

**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-41&RTS

DIRECT TESTIMONY OF JERRY A. WATKINS

ON BEHALF OF

**BLACK HILLS/KANSAS GAS UTILITY
COMPANY, LLC, d/b/a BLACK HILLS ENERGY**

TABLE OF CONTENTS

I. INTRODUCTION 1

II. STATEMENT OF QUALIFICATIONS 1

III. PURPOSE OF TESTIMONY..... 2

IV. DESCRIPTION OF BLACK HILLS’ KANSAS OPERATIONS..... 3

V. NEED FOR RATE APPLICATION..... 11

VI. COMPANY RESPONSE TO THE COVID PANDEMIC..... 12

**VII. COMPANY’S GROWTH, INTEGRITY, AND RELIABILITY CAPITAL
EXPENDITURES 14**

VIII. ACCELERATED REPLACEMENT PROGRAM 17

IX. GAS SYSTEM RELIABILITY SURCHARGE 19

EXHIBITS

KSG Direct Exhibit JAW-1	Education, Employment History and Professional Experience
---------------------------------	--

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Jerry A. Watkins, and my business address is 601 N. Iowa Street,
4 Lawrence, KS 66044.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Black Hills/Kansas Gas Utility Company LLC d/b/a Black Hills Energy
7 ("Black Hills" or "Company") as General Manager of Kansas Operations. Black Hills is a
8 wholly owned subsidiary of Black Hills Utility Holdings, Inc. ("BHUH"). BHUH is a wholly
9 owned subsidiary of Black Hills Corporation ("BHC").

10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

11 A. I am testifying on behalf of Black Hills.

12 **II. STATEMENT OF QUALIFICATIONS**

13 **Q. WILL YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
14 **BUSINESS EXPERIENCE?**

15 A. My education, employment history, and professional experience are provided on KSG Direct
16 Exhibit JAW-1.

17 **Q. WHAT ARE YOUR CURRENT JOB RESPONSIBILITIES?**

18 A. In my position as General Manager, I have responsibility over all employee safety, public
19 safety, system safety, and reliability in Kansas. I am responsible for the financial and
20 operational performance of Black Hills' gas distribution and transmission operations. In this
21 role, I oversee operating functions including natural gas distribution and transmission
22 network operations, maintenance, construction, customer service, customer relations, and

1 community relations. I am actively involved in the oversight of other functions that are
2 centralized in BHC and provide support to the Kansas operations, including gas supply
3 services, regulatory services, legislative affairs, and the Company’s call centers.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY BODIES?**

5 A. Yes. I filed testimony with the Kansas Corporation Commission (“Commission”) in
6 numerous dockets including Black Hills’ request to acquire assets from Anadarko Natural
7 Gas Company in 2013 and 2016 (Docket Nos. 13-BHCG-509-ACQ and 16-BHCG-144-
8 ACQ), Black Hills request to secure short-term supply of natural gas for the Abengoa
9 Bioenergy Biomass of Kansas plant near Hugoton in Docket No. 13-BHCG-170-CON,
10 Black Hills’ Accelerated Replacement Program (“ARP”) in Docket No. 15-GIMX-343-GIG
11 and Gas System Reliability Surcharge (“GSRS”) dockets.

12 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

13 A. Yes, I am sponsoring the following Exhibit:

KSG Direct Exhibit JAW-1	Education, Employment History, and Professional Experience
--------------------------	--

14
15 **Q. HAVE THE TESTIMONY AND EXHIBITS THAT YOU ARE SPONSORING BEEN**
16 **PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

17 A. Yes.

18 **III. PURPOSE OF TESTIMONY**

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. My testimony will:

- 21 • describe the Company’s Kansas operation,
- 22 • explain the Company’s need for a rate application at this time

- 1 • explain the Company’s response to COVID 19
- 2 • explain the Company’s growth, integrity, and reliability capital expenditures
- 3 • describe the Company’s Accelerated Replacement Program (“ARP”)
- 4 • discuss the Company's Gas System Reliability Surcharge (“GSRS”)
- 5 • describe the Company’s success in delivering safe and reliable service.

6 **IV. DESCRIPTION OF BLACK HILLS’ KANSAS OPERATIONS**

7 **Q. PLEASE DESCRIBE BLACK HILLS’ KANSAS GAS SERVICE AREAS.**

8 A. Black Hills serves approximately 117,000 customers in 65 communities across 50 counties
9 in Kansas. Black Hills’ four regional operations centers are located in Lawrence, Wichita,
10 Southwest Kansas, and Goodland. Southwest Kansas is further subdivided into service
11 centers located in Dodge City, Garden City, and Liberal. The Company’s Kansas operations
12 are widely disbursed through larger communities and in many rural areas. In addition to
13 customers in rural areas, Black Hills serves approximately 34,800 customers in Lawrence,
14 30,500 customers in Wichita, 10,300 customers in Dodge City, 10,700 customers in Garden
15 City, 7,300 customers in Liberal, and 2,300 customers in Goodland. The map included in
16 Section 14 of the Application shows Black Hills' operating regions.

17 **Q. PLEASE DESCRIBE THE DISTRIBUTION ASSETS OF BLACK HILLS.**

18 A. The Black Hills distribution system consists of approximately 2,980 miles of pipeline mains
19 and approximately 103,660 service lines, which run from the pipeline main to the meter.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF THE NATURAL GAS TRANSMISSION**
2 **SYSTEM OF BLACK HILLS.**

3 A. Black Hills has approximately 330 miles of transmission pipeline that provide critical supply
4 to the towns it serves along with direct deliveries to municipal owned systems and large
5 volume customers. The Black Hills transmission system has several interconnects with
6 Federal Energy Regulatory Commission jurisdictional interstate pipelines. These
7 connections include interconnections with Enable Gas Transmission, Colorado Interstate
8 Gas Company, Natural Gas Pipeline of America, Northern Natural Gas Company, Panhandle
9 Eastern Pipe Line Company, LP, Southern Star Central Pipeline Company, Tallgrass
10 Energy, and West Texas Gas.

11 **Q. DOES THE COMPANY HAVE NON-REGULATED OPERATIONS IN KANSAS?**

12 A. Yes. Black Hills offers limited appliance repair services and natural gas
13 operational/construction expertise performed through technical service contract.

14 **Q. PLEASE SUMMARIZE THE MANAGEMENT STRUCTURE OF THE STATE**
15 **OPERATIONS.**

16 A. As shown on the map included in Section 14 of the Application, Kansas operations are
17 divided into four operating regions. Managers in these regions are responsible for safety,
18 operations, customer service, and community relations within the region. In addition to the
19 employees located in Kansas, Black Hills also receives centralized shared services.

1 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY CENTRALIZED SHARED SERVICES.**

2 A. Black Hills Service Company, LLC (“BHSC”) provides centralized corporate services to all
3 BHC subsidiaries. Examples of centralized shared services include information technology,
4 tax, regulatory, gas supply, shipper services, and legal services. Having centralized service
5 functions avoids the cost of duplication of the functions. Accordingly, BHC subsidiaries,
6 such as Black Hills, realize lower costs through the sharing of these services with other BHC
7 subsidiaries. BHSC provides various centralized services to Black Hills. The cost allocation
8 methodology for the services provided by BHSC is discussed in greater detail in the Direct
9 Testimony of Ms. Rachel Schuldt.

10 **Q. HOW DOES BLACK HILLS BENEFIT FROM THE SHARED SERVICES AND**
11 **INVESTMENTS IN COMMON ASSETS PROVIDED BY BHSC?**

12 A. Having a central source for the necessary services provided by function minimizes the need
13 for each subsidiary, including Black Hills, to provide such services independently. The result
14 is that the business units gain access to specialized skills and resources in an efficient and
15 cost-effective manner.

16 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE TYPES OF CUSTOMERS**
17 **SERVED BY BLACK HILLS.**

18 A. Black Hills serves a wide range of customers including residential, commercial, and
19 industrial customers including irrigation customers.

20 **Q. HOW DOES BLACK HILLS DEMONSTRATE ITS COMMITMENT TO THE**
21 **SAFETY OF COMMUNITIES AND CUSTOMERS IT SERVES?**

22 A. Safety is always the number one priority for Black Hills. For example, the Company partners
23 with local fire departments to provide natural gas fire demonstrations and trainings for first

1 responders in the community at no cost to attendees. Black Hills also leads damage
2 prevention efforts throughout its service territory in partnership with Kansas 811, and
3 annually sends damage prevention materials to excavators in the counties the Company
4 serves. Black Hills is also active in the Kansas Pipeline Association (“KPA”). The
5 Company’s Compliance Coordinator is Vice President of the KPA and chairs the new
6 program committee. The KPA helps with awareness and training for First Responders across
7 the State. Black Hills assists with Commission pipeline safety workshops which are designed
8 to help municipalities better operate their gas systems. Communications to customers via a
9 variety of methods, including bill messages, media alerts to local publications, and social
10 media provide a variety of safety messages on subjects such as damage prevention, what to
11 do if you smell gas, and reminders to clear snow from meters. The Black Hills ARP allows
12 for proactive replacement of obsolete infrastructure, helping to reduce risk and increase
13 safety in the communities it serves. The Company strictly adheres to all Pipeline Safety
14 Regulations as required by the Commission.

15 **Q. BEYOND BLACK HILLS’ COMMITMENT TO SAFETY, HOW DOES BLACK**
16 **HILLS DEMONSTRATE ITS COMMITMENT TO THE COMMUNITIES AND**
17 **CUSTOMERS IT SERVES?**

18 A. As a community partner, Black Hills remains active in numerous civic and community
19 matters and economic development efforts. Black Hills has been involved in a broad range
20 of projects to improve its local communities, including local United Way campaigns, United
21 Way Day of Caring, employee involvement in numerous community and civic
22 organizations, extensive involvement in Chamber of Commerce and economic development
23 in the communities served by the Company, Power of Trees planting programs, and

1 participation in numerous safety education and career development programs. Black Hills
2 leads in Kansas through its community service. Two of its Kansas employees have been
3 recognized as volunteer firefighters of the year. Black Hills employees serve on boards
4 ranging from the Kansas Economic Development Association to the local Red Cross. The
5 company encourages involvement and empowers its employees by supporting the causes
6 they are passionate about. For example, Black Hills experienced one of the highest
7 participation rates in BHC for its United Way campaign, which the Company matched dollar
8 for dollar up to 25 percent.

9 Keeping donated dollars local is a critical strategy to benefit Black Hills' customers
10 in Kansas. Black Hills proudly sponsors local chamber efforts like the Dodge City Shop
11 Local campaign. The Lawrence utility assistance partnership is a case study for the company
12 and was able to double the number of people assisted during the COVID-19 pandemic.
13 Another example of the Company's priority to give in a way that best benefits customers is
14 its scholarship programs. Black Hills has given the opportunity of higher education to
15 children across its footprint. Black Hills has multi-year giving strategies with the University
16 of Kansas, Wichita State University Tech, Barton County Community College and Seward
17 County Community College.

18 The Company is invested in its communities and prioritizes serving their needs today
19 and tomorrow. To protect Black Hills' communities for tomorrow, the Company gives
20 customers free trees to reduce their carbon footprint and to provide energy-saving shade.
21 The Company has given away hundreds of free trees since its last rate application.

22 Black Hills can implement engagement opportunities thanks to its volunteer
23 activation program, called Ambassador 2.0. This community-focused program taps

1 emerging leaders and puts them on a two-year path to specifically demonstrate Black Hills'
2 commitment to the towns we call home. The participants are charged with identifying micro-
3 giving projects that have a big impact on the macro level. Examples of these projects include
4 volunteering annually to deliver food for Meals on Wheels, inspiring young people to
5 succeed through Junior Achievement and showing high schoolers a future through on-the-
6 job shadowing.

7 Finally, focusing on the macro level, Black Hills actively empowers economic
8 development initiatives locally and through the state. Locally, Company employees support
9 and serve on the boards of chambers across Kansas. Their success is Black Hills' success
10 and its customers' success, so the Company prioritizes supporting the boards' long-term
11 development strategies through programs like Hutch Rising, Lawrence EDC's Growing
12 Forward and Finney County Economic Development. Regionally, employees are active in
13 organizations such as the Western Kansas Rural Economic Development Alliance and the
14 K-96 Corridor Association. At the state level, Black Hills supports the Kansas Economic
15 Development Alliance, the Kansas Chamber, and others. In summary, Black Hills supports
16 and assists communities to grow at every level possible.

17 **Q. PLEASE DESCRIBE THE COMPANY'S CURRENT WORKFORCE.**

18 A. As of April 30, 2021, Black Hills had 132 employee positions including two new positions
19 added this year. In addition, and as discussed above, employees of BHSC perform key
20 functions for the Kansas gas operations, such as engineering, financial management,
21 accounting, customer service/call centers, regulatory services, etc.

1 **Q. PLEASE DESCRIBE THE TWO NEW POSITIONS.**

2 A. Black Hills has established two new positions that are beneficial to the operation of its
3 system. The CP/Measurement Supervisor position leads and directs our highly technical,
4 high-risk, and specialized technicians across the state. These include six pressure and
5 measurement technicians, two cathodic protection technicians, and one odorant technician.
6 This position creates operational consistency and ensures proper oversight, qualifications,
7 and training of these critical roles.

8 The Materials Coordinator position will eliminate two unmanned warehouses
9 currently in Dodge City and Garden City. Currently one material coordinator is covering
10 three areas in Southwest Kansas and cannot effectively manage the workload. This position
11 oversees all aspects of material handling that has increased exponentially due to the ARP
12 program.

13 **Q. HAS BHSC ADDED POSITIONS IN 2021 THAT SUPPORT BLACK HILLS’**
14 **KANSAS OPERATIONS?**

15 A. Yes. BHSC has added four new positions in 2021 to support Black Hills: Gas Design
16 Engineer, Pipeline Safety Specialist, Trainer & Operations Qualifications (“OQ”) Evaluator,
17 and Pipeline Integrity Coordinator.

18 **Q. PLEASE DESCRIBE THE ADDITIONS FOR BHSC AND HOW THE POSITIONS**
19 **WILL PROVIDE BENEFITS FOR THE COMPANY AND ITS CUSTOMERS.**

20 A. The Gas Design Engineer position will assist with additional capital work design, review,
21 and approvals because of increased replacement work associated with the ARP program.

1 The position will also assist with relocation efforts related to Federal, State, County, and
2 local road/drainage improvement projects.

3 The Pipeline Safety Specialist position provides a lower cost administrative function
4 to support compliance order scheduling, tracking, and metrics to allow the Pipeline Safety
5 Professional to spend more time in the field supporting and auditing the Operations team.
6 Additional support is necessary to gather and track data for ongoing compliance work.

7 The Trainer & OQ Evaluator position brings operational consistency and a dedicated
8 instructor for training qualifications and hands-on training/testing. This critical task is
9 currently handled by operational employees in each region. State oversight and a
10 professional instructor/evaluator is achieved through this position.

11 The Pipeline Integrity Coordinator position brings operational consistency to Kansas
12 and supports DIMP, TIMP, and DIIP programs that have continued to become more complex
13 over time. The position will also manage new regulations and requirements. Currently the
14 Damage Prevention Coordinator is responsible for these tasks. Split responsibilities have not
15 allowed the desired focus on either task.

16 **Q. PLEASE DESCRIBE THE BLACK HILLS UNION WORKFORCE.**

17 A. Black Hills has a diverse workforce including employees in bargaining unit and non-
18 bargaining unit positions. Currently, there are seventeen (17) employees covered by the
19 Communication Workers of America, AFL-CIO Local 6407, all located in Lawrence,
20 Kansas.

1 **Q: WHAT IS THE STATUS OF THE CURRENT COLLECTIVE BARGAINING**
2 **AGREEMENTS?**

3 A. The current collective bargaining agreement was executed January 1, 2020. It is effective
4 through December 31, 2024.

5 **Q: HOW ARE BARGAINING EMPLOYEE WAGE INCREASES DETERMINED?**

6 A. Wages for employees covered by a collective bargaining agreement are negotiated. Proposed
7 wage rates are based on those negotiations and market rates gathered by the union and Black
8 Hills.

9 **V. NEED FOR RATE APPLICATION**

10 **Q. WHY IS BLACK HILLS FILING A RATE APPLICATION AT THIS TIME?**

11 A. As discussed in the Direct Testimony of Company Witness Mr. Thomas D. Stevens, there
12 are several drivers that have caused Black Hills to file this rate application. For example,
13 Black Hills recovers a portion of its capital expenditures to comply with safety requirements,
14 pipe replacements, and road relocation projects that result from governmental improvements
15 to roads and highways through its GSRS recovery program. However, Black Hills would not
16 be allowed to make any additional GSRS filings unless Black Hills files a rate application
17 to incorporate or “roll in” the existing GSRS projects into rate base and reset the GSRS
18 surcharge for projects to be completed in the future.

19 Black Hills also requires an overall increase in revenues to continue to provide safe
20 and reliable service to its customers. As noted by Mr. Stevens, Black Hills is experiencing a
21 revenue deficiency of approximately \$10.2 million.

22 Black Hills provides natural gas distribution and other utility services that are critical
23 to public safety, convenience, and necessity. Black Hills has prudently, and effectively

1 managed expenses and investments as proven by infrequent rate proceedings. Previous rate
2 proceedings were completed in 2007 and 2014. Black Hills is filing this rate application to
3 enable it to continue to invest in its system to provide safe and reliable natural gas service.

4 **Q. HOW DO TEST YEAR OPERATIONS AND MAINTENANCE (“O&M”)**
5 **EXPENSES COMPARE TO THE LAST RATE PROCEEDING?**

6 A. Black Hills has closely and prudently managed its O&M Expenses since the 2014 rate
7 proceeding. The O&M Expenses have remained nearly flat since Black Hills’ last rate
8 application.

9 **Q. PLEASE DESCRIBE THE ACTIONS BLACK HILLS HAS TAKEN TO CONTROL**
10 **COSTS AND INCREASE EFFICIENCY.**

11 A. Black Hills is continually looking for ways to control costs and increase efficiency. Some of
12 the steps taken to control costs and increase efficiency include improvements in customer
13 service, automating and standardizing processes, standardization of materials, and Click
14 routing and dispatching of technicians.

15 **VI. COMPANY RESPONSE TO THE COVID PANDEMIC**

16 **Q. WHAT HAS BEEN THE COMPANY’S RESPONSE TO COVID-19?**

17 A. Black Hills instituted numerous safety measures to protect its customers and employees
18 while ensuring that Black Hills continues to provide a high level of customer service. Some
19 items include, enhanced Personal Protective Equipment (“PPE”), proactive customer
20 questionnaires required prior to entering a customer’s home, and use of technology to
21 maintain continuity while providing for social distancing and other protective measures.
22 Black Hills remains committed to making practical decisions to appropriately protect all
23 parties as the communities it serves deals with COVID-19.

1 **Q. WHAT HAS BEEN THE IMPACT TO CUSTOMERS?**

2 A. The Company is aware of the potential impacts of COVID-19 to its customers and
3 Black Hills has taken steps to alleviate these impacts. For example, at the very beginning of
4 the pandemic, Black Hills issued a temporary moratorium on disconnects. The Company
5 extended its moratorium through July 2020, which went beyond the expiration of the
6 moratorium issued by the Commission. In addition, pursuant to the Commission's direction,
7 Black Hills waived late payment fees and allowed extended payment plans.

8 **Q. DOES BLACK HILLS SUPPORT COMMUNITY PROGRAMS FOR ENERGY**
9 **ASSISTANCE?**

10 A. Yes, Black Hills actively supports emergency assistance programs in Kansas. The Company
11 works primarily with two programs to support families in Kansas: the Salvation Army and
12 Warm Hearts of Douglas County. Customers have the option to make a tax-deductible
13 donation through their regular bills. When customers donate, these two organizations receive
14 a 100% match in funds by the Black Hills Energy Corporate Foundation. In addition,
15 Black Hills has given microgrants to both organizations to support their response to the
16 COVID-19 pandemic and has had multiple representations on both their boards of directors.

17 Since 2014, Black Hills Cares has distributed approximately \$860,000 in emergency
18 utility assistance to Kansas residents. Contributions and matching funds from the Black Hills
19 Cares program are administered for those in need by Warm Hearts of Douglas County for
20 the Lawrence area, and by the Salvation Army's Heat Share Program for the remainder of
21 Black Hills' Kansas service territory.

1 **VII. COMPANY’S GROWTH, INTEGRITY, AND**
2 **RELIABILITY CAPITAL EXPENDITURES**

3 **Q. PLEASE PROVIDE AN OVERVIEW OF GENERAL OPERATIONAL**
4 **IMPROVEMENTS AND DIRECT INVESTMENTS BENEFITTING BLACK**
5 **HILLS’ CUSTOMERS.**

6 A. Black Hills is committed to providing safe and reliable natural gas service to its customers
7 as well as increasing employee safety performance, improving efficiencies, and streamlining
8 operations. In order to ensure the continued safe and reliable delivery of natural gas service,
9 Black Hills ensures that all assets are comprised of approved materials, are in good operating
10 condition, are in a safe location, are locatable, are accessible, and have adequate records of
11 installation and maintenance. Meeting these industry standards is vital to providing safe and
12 reliable service. One key benefit from meeting industry standards is the safety of all Black
13 Hills employees, customers, and communities. Employee safety is a core value of Black
14 Hills and all other BHC entities.

15 The ARP was implemented in 2018 to eliminate all obsolete pipe in Black Hills’
16 system. This proactive program benefits customers by increasing safety and efficiency.
17 Additional investments were made to eliminate unprocessed supply gas and bring reliable
18 processed gas to the cities of Attica, Elkhart, Hugoton, and Plevna. Projects like the West
19 Wichita Growth Project provided additional gas supply to areas known to have low pressure
20 issues. Multiple low-pressure systems were replaced and updated to standard pressure
21 operating systems to enhance safety and operations.

1 **Q. PLEASE DISCUSS CAPITAL INVESTMENT MADE BY BLACK HILLS IN ITS**
2 **DISTRIBUTION SYSTEM.**

3 A. Black Hills made significant investment in its gas distribution system since its last rate
4 proceeding. Total Rate Base increased by approximately \$100 million, growing to a Total
5 Rate Base of \$230.3 in this rate proceeding. The costs for construction work that was a part
6 of the Company's ARP program have been mostly recovered through Black Hill's GSRS.
7 However, Black Hills has expended capital in addition to that recovered under the GSRS.
8 The investments were prudent and necessary to either comply with applicable changes in
9 pipeline safety regulations, to ensure the provision of reliable service, or to meet the
10 reasonable growth experienced on different parts of the distribution system. These projects
11 benefit the system, thus benefitting customers. In addition to the GSRS projects, the capital
12 projects that were not eligible for recovery through the GSRS are included in this rate
13 application.

14 **Q. HAS BLACK HILLS INCLUDED IN THIS RATE APPLICATION ADDITIONAL**
15 **CAPITAL INVESTMENTS BEYOND THE TEST YEAR?**

16 A. Yes, Black Hills has included \$20.29 million of planned capital additions through June 30,
17 2021. As with capital investments made during the Test Year, these investments are prudent
18 and necessary to either comply with safety applicable changes in pipeline safety regulations,
19 to ensure the provision of reliable service, or to meet the reasonable growth experienced on
20 different parts of the distribution system. These projects benefit the system, thus benefitting
21 customers.

1 **Q. PLEASE BRIEFLY DESCRIBE THE “DATA INFRASTRUCTURE**
2 **IMPROVEMENT PROGRAM.”**

3 A. The Company has implemented a Data Infrastructure Improvement Program (“DIIP”) to
4 close known data gaps and verify current data for accuracy. Full implementation of the DIIP
5 is currently anticipated to take up to ten years. The DIIP is intended to improve knowledge
6 of the Black Hills gas pipeline system and provide the ability to positively confirm the
7 integrity of the pipeline system. There continues to be knowledge gaps with respect to the
8 pipeline systems. In order to appropriately rank higher risk pipeline projects for purposes of
9 prioritizing accelerated threat mitigation efforts, it is vital for the Company to be able to
10 identify risks, understand the consequences of those risks, close known data gaps, and
11 continuously improve system knowledge. The DIIP will implement specific initiatives to
12 improve system data, including data gap reduction, GIS updates and programmatic
13 improvements. This program will help Black Hills to comply with its duty of safety and
14 reliability and reduce costs for customers long-term.

15 **Q. WHAT DOES THE DIIP ENTAIL?**

16 A. The DIIP focuses on the improvement of data within the Company’s GIS (Geographic
17 Information System) databases. The DIIP will evaluate, populate, and verify information
18 that is missing with respect to main and service line locations, materials, diameter, cathodic
19 protection, air test, and maximum allowable operating pressure (“MAOP”). As a part of the
20 program multiple data improvement projects will be undertaken including efforts to survey
21 our assets using high accuracy GPS, digitize and link legacy construction records to our
22 assets, update and populate missing GIS data, and features, and model systems including

1 cathodic protection systems, pressure systems, and emergency response zones. These
2 projects are planned to be completed over the next 10 years.

3 **Q. WHAT DIIP PROJECTS WERE UNDERTAKEN DURING THE TEST YEAR?**

4 A. The first DIIP project is the Transmission/Gathering Traceable, Verifiable and Complete
5 (“TVC”) Records project. This project involves gathering, scanning, and storing original
6 construction records in a document management system and linking it to the GIS asset. The
7 documents will be used to verify MAOP attributes and update any missing pipeline attributes
8 and features in GIS. For each transmission pipeline, a detailed GIS build will be performed
9 using all available information collected from the digitized records. Relevant data will be
10 extracted and used to perform MAOP calculations and verification. Data generated from the
11 calculations will then be repopulated into the GIS system creating a more robust database.
12 This initial project is anticipated to be complete in 2021.

13 **VIII. ACCELERATED REPLACEMENT PROGRAM**

14 **Q. PLEASE DESCRIBE THE COMPANY’S SUCCESS IN DELIVERING SAFE AND**
15 **RELIABLE SERVICE.**

16 A. Black Hills is dedicated and prides itself on its ability to provide safe and reliable service to
17 its utility customers. Black Hills and its predecessors have been doing so for over 80 years
18 in the state of Kansas. Our employees recognize that safety is the number one goal of Black
19 Hills. Black Hills has a demonstrated record of continuing to make investments in safety,
20 infrastructure, employee training, and system monitoring to ensure safety and reliability
21 while maintaining high levels of service.

1 **Q. WHAT ARE THE COMPANY’S SAFETY AND RELIABILITY POLICIES?**

2 A. Black Hills safety and reliability policies are discussed in its O&M and Technical Standards
3 manuals.

4 **Q. PLEASE EXPLAIN THE COMPANY’S PIPELINE REPLACEMENT POLICY.**

5 A. At the beginning of each construction season, Black Hills utilizes a worst-first and highest
6 risk prioritization model to determine which projects to perform in each construction season.
7 That model considers leak history, type of material, class location, potential risks, and other
8 factors. The Company ranks projects using a point system. Black Hills appropriately
9 prioritizes projects to accelerate the replacement of bare steel pipe, PVC, Pre-1973 Aldyl A
10 pipe, and bare steel high-pressure transmission pipe.

11 **Q. PLEASE EXPLAIN THE COMPANY’S ARP.**

12 A. Black Hills’ ARP includes (1) a seven-year Phase 1 plan to eliminate all bare steel mains,
13 bare steel service lines, and bare steel yard lines in Class 3/urban locations and a ten-year
14 Phase 2 plan to eliminate all remaining obsolete pipe in Kansas; (2) a plan for increased leak
15 detection of obsolete plastic pipe; and (3) an annual lost and unaccounted for gas (“L&U”)
16 report for cities having over 10,000 customers. Black Hills began implementing its ARP in
17 July of 2018. The seven-year Phase 1 plan (as adjusted) included the replacement of
18 146 miles of bare steel main lines and 28,942 bare steel service and yard lines in Class 3 or
19 urban areas with a total estimated cost of \$89 million.

1 **Q. WHAT IS THE STATUS OF THE ARP?**

2 A. Annual updates have been provided to the Commission and as of December 31, 2020, Black
3 Hills had replaced 71.4 miles of bare steel main with 74.6 miles remaining to be replaced;
4 8,404 bare steel service lines and yard lines with 20,538 remaining to be replaced.

5 **Q. HOW ARE THE COSTS OF THE PROJECTS IN THE ARP RECOVERED?**

6 A. The costs are recovered through the GSRS, subject to the cap as described below.

7 **IX. GAS SYSTEM RELIABILITY SURCHARGE**

8 **Q. PLEASE DESCRIBE THE GSRS.**

9 A. The GSRS is a mechanism that allows Black Hills to recover the costs of reliability and
10 integrity projects. The GSRS is a surcharge for the costs of eligible projects which is
11 typically filed annually. The monthly surcharge may not increase more than \$0.80 per
12 residential customer over the most recent filing of the GSRS.

13 **Q. HAS THE GSRS MECHANISM ALLOWED BLACK HILLS TO RECOVER ITS
14 ELIGIBLE COSTS?**

15 A. Yes, the GSRS mechanism as is currently in effect has allowed Black Hills to invest in its
16 infrastructure to continue to provide safe and reliable service to its customers. Based on its
17 current investments, Black Hills anticipates that the GSRS will continue to allow it to make
18 safety and reliability investments in its system. Continuing the GSRS is critical and
19 necessary to allow further infrastructure investments to the benefit of Black Hills' customers.
20 Over time if costs or the need for additional investment change, Black Hills may need to
21 request a statutory change to enhance the GSRS or seek other safety and reliability
22 investment recovery mechanisms from the Commission.

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.

AFFIDAVIT OF JERRY A. WATKINS

State of KS)
) ss
County of Sedgwick)

I, JERRY A. WATKINS, being first duly sworn on oath, depose and state that I am the same Jerry A. Watkins identified in the foregoing Direct Testimony; that I have caused the foregoing Direct Testimony to be prepared and am familiar with the contents thereof; and that the foregoing Direct Testimony is true and correct to the best of my knowledge, information, and belief as of the date of this Affidavit.



Jerry A. Watkins

Subscribed and sworn to before me,
A Notary Public, in and for said County
and State, this 30th day of April, 2021



Notary Public



My Commission expires: 9-16-21

**Education, Employment History
and Professional Experience**

Jerry A. Watkins

I graduated Summa cum laude with a bachelor's degree in Business Administration from Friends University in Wichita, I have over 40 years of experience in natural gas operations including supervision of front-line personnel, strategic planning, customer service, project management, regulatory compliance, safety related planning and administration, O&M and Capital budgeting, and community partnership.

I began my career in 1981 as a Black Hills Service Technician and held positions of increasing responsibility over his tenure. These positions include Lead Technician, Estimator, Foreman, Operations Supervisor, Operations Manager, Senior Manager, and Director of Operations, all in the state of Kansas. I have been in the Black Hills Kansas General Manager role since 2017.