	108,851	-	-	17,006,076	17,924,556
2014 NOL Earned		111,358	1,209	5,007					5,339,586	5,457,160
2014 NOL Utilized						(322)				(322)
2014 LKE Audit Adjustment									76,798	76,798
2014 Tax Return Adjustment through NOL		(22,270)	(242)	(1,001)					(1,067,833)	(1,091,346)
Carry Forward to 2015	8,389	866,256	24,301	4,744	-	108,529	-	-	21,354,626	22,366,846
2015 NOL Earned		20,201	155	388					911,035	931,779
2015 NOL Utilized						(9,637)				(9,637)
2015 LKE Audit Adjustment									67,529	67,529
2015 Tax Return Adjustment through NOL		(2,141)	(16)	(41)					(96,539)	(98,737)
Carry Forward to 2016	8,389	884,317	24,440	5,091	-	98,892	-	-	22,236,651	23,257,779

BLACK HILLS CORPORATION AND SUBSIDIARIES

EIN: 460458824

Kansas Net Operating deduction

Company	BH Gas Inc	BHC	CLFP	BHEP	BHGII BHGI merged with BHGII 12/1/2017 30-0410926 30-0410930	BHES	BHSC	BHCO Gas	BHUH	Totals
EIN	03-0606040	46-0458824	83-0110025	46-0343768		48-0926630	20-2110669	83-1513825	26-2840847	
2016 NOL Earned		27,750	251	614	390				1,358,449	1,387,454
2016 NOL Utilized									-	-
2016 LKE Audit Adjustment									55,174	55,174
2016 Tax Return Adjustment through NOL		(7,823)	(71)	(173)	(110)				(382,948)	(391,124)
Carry Forward to 2017	8,389	904,244	24,620	5,532	280	98,892	-	-	23,267,326	24,309,283
2017 NOL Earned		32,341	357	387	179				1,425,367	1,458,631
2017 NOL Utilized									-	-
2017 LKE Audit Adjustment									-	-
2017 Tax Return Adjustment through NOL									-	-
2017 Amended Tax Return		19,373	214	231	106				853,791	873,715
Carry Forward to 2018	8,389	955,958	25,191	6,150	565	98,892	-	-	25,546,484	26,641,629
2018 NOL Earned									-	-
2018 NOL Utilized		(150,779)	(1,389)			(52,009)			(7,290,943)	(7,495,120)
2018 LKE Audit Adjustment									-	-
2018 Tax Return Adjustment through NOL		17,192	158			5,930			837,215	860,496
Carry Forward to 2019	8,389	822,371	23,960	6,150	565	52,813	-	-	19,092,756	20,007,005
2019 NOL Earned									-	-
2019 NOL Utilized		(97)	(290)		(193)		(197,766)	(193)	(4,446,160)	(4,644,699)
Move NOL for BHSC		(821,000)					821,000		-	-
2019 LKE Audit Adjustment									-	-
2019 Tax Return Adjustment through NOL									-	-
NOL Carryforward to 2020	8,389	1,274	23,670	6,150	372	52,813	623,234	(193)	14,646,596	15,362,306

KS Tax Rate 7%  
 DTA State NOL 1,075,361  
 Amort Period 20  
 Annual Amort 53,768

**BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC**  
**d/b/a BLACK HILLS ENERGY**  
**DOCKET NO. 21-BHCG-418-RTS**  
**KANSAS CORPORATION COMMISSION**  
**DATA REQUEST NO. KCC-185**

***CONFIDENTIAL***

DATE OF REQUEST: 07/16/2021

DATE RESPONSE DUE: 07/26/2021

REQUESTOR: Kansas Corporation Commission

AUDITOR:

ANSWERED BY: Rachel Schuldt

DATE RESPONDED: 07/26/2021

SUBJECT: Alternative Forms of Payment

REFERENCE:

---

**REQUEST:**

Please provide evidence supporting the following amounts Black Hills used in its adjustment IS-31:

- a. 25% increase in residential and commercial customers paying with credit cards;
- b. \$1.45 and \$7.50 transaction fee.

**CONFIDENTIAL RESPONSE:**

- a. The Company's proposed increase of 25% is conservative based on its experience in Nebraska, where part of the Company's rate areas include SpeedPay fees in base rates (Legacy SourceGas), and part of the rate areas are required to pay the SpeedPay transaction fee separately (Legacy Black Hills).

In 2019, 12% of the Nebraska Legacy Source Gas customers utilized the SpeedPay option (credit card, debit card, or bank draft) monthly, and 7% of the Nebraska legacy Black Hills Energy customers utilized the same payment option.

The transaction fee for the Nebraska Legacy Source Gas territories have been included in rates for several years. The Company has experienced a higher utilization rate for this payment option in those territories as compared to the Nebraska Legacy Black Hills territories where customers pay the transaction fee with each transaction. The utilization rate in the Nebraska Legacy Source Gas territories was 67% higher in 2019 than Nebraska Legacy Black Hills territories. In 2020, 11% of the Nebraska Legacy Source Gas customers utilized the SpeedPay option compared to 6% for Nebraska Legacy Black Hills customers, an increase of 62%.

Based on this experience, the Company expects significantly more customers to use the SpeedPay option if the transaction fee is no longer required.

- b. See Attachment KCC-185 CONFIDENTIAL Speedpay Pricing. The \$1.45 transaction fee for residential cards and \$7.50 transaction fee for commercial cards are the fees that are currently charged for card transactions.

**ATTACHMENTS:**

Attachment KCC-185 CONFIDENTIAL Speedpay Pricing.pdf

**Verification of Response**

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

**Signed: /s/ Rob Daniel**

**Date: July 26, 2021**



**BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC  
d/b/a BLACK HILLS ENERGY  
DOCKET NO. 21-BHCG-418-RTS  
KANSAS CORPORATION COMMISSION  
DATA REQUEST NO. KCC-220**

DATE OF REQUEST: 08/10/2021  
DATE RESPONSE DUE: 08/19/2021  
REQUESTOR: Kansas Corporation Commission  
AUDITOR: Kristina Luke Fry  
ANSWERED BY: Ken Crouch  
DATE RESPONDED: 08/19/2021  
SUBJECT: Net Operating Loss  
REFERENCE:

---

**REQUEST:**

Regarding the Net Operating Loss carryforward mentioned [in] Company Witness Crouch's testimony, is the Net Operating Loss 100% related to Kansas regulated operations? If not, what portion of the Net Operating loss is related to the regulated options?

**RESPONSE:**

The net operating loss carryforward ("NOL CF") described in the Direct Testimony of Ken Crouch at page 14, line 10 through page 15, line 19, is related to Kansas regulated operations. The inability to utilize the NOL CF is 100% related to the H.B. 2585, which exempted public utilities, who are subject to the jurisdiction of the Kansas Corporation Commission, from Kansas state income tax.

Kansas laws require that all BHC companies be included in a combined Kansas income tax return. The combined income or losses of all BHC companies was apportioned to the Kansas based on sales, payroll, and property within Kansas in relation to all other BHC companies.

H.B. 2585 effectively removes the Kansas regulated operations from future state income tax returns. As a direct result, there will be insufficient future apportionment of taxable income to utilize the NOL CF.

ATTACHMENTS:

None.

**Verification of Response**

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

**Signed: /s/ Rob Daniel**

**Date: August 19, 2021**

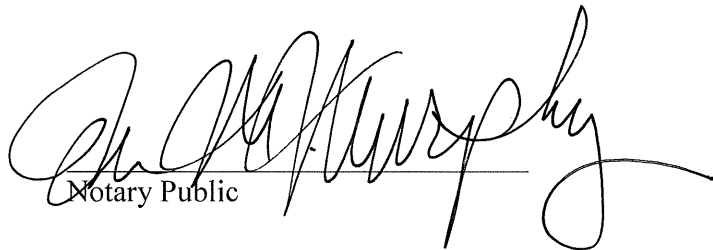
STATE OF KANSAS                     )  
  ) ss.  
COUNTY OF SHAWNEE            )

**VERIFICATION**

Kristina Luke Fry, 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.

/s/ Kristina Luke Fry  
Kristina Luke Fry  
Managing Auditor  
State Corporation Commission of the  
State of Kansas

Subscribed and sworn to before me this 9 day of September, 2021.

  
\_\_\_\_\_  
Notary Public

My Appointment Expires: 4/28/25



NOTARY PUBLIC - State of Kansas  
ANN M. MURPHY  
My Appt. Expires 4/28/25

## **CERTIFICATE OF SERVICE**

21-BHCG-418-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing testimony was sent by electronic mail this 10th day of September, 2021, to the following:

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

ANN STICHLER, SNR. ANALYST-REG. & FINANCE  
BLACK HILLS/KANSAS GAS UTILITY COMPANY LLC  
D/B/A Black Hills Energy  
2287 College Road  
Council Bluffs, IA 51503  
ann.stichler@blackhillscorp.com

ROB DANIEL, MANAGER REGULATORY & FINANCE  
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
D/B/A BLACK HILLS ENERGY  
655 EAST MILLSAP DRIVE  
FAYETTEVILLE, AR 72703  
rob.daniel@blackhillscorp.com

DOUGLAS LAW, ASSOCIATE GENERAL COUNSEL  
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
D/B/A BLACK HILLS ENERGY  
1731 Windhoek Drive  
Lincoln, NE 68512  
douglas.law@blackhillscorp.com

TOM STEVENS, DIRECTOR REGULATORY & FINANCE  
BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC  
D/B/A BLACK HILLS ENERGY  
655 EAST MILLSAP DRIVE  
FAYETTEVILLE, AR 72703  
tom.stevens@blackhillscorp.com

\* JOSEPH R. ASTRAB, ATTORNEY  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
j.astrab@curb.kansas.gov

\* TODD E. LOVE, ATTORNEY  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
t.love@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
d.nickel@curb.kansas.gov

\* SHONDA RABB  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
s.rabb@curb.kansas.gov

\* DELLA SMITH  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
d.smith@curb.kansas.gov

## **CERTIFICATE OF SERVICE**

21-BHCG-418-RTS

\* MONTGOMERY ESCUE, CONSULTANT  
FREEDOM PIPELINE, LLC  
PO BOX 622377  
OVIEDO, FL 33762  
montgomery@escue.com

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

\* COLE BAILEY, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
c.bailey@kcc.ks.gov

DAVID COHEN, ASSISTANT GENERAL COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
d.cohen@kcc.ks.gov

\* CARLY MASENTHIN, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
c.masenthin@kcc.ks.gov

\* GLENDA CAFER, ATTORNEY  
MORRIS LAING EVANS BROCK & KENNEDY  
800 SW JACKSON  
SUITE 1310  
TOPEKA, KS 66612-1216  
gcafer@morrislaing.com

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

  
\_\_\_\_\_  
Abigail Emery, CRP  
Paralegal

\* Denotes those receiving the Confidential version