

**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. 25-BHCG-298-RTS

DIRECT TESTIMONY OF KRIS J. PONTIOUS

ON BEHALF OF

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

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EXHIBIT

KSG Direct Exhibit KJP-1	Education, Employment History and Professional Experience
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List of Acronyms

AIP	Annual Incentive Plan
BHC	Black Hills Corporation
Black Hills or “the Company”	Black Hills Kansas Gas Utility Company, LLC
BHSC	Black Hills Service Company, LLC
Commission	Kansas Public Service Commission
DART	Days Away, Restricted, or Transferred
HPT	Hits Per Thousand
LTIP	Long-Term Incentive Plan
O&M Expense	Operations & Maintenance Expense
<i>Pro Forma</i> Period	October 1, 2024 through September 30, 2025 (Capital and O&M)
SAIDI	System Average Interruption Duration Index
STIP	Short-Term Incentive Plan
TCIR	Total Case Incident Rate
Test Year	Historical based on 12 months ending September 30, 2024 (10/1/2023 to 9/30/2024)

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kris J. Pontious, and my business address is 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, SD 57702-8752.

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

A. I am employed by Black Hills Service Company, LLC (“BHSC”). I am the Senior Manager of Compensation. BHSC is a wholly owned subsidiary of Black Hills Corporation (“BHC”).

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Black Hills Energy Kansas Gas Utility Company, LLC. d/b/a Black Hills Energy (“Black Hills” or “Company”). Black Hills is BHC’s natural gas jurisdictional utility in Kansas.

II. STATEMENT OF QUALIFICATIONS

Q. WHAT ARE THE DUTIES AND RESPONSIBILITIES IN YOUR CURRENT POSITION?

A. I am responsible for leading and managing the compensation function and providing direction and leadership for the design, development, administration, and management of all compensation programs. In addition, I provide direct oversight for the BHC compensation team. My team consists of two employees focused on compensation.

1 Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL
2 BACKGROUND.

3 A. See KSG Direct Exhibit KJP-1.

4 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS PUBLIC
5 SERVICE COMMISSION (“COMMISSION”)?

6 A. No.

7 Q. ARE YOU SPONSORING ANY EXHIBITS?

8 A. Yes.

KSG Direct Exhibit KJP-1	Education, Employment History and Professional Experience
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9 Q. HAS THE TESTIMONY THAT YOU ARE SPONSORING BEEN PREPARED
10 BY YOU OR UNDER YOUR SUPERVISION?

11 A. Yes.

12 III. PURPOSE OF TESTIMONY

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A. The purpose of my Direct Testimony is to support employee benefit and
15 compensation philosophy, and the costs included in the revenue requirement for the
16 *Pro Forma* Period which include the compensation-related adjustments in this filing.
17 In my Direct Testimony, I describe the overall benefit and compensation programs
18 for BHC employees, including employees of Black Hills, as well as the steps BHC
19 takes to evaluate its overall compensation programs.

1 **IV. EMPLOYEE AND EXECUTIVE COMPENSATION AND BENEFITS**

2 **A. Employee Compensation and Benefits**

3 **Q. PLEASE DESCRIBE THE BENEFIT PLANS THAT BHC PROVIDES TO ITS**
4 **EMPLOYEES.**

5 A. BHC offers a combination of company-provided and voluntary benefits to employees.
6 Employees are automatically granted certain company-provided benefits upon the
7 start of employment such as short-term and long-term disability and life insurance.
8 Employees can choose to participate in voluntary benefits and pay a portion or all
9 associated costs. These benefit programs consist of: (1) medical, dental, and vision
10 plans; (2) flexible spending accounts and health savings accounts; (3) supplemental
11 life insurance and accidental death and dismemberment insurance; (4) retirement
12 (401k and pension); (5) supplemental short term and long-term disability; and (6)
13 other benefits including employee assistance programs and long-term care insurance.

14 **Q. WHAT IS BHC'S GENERAL COMPENSATION PHILOSOPHY?**

15 A. As a company focused on the long-term sustainability of its business, the BHC
16 compensation program is designed to:

- 17 • attract, motivate, retain, and encourage personal and professional
18 development of qualified employees;
- 19 • provide compensation that is market competitive;
- 20 • promote safe and reliable service by attracting and retaining skilled talent; and
- 21 • promote the relationship between pay and performance by appropriately
22 recognizing and rewarding individual employee performance.

1 Compensation programs are designed to be externally competitive, internally
2 equitable, motivating, cost effective, and legally compliant. All compensation
3 programs apply to BHC legal organizations, including Black Hills and BHSC.

4 **Q. PLEASE IDENTIFY THE COMPONENTS OF BHC’S COMPENSATION**
5 **PROGRAM.**

6 A. The primary components of the overall BHC compensation program are:

- 7 • Base Pay: Base pay (hourly wage or annual salary) represents the fixed portion
8 of an employee’s total cash compensation opportunity; and
- 9 • Variable Compensation: Variable compensation is pay that is not fixed or
10 guaranteed but awarded based on achievement against specific performance-
11 based goals. Variable compensation programs include Annual Incentive Plan
12 (“AIP”), Short-Term Incentive Plan (“STIP”), and Long-Term Incentive Plan
13 (“LTIP”).

14 **B. Total Compensation Including Base Pay and Merit Increases**

15 **Q. PLEASE EXPLAIN BHC’S PHILOSOPHY ON BASE COMPENSATION.**

16 A. BHC’s philosophy regarding base pay is for a position’s midpoint to align with the
17 market median for similar positions. There are three types of pay structures: non-
18 exempt positions (eligible for overtime), exempt positions (not eligible for overtime),
19 and executive level (Vice Presidents and above).

20 All (non-union) positions are assigned to a pay grade using benchmark
21 information from external surveys that reflect the average (midpoint) of the market
22 for similar jobs. Each pay grade has a minimum, midpoint, and maximum amount and

1 includes an incentive target percentage.

2 **B1. Market Competitive Compensation**

3 **Q. WHAT STEPS DOES BHC TAKE TO ENSURE THAT COMPENSATION IS**
4 **REASONABLE AND MARKET COMPETITIVE?**

5 A. The BHC Human Resources Compensation team engages in a periodic review process
6 to compare positions to market data obtained by reputable third-party surveys
7 (utilizing actual compensation data by position as reported by participating
8 companies) to ensure that position pay ranges are comparable to the market.

9 Surveys provide base salary and incentive pay data. BHC matches positions
10 to those in the surveys that are like BHC in terms of job responsibilities, company
11 revenue size and number of employees. Positions are assigned to a salary grade where
12 the midpoint of the range is aligned to the average (midpoint) market rate for the job.
13 The same process is used when creating new positions.

14 **B2. Merit Increases and Wage Adjustments**

15 **Q. WAS THERE A MERIT INCREASE TO EMPLOYEES' BASE PAY IN 2024?**

16 A. Yes. In 2024 merit increases were effective on February 5th. The average 2024 merit
17 increase provided to eligible employees, based on 2023 individual performance, was
18 3.51% for non-union employees of Black Hills. The average 2024 merit increase was
19 3.53% for all BHC eligible non-union employees. The non-union merit increase
20 budgeted for 2025 is 4% and will be effective on February 3rd, 2025.

1 **Q. HOW OFTEN DOES BHC PROVIDE WAGE INCREASES OUTSIDE OF THE**
2 **MERIT INCREASES?**

3 A. Non-merit “wage adjustments” may include any (or a combination) of the following
4 reasons above/beyond annual merit increase opportunity:

- 5 • Employee acceptance of a posted position (new position/new pay);
- 6 • Periodic Adjustment (reasons may include career progression or
7 reorganization);
- 8 • Change in salary grade (position changed grade due to a market
9 review);
- 10 • Field Career Path Program Adjustment (promotion to next highest
11 skill-based level); and/or
- 12 • Promotion.

13 **C. Variable Compensation**

14 **Q. PLEASE LIST THE VARIABLE COMPENSATION PROGRAMS BHC**
15 **OFFERS.**

16 A. As mentioned above and described in more detail below, BHC variable compensation
17 programs include the Annual Incentive Plan ("AIP"), Short Term Incentive Plan
18 ("STIP"), and Long-Term Incentive Plan ("LTIP").

19 **Q. HOW DO VARIABLE COMPENSATION PROGRAMS BENEFIT**
20 **CUSTOMERS?**

21 A. Variable compensation programs benefit customers because they allow BHC to hire,
22 recognize and retain skilled employees, directly affecting its ability to provide safe,

1 reliable service to customers. Not offering a competitive compensation package
2 (including incentive) would severely limit BHC's ability to hire skilled workers and
3 could increase the risk of losing employees to other companies that provide incentive
4 pay. Having a less-skilled workforce would make BHC vulnerable to operational
5 safety risks, customer service complaints and higher costs due to turnover. Total
6 compensation (base pay and incentive) would be significantly less competitive for
7 employees without the incentive plan component. In addition, since variable pay is
8 based on company performance in a number of areas, there is incentive to operate the
9 company with a high-level of safety, reliability, and financial responsibility which
10 provides direct benefits to customers. Those benefits include improvements in
11 customer experience, reduced line hits which reduce outages, and reduced days away
12 from work all leading to reductions or avoidance of operating costs.

13 **C1. Annual Incentive Plan (AIP)**

14 **Q. PLEASE DESCRIBE THE ANNUAL INCENTIVE PLAN.**

15 A. The Annual Incentive Plan ("AIP") provides eligible employees the opportunity to
16 earn an annual incentive award based upon the company's performance goals. The
17 AIP's intent is to create a strong link between an employee's efforts and
18 accomplishments and BHC's performance goals. All employees, with the exception
19 of interns and temporary employees, are eligible for AIP.

20 The AIP: (1) rewards eligible employees who contribute to the success of
21 BHC and its subsidiary business units; (2) rewards employees who contribute to safe
22 and reliable service to customers; (3) motivates efficient and effective performance

1 and behavior that supports the financial and non-financial goals; and (4) increases
2 employees' understanding of business goals and performance metrics.

3 The AIP is a critical component of the total compensation package, ensuring
4 that BHC and Black Hills are competitive. The AIP target percentage is based on the
5 employee's pay grade for non-union employees. Union employees receive a
6 negotiated AIP target percentage.

7 **Q. HOW IS THE AIP STRUCTURED?**

8 A. Employees below a Director level position participate in the AIP. Through the goals
9 and performance metrics of the AIP, employees are rewarded for providing safe,
10 reliable, and affordable customer service if the goals are met.

11 **Q. WHAT ARE THE SPECIFIC GOALS AND METRICS IN THE AIP?**

12 A. The performance metrics and goals are reviewed and updated annually to align with
13 BHC overall strategy. Performance goals for 2024 have specific metrics that include
14 financial, customer experience, reliability, safety, and diversity. Each performance
15 goal is weighted and has a threshold, target, and maximum level. Customer focused
16 measurements include cost per customer, customer satisfaction and effort, reducing
17 line hits by tracking hits per thousand ("HPT") and the reduction of system
18 interruptions (System Average Interruption Duration Index or "SAIDI"). Operational
19 excellence measurements reflect aggregate safety goals for the organization for Days
20 Away, Restricted, or Transferred ("DART"), timeliness of reporting incidents,
21 proactive safety activities, and promotion of diversity in the workplace. These annual
22 goals and metrics are designed to maximize customer satisfaction, minimize safety

1 risks, and focus on financial viability. Each performance measure is scored
2 individually and weighted depending on achievement level.

3 **Q. PLEASE EXPLAIN HOW THE “COST PER CUSTOMER” METRIC**
4 **BENEFITS CUSTOMERS.**

5 A. The Cost per Customer metric used in both the AIP and STIP incentivizes
6 containment of non-fuel operating and maintenance expense (“O&M Expense”) and
7 thereby provides a direct benefit to Black Hills customers. This metric also provides
8 an additional benefit by contributing to customer retention and growth, both of which
9 tend to put downward pressure on rates over time by spreading fixed costs over greater
10 volumes. As a gas utility, Black Hills competes head-to-head with electricity and
11 other alternative fuels for every customer. Containment of O&M expense is critical
12 to Black Hills’s ability to compete.

13 **Q. WHY IS THE AIP AN IMPORTANT PART OF BHC EMPLOYEE**
14 **COMPENSATION?**

15 A. As discussed above, an incentive program provides competitive total compensation
16 for employees. An employee’s total cash compensation (base salary plus incentive)
17 requires not only competitive base pay, but also competitive variable pay which is
18 only awarded if performance goals are achieved.

19 **Q. WHAT WAS THE PAYOUT FOR THE AIP RELATED TO 2023**
20 **PERFORMANCE?**

21 A. The actual 2023 AIP achievement, paid in 2024, was 99.42% of target for all BHC
22 employees. For example, if an employee’s annual AIP for their respective position

1 was 6%, their payout was 99.42% of the 6% (or 5.97%).

2 **Q. WHAT AMOUNT OF AIP IS BLACK HILLS REQUESTING TO RECOVER**
3 **IN THIS CASE?**

4 A. Black Hills included the projected 2025 AIP incentive amounts, as adjusted in the
5 revenue requirement study provided with the Direct Testimony of Company witness,
6 Ms. Samantha K. Johnson. The total amounts included in the revenue requirement for
7 Black Hills employees are reflected in income statement adjustment IS-14 and
8 Schedule H-5. The incentive amounts for BHSC employees are included in income
9 statement adjustment IS-17 and Schedule H-8.

10 **C2. Short-Term Incentive Plan (STIP)**

11 **Q. PLEASE DESCRIBE BHC'S SHORT-TERM INCENTIVE PLAN.**

12 A. The Short-Term Incentive Plan ("STIP") is the incentive plan applicable to employees
13 in Director level positions and above and is a percentage of eligible earnings
14 determined by salary grade. Directors have the same performance metrics and goals
15 as the AIP.

16 **Q. WHAT ARE THE SPECIFIC PERFORMANCE OBJECTIVES IN THE STIP?**

17 A. STIP participants performance goals are the same as the AIP. Specific measurements
18 include financial, customer experience, reliability, and safety related metrics. Each
19 performance goal is weighted and has a threshold, target, and maximum level.

1 **Q. HOW DOES THE ACHIEVEMENT OF THE STIP GOALS BENEFIT**
2 **CUSTOMERS?**

3 A. The performance goals and metrics of STIP are the same as AIP and benefit customers
4 because they allow BHC to hire, recognize and retain skilled employees, directly
5 affecting the ability to provide safe and reliable service to customers.

6 **Q. WHAT IS THE PURPOSE OF BHC'S STIP?**

7 A. Like the AIP, the STIP is a key component of the total compensation package that
8 ensures BHC is competitive with market practices. STIP is designed to: (1) reward
9 employees who contribute to the success of BHC and their assigned business units;
10 (2) reward employees who contribute to the leadership and execution of BHC's
11 strategy and strategic initiatives; (3) motivate work performance and behavior that
12 supports the financial and non-financial goals of BHC; and (4) promote the successful
13 execution of the overall annual objectives of Black Hills.

14 **C3. STIP Payout Data**

15 **Q. HOW IS THE STIP TARGET PERCENTAGE DEVELOPED?**

16 A. As described in the AIP section above, The STIP incentives are also based on a
17 percentage of eligible earnings and established based on market data. All positions
18 are assigned to a pay grade using benchmark information from reputable and relevant
19 external surveys that reflect the average (midpoint) of the market for similar jobs.
20 Each pay grade has a minimum, midpoint, and maximum amount and includes an
21 incentive target percentage.

1 **Q. HOW IS INCENTIVE COMPENSATION CALCULATED FOR**
2 **EMPLOYEES?**

3 A. The formula for calculating incentive payouts (AIP or STIP) is as follows:
4 Eligible Employee's Eligible Earnings for the respective year X Target Bonus
5 Percentage (based on grade of position) X Scorecard Result = Incentive Amount.

6 Prorated payments may be paid to employees for reasons such as:

- 7 • Employees who are newly hired on or before September 30 of the Plan Year;
- 8 • Employees who are promoted, transferred, or demoted during the Plan Year;
- 9 • Employees who are on an approved leave of absence during the Plan Year;
- 10 • Employees who are on military leave during the Plan Year;
- 11 • Employees who leave due to disability during the Plan Year;
- 12 • Employees who retire during the Plan Year; or
- 13 • Employee death during the Plan Year.

14 **Q. WHAT AMOUNT OF STIP IS BLACK HILLS REQUESTING TO RECOVER**
15 **IN THIS CASE?**

16 A. Black Hills included the projected 2025 STIP incentive amounts, as adjusted in the
17 revenue requirement study provided with the testimony of Ms. Johnson. The total
18 amounts included in the revenue requirement for Black Hills employees are reflected
19 in income statement adjustment IS-14 and Schedule H-5. The incentive amounts for
20 BHSC employees are included in income statement adjustment IS-17 and Schedule
21 H-8.

1 **D. Employee Recognition Programs**

2
3 **Q. WHAT RECOGNITION PROGRAMS ARE OFFERED TO EMPLOYEES?**

4 A. BHC recognition programs are designed to reward employees and recognize
5 teamwork, years of service, and exemplary performance. These programs promote
6 teamwork and enhance employee morale while creating focus on customer service,
7 teamwork, and employment longevity.

8 **D1. Energize!**

9 Energize! is a peer-to-peer recognition program in which employees can award points
10 to other employees that can be redeemed for assorted merchandise. Non-points-based
11 recognition is also awarded in the form of certificates of appreciation and thank you
12 notes.

13 **D2. Service Awards**

14 Service awards for reaching certain length-of-service milestones are provided to
15 employees. Awards include plaques and gifts of varying monetary value.

16 **D3. Project Bonuses**

17 Project bonuses may be provided to employees who work on projects (above and
18 beyond their normal scope of responsibilities) that provide excellent service and
19 process improvements.

20 **Q. WHAT AMOUNT OF RECOGNITION PROGRAMS IS BLACK HILLS**
21 **REQUESTING TO RECOVER IN THIS CASE?**

22 A. Black Hills is requesting full recovery of the above outlined recognition programs.

1 The total amounts included in the revenue requirement for Black Hills employees are
2 reflected in income statement adjustment IS-14 and Schedule H-5. The amount for
3 BHSC employees is included in income statement adjustment IS-17 and Schedule
4 H-8.

5 **E. LTIP**

6 **Q. PLEASE DESCRIBE THE LONG-TERM INCENTIVE PLAN.**

7 A. The BHC Long-Term Incentive Plan's ("LTIP") purpose is that of rewarding,
8 recognizing, and providing competitive pay to Executive level employees. Equity-
9 based pay is a common and necessary component of an Executive's total pay package.
10 LTIP includes two forms of equity grants: (1) restricted stock and (2) performance
11 share awards. (Although limited in use, restricted stock awards can be provided to
12 any employee to recognize performance, retention, or for certain new hires as an
13 inducement to replace what the candidate may forfeit by leaving their current
14 employer to work for Black Hills.)

15 **Q. WHAT IS THE PURPOSE OF OFFERING EQUITY COMPENSATION?**

16 A. Equity grants under the long-term incentive plan are intended to ensure market-
17 competitive pay and to attract and retain Executive level employees. Performance
18 share equity awards provided through the LTIP recognize the performance over a
19 three-year period. Those receiving restricted stock awards do not have immediate
20 rights to that stock; it typically vests over a three-year period. Therefore, employees
21 who receive equity are provided an incentive to stay with BHC during the vesting
22 period.

1 **Q. HOW DOES THE LTIP BENEFIT CUSTOMERS?**

2 A. The LTIP gives BHC tools to attract and retain quality leadership that impacts
3 customers positively. Beyond giving BHC the ability to attract and retain key
4 employees who help shape the business strategy (focusing on customer service, safe
5 and efficient operations, high quality, and a financially sound organization), LTIP
6 provides an opportunity for leaders to also be owners invested in the company. When
7 the financial interests of individual employees are aligned with those of the
8 organization, employees are more invested in the operational objectives and
9 reputation of the organization, including the provision of safe and reliable service,
10 operational efficiency, and customer service. Retaining leadership also saves costs of
11 hiring and training new employees.

12 **Q. IS IT REASONABLE FOR BLACK HILLS TO RECOVER THE COSTS OF**
13 **EQUITY COMPENSATION PAID TO EMPLOYEES?**

14 A. Yes, it is a prudently incurred employee expense. Equity awards to employees are
15 consistent with market practices for similar positions in terms of scope of
16 responsibilities and skills. Equity compensation is a common and essential form of
17 compensation for executive positions in the industry and is necessary to attract,
18 compete for and retain talent.

19 **F. COMMISSION PRECEDENT ON INCENTIVE COMPENSATION**

20 **Q. ARE YOU AWARE OF THE COMMISSION'S PRECEDENTIAL ORDER**
21 **REGARDING INCENTIVE COMPENSATION?**

22 A. Yes. Specifically, I have reviewed the Commission's decision in

1 Docket No. 19-ATMG-525-RTS, Order on Atmos Energy Corporation's
2 Application for a Rate Increase, Paragraph 46, Ordering Clause C (February 24,
3 2020). I also reviewed the testimony and Stipulated Settlement Agreements in
4 Dockets No. 14-BHCG-502-RTS and 21-BHCG-418-RTS from Black Hills' last
5 two rate application proceedings in 2014 and 2021.

6 Black Hills understands the findings and conclusions of law of the
7 Commission as set forth in the Commission's Incentive Compensation
8 Precedential Order. However, Black Hills presents additional facts that it believes
9 the Commission should fully consider as the Commission considers incentive
10 compensation precedent in this proceeding. These facts demonstrate that all
11 elements of compensation are a necessary and prudent cost of providing utility
12 service to Black Hills's customers.

13 **Q. PLEASE EXPLAIN.**

14 A. Annual incentive plans like Black Hills's AIP and STIP are prevalent throughout
15 the industry. Black Hills developed its incentive compensation adjustment to
16 align with Commission precedent, as it had been applied to Black Hills in prior
17 rate cases. In addition, Black Hills is one of eleven different regulated
18 subsidiaries of BHC that provide natural gas or electric services. BHC regulated
19 utility subsidiaries are in Arkansas, Colorado, Iowa, Kansas, Nebraska, South
20 Dakota, Montana, and Wyoming. BHC and its subsidiaries have approximately
21 3,000 employees. My testimony affirms that the costs included in the Black Hills's
22 rate application are representative of the actual costs to provide market-competitive

1 total compensation programs to Black Hills and BHSC employees. The structure and
2 philosophy for compensation applied by BHC for employees of Black Hills and
3 BHSC are intended to be both compliant with Commission precedent and, to the
4 extent possible, consistent between each of its electric and gas service area
5 jurisdictions.

6 Like other utilities confronting this issue of balancing competitive
7 compensation packages to attract and retain skilled employees, Black Hills
8 believes that the Commission should recognize all incentive compensation as a
9 prudent utility expense. Compensation costs paid through these components are
10 an important part of the overall compensation for Black Hills' employees.

11 Black Hills interprets the Commission's precedential order on incentive
12 compensation awarded to state that officers and executives of BHC should be
13 excluded if those awards are tied to financial metrics which singularly benefit
14 shareholders. However, the incentive compensation program costs of Black Hills are
15 structured to benefit customers directly and indirectly. Customer service is
16 particularly important for a gas utility because it must compete against electricity and
17 other alternative fuels for every customer.

18 The compensation surveys relied upon by BHC demonstrate that total
19 employee compensation, which includes base pay and incentives, would be
20 significantly less competitive without the incentive plan component. Competitive
21 total compensation is equally important across all employee levels, including
22 executives, where variable and equity awards are a larger percentage of overall pay.

1 Black Hills, through its management and employees, focus daily of safety,
2 efficiency, and customer service satisfaction. To that end, Black Hills implements
3 or redesigns processes or systems to operate more efficiently and manage costs;
4 thereby, lowering the costs that would otherwise be paid by customers, and which
5 also positively impact earnings per share. These efforts are part of the incentive
6 compensation and demonstrate that the Commission should consider providing
7 recovery of the incentives paid to its directors and executives who are driving the
8 Company towards those shared benefits.

9 Strong financial performance is a direct benefit to customers, shareholders,
10 and employees; requires achievement of rate-based revenues while controlling
11 expenses. Variable incentives motivate, recognize and reward employees and are
12 based on clearly defined performance metrics and goals. BHC's compensation
13 package is well-crafted and drives employee focus and performance, enhancing both
14 the organization's financial strength and operations. BHC constantly evaluates
15 compensation for market competitiveness. If incentive compensation is disallowed,
16 employee total compensation would fall below the market median. By permitting
17 recovery of this necessary and prudent employee expense, the overall cost to
18 customers is fair, and the resulting rates are just and reasonable. Accordingly, Black
19 Hills respectfully requests that the Commission allow full recovery of its incentive
20 compensation.

1

V. CONCLUSION AND RECOMMENDATIONS

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Q. WHAT ARE YOUR RECOMMENDATIONS?

3

A. For the reasons set forth in this testimony, my recommendation is for the Commission to permit recovery of the compensation expenses included in the revenue requirement model submitted with the rate application of Black Hills.

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Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7

A. Yes.

AFFIDAVIT OF KRIS J. PONTIOUS

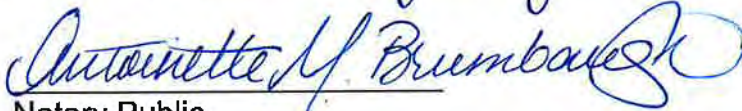
State of South Dakota)
County of Pennington) ss

I, KRIS J. PONTIOUS, being first duly sworn on oath, depose and state that I am the same Kris J. Pontious 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.



Kris J. Pontious

Subscribed and sworn to before me,
A Notary Public, in and for said County
and State, this 20th day of January 2025.



Notary Public

My Commission expires: 2/25/25



**EDUCATION, EMPLOYMENT HISTORY
AND PROFESSIONAL EXPERIENCE**

I graduated from Point Loma Nazarene University with a degree in Business Management. Additionally, I received the Professional in Human Resources (“PHR”) certification in 2019 and a Certified Payroll Professional (“CPP”) in 2006. I have worked in the human resources field for over 20 years, taking progressively responsible roles, and have served in a leadership capacity for more than 18 years.

I have held human resources positions within the areas of compensation, shared services, human resource information systems (“HRIS”), payroll, disbursements, and generalist roles throughout my career. Organizations in which I have worked in Human Resources functions prior to BHC include PETCO Animal Supplies and Jack in the Box.

I began my employment with BHC in 2008 as the Corporate Payroll Manager in Rapid City, SD. I became Disbursements Manager in 2013, moved to the Manager of HR Shared Services in 2017, Senior Manager of HR Systems in 2020 and have been the Senior Manager of Compensation since 2021. In this role I am responsible for leading and managing the compensation function and providing direction and leadership for the design, development, administration, and management of all compensation programs. I provide direct oversight for the BHC compensation team and support Executive compensation and the Leadership Development & Compensation Committee of the Board of Directors. In addition, I support regulatory requirements for BHC through preparation of testimony and data responses in rate proceedings.