

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

Before Commissioners:                    Andrew J. French, Chair  
   Dwight D. Keen  
   Annie Kuether

In the Matter of Black Hills/Kansas Gas Utility    )  
Company, LLC d/b/a Black Hills Energy's    )    Docket No. 25-BHCG-247-TAR  
"Black Hills" Ad Valorem Tax Surcharge    )  
Calculation of 2025                                    )

**ORDER APPROVING AD VALOREM TAX SURCHARGE RIDER**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas ("Commission") for consideration and determination. Having examined its files and records, the Commission finds and concludes:

**I.       BACKGROUND**

1.       On December 20, 2024, Black Hills/Kansas Gas Utility Company, LLC d/b/a Black Hills Energy ("Black Hills") submitted its annual Ad Valorem Tax Surcharge Rider ("ATSR")<sup>1</sup> calculation for calendar year 2025 pursuant to the Commission's April 7, 2008, Order issued in Docket No. 08-AQLG-834-TAR and K.S.A. 66-117(f).<sup>2</sup> Black Hills' Application reported a total recoverable amount of ad valorem tax assessments of \$1,434,596.14 and therefore requested an updated surcharge of \$0.00932 per Therm.<sup>3</sup>

2.       On December 31, 2024, the Commission granted the Petition of the Citizen's Utility Ratepayer Board ("CURB") to Intervene and Motion for Protective Order, Discovery Order, and Order Assessing Costs.

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<sup>1</sup> Black Hills' Application uses the acronym "AVTS" while Staff's R&R uses the acronym "ATSR". Both acronyms are representative of the ad valorem tax surcharge rider and therefore may be used interchangeably. This order will use the acronym "ATSR".

<sup>2</sup> Application of Black Hills, Annual Ad Valorem Filing, Docket No. 25-BHCG-247-TAR (Dec. 20, 2024).

<sup>3</sup> *Id.*

3. On January 8, 2025, Commission Staff (“Staff”) filed its Report and Recommendation (“R&R”) in the above-captioned docket.<sup>4</sup> Based on its review of Black Hills’ Application, Staff’s R&R ultimately recommends that the Commission approve a revised updated Ad Valorem Tax Surcharge Rider of \$0.00932 per Therm, which translates into an increase of approximately \$0.13 per month, or \$1.56 annually, for Black Hills’ residential customers, subject to the conditions contained within Staff’s R&R and in the order section below.

## II. LEGAL STANDARDS

4. K.S.A. 66-117(f) grants the Commission the authority to review ad valorem tariffs.

5. Whenever a natural gas public utility files tariffs reflecting a surcharge on the utility’s bills for utility service designed to collect the annual increase in expense charged on its books and records for ad valorem taxes, such utility shall report annually to the state corporation commission the changes in expense charged for ad valorem taxes.<sup>5</sup>

6. The Commission shall approve an updated ad valorem tariff within 30 days of filing, upon a showing the surcharge is applied to bills in a reasonable manner and is calculated to substantially collect the increase in ad valorem tax expense charged on the books and records of the utility, or reduce any existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility.<sup>6</sup>

7. Any over or under collection of the actual ad valorem tax increase charged to expense on the books of the utility shall be either credited or collected through the surcharge in subsequent periods.<sup>7</sup>

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<sup>4</sup> Notice of Filing of Staff’s Report and Recommendation, Utilities Division (Jan. 8, 2025) (“Staff’s R&R” or “R&R”).

<sup>5</sup> See K.S.A. 66-117(f).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

### III. ANALYSIS

8. Staff reviewed Black Hills' ad valorem tax statements and the records supporting Black Hills' recovery of revenue associated with the 2025 ATSR.<sup>8</sup> Staff confirmed that Black Hills' reported ad valorem tax assessments amount of \$1,434,596.14 is composed of the portion of the 2024 ad valorem tax not currently included in Black Hills' base rates, \$1,959,386.80, less \$524,790.66 which Black Hills over-recovered via its 2024 ATSR.<sup>9</sup> Staff confirmed that Black Hills' 2025 reported ad valorem tax assessments amount of \$1,434,596.14 represents an increase of \$327,657.68 from Black Hills' 2024 amount of \$1,106,938.46.<sup>10</sup>

9. Staff determined that the reported ad valorem tax assessments amount of \$1,434,596.14 and the updated surcharge of \$0.00932 per Therm translates into a bill increase of approximately \$0.13 per month, or \$1.56 annually, for Black Hills' residential customers.<sup>11</sup> Black Hills' proposed 2025 ATSR will be in effect for calendar year 2025 from February 1, 2025, through January 31, 2026.<sup>12</sup>

10. Staff confirmed that Black Hills' ATSR was properly calculated to substantially collect the increase in ad valorem tax expenses charged on the books and records of Black Hills when compared to the amount currently embedded in Black Hills' base rates.<sup>13</sup>

### IV. FINDINGS AND CONCLUSIONS

11. CURB indicated that it had the opportunity to review Staff's R&R and has no objections.<sup>14</sup>

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<sup>8</sup> Staff's R&R, p. 2.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at p. 1.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> Communications between Counsel for CURB and Counsel for Staff are available upon request.

12. Upon review of Staff's R&R and the record as a whole, the Commission finds that the ATSR calculated by Black Hills and reviewed by Staff satisfies the requirements of K.S.A. 66-117(f) because the surcharge is to be applied to bills in a reasonable manner and serves to substantially collect the ad valorem tax expense charged on the books of Black Hills during the year 2024.

13. Based on Staff's R&R, the Commission finds that Black Hills' request to recover its current year ad valorem tax assessments amount of \$1,434,596.14 via the implementation of an updated surcharge of \$0.00932 per Therm, subject to the conditions contained within Staff's R&R and as detailed in the order section below, is reasonable. The Commission concludes that Black Hills' request to update its ATSR should be approved.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. Black Hills' request for approval of its 2025 Ad Valorem Tax Surcharge Rider in the amount of \$1,434,596.14, to be implemented February 1, 2025, through January 31, 2026, is granted.

B. Black Hills shall be permitted to recover revenues necessary to account for the ad valorem tax expense via a surcharge in the amount of \$0.00932 per Therm, which translates into a bill increase of approximately \$0.13 per month or \$1.56 annually for Black Hills' residential customers, subject to the following conditions outlined by Staff in its R&R:

- a. Black Hills shall file an updated tariff with the Commission reflecting the revised surcharge before implementing the surcharge;
- b. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in the ad valorem taxes will be reflected in the subsequent year ad valorem surcharge calculation; and

c. Pursuant to K.S.A. 66-117(f), Black Hills shall file its ad valorem tax surcharge annual true-up in December of each calendar year.

C. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).<sup>15</sup>

**BY THE COMMISSION IT IS SO ORDERED.**

French, Chair; Keen, Commissioner; Kuether, Commissioner

Dated: 01/16/2025



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Lynn M. Retz  
Executive Director

MKH/CRM

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<sup>15</sup> K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

## CERTIFICATE OF SERVICE

25-BHCG-247-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 01/16/2025.

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