### BEFORE THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

In the Matter of the Application of	)	
Black Hills/Kansas Gas Utility	)	Docket No. 25-BHCG-298-RTS
Company, LLC, d/b/a Black Hills	)	
Energy, for Approval of the	)	
<b>Commission to Make Certain Changes</b>	)	
in its Rates for Natural Gas Service		

#### DIRECT TESTIMONY OF SAMUEL B. TOBIN

ON BEHALF OF

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

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### **EXHIBITS**

KSG Direct Exhibit SBT-1	Education, Employment History and
	Professional Experience
KSG Direct Exhibit SBT-2	Absolute Value of the Daily Difference
	between IFERC and Gas Daily Prices
KSG Direct Exhibit SBT-3	Average Monthly to Daily Load Profile
	Ratio

### **List of Acronyms**

Aggregators	SCTS-A, SVTS-A, ITS-A and LVTS-A Customers
BHC	Black Hills Corporation
2110	-
BHSC	Black Hills Service Company
Black Hills or "the	Black Hills/Kansas Gas Utility Company, LLC d/b/a Black
Company"	Hills Energy
CIG	Colorado Interstate Gas Company
IFERC	to "IFERC" references a published monthly index price representing major pipeline trading points and as published by Inside FERC Gas Market Report [©Platts Inside FERC Gas Market Report; S&P Global Commodity Insights]
ITS-A	Irrigation Transportation Services-Aggregated
LVTS-A	Large Volume Transportation Services-Aggregated
Northern Natural	Northern Natural Gas Company
OFO	Operational Flow Order
PEPL	Panhandle Eastern Pipe Line Company
PGA	Purchased Gas Adjustment
SCTS-A	Small Commercial Transportation Services-Aggregated
SVTS-A	Small Volume Transportation Services-Aggregated
Southern Star	Southern Star Central Gas Pipeline
TBS	Town Border Stations

### I. <u>INTRODUCTION</u>

- 2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
- 3 A. My name is Samuel B. Tobin. My business address is 1515 Arapahoe, Tower One,
- 4 Suite 1200, Denver, Colorado 80202.
- 5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?
- 6 A. I am employed by Black Hills Service Company, LLC ("BHSC"), a wholly owned
- 7 subsidiary of Black Hills Corporation ("BHC"). My title is Senior Manager of
- 8 Commercial Services.

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- 9 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?
- 10 A. I am testifying on behalf of Black Hills/Kansas Gas Utility Company, LLC ("Black
- Hills" or the "Company"). Black Hills/Kansas Gas Utility Company, LLC is a wholly
- owned subsidiary of BHC.
- 13 II. STATEMENT OF QUALIFICATIONS
- 14 Q. WHAT ARE THE DUTIES AND RESPONSIBILITIES IN YOUR CURRENT
- 15 **POSITION?**
- 16 A. I am responsible for the commercial activities on the Company's transmission and
- storage assets, third party transportation, transportation contracting and the
- transactional components of our transportation customer programs which include the
- 19 Kansas transportation aggregation activities.

- 1 Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL
- 2 BACKGROUND.
- 3 A. My education, employment history, and professional experience are provided in KSG
- 4 Direct Exhibit SBT-1.
- 5 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?
- 6 A. No.
- 7 III. <u>PURPOSE OF TESTIMONY</u>
- 8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
- 9 A. The purpose of my testimony is to discuss and address changes proposed by the
- 10 Company to the Transportation Service terms and conditions of the Company's tariff.
- 11 O. ARE YOU SPONSORING ANY EXHIBITS?
- 12 A. Yes. I am sponsoring KSG Direct Exhibit SBT-1, SBT-2 and SBT-3.
- 13 IV. TARIFF CHANGES TO TRANSPORTATION SERVICES
- 14 O. WHAT TRANSPORTATION SERVICE TERMS AND CONDITIONS DOES
- 15 THE COMPANY PROPOSE TO REVISE?
- 16 A. The Company proposes changes to the following Transportation Service tariff terms
- 17 and conditions:
- 18 A. Enrollment Period Index No 38, Sheet Nos. 6-7;
- B. Operational Flow Order language Index No 30, Sheet No. 3;
- 20 C. Daily Imbalance Charge Index No 36, Sheet Nos. 1-3;
- D. Assigning Receipt Points Index No 38, Sheet No. 5;

1 E. Non-Telemetered Daily Balancing Service Charge – Index No 36, Shee	No.	. 4
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- 2 and
- F. Gas Quality Specifications Index 38, Sheet Nos. 3-4.
- 4 I will discuss each of these proposed Transportation Service tariff language
- 5 changes in the testimony below.
- 6 A. Standardizing the Enrollment Period for Aggregated Customers
- 7 Q. PLEASE DESCRIBE HOW THE CURRENT ENROLLMENT PROCESS
- 8 WORKS FOR THE AGGREGATED RATE SCHEDULES.
- 9 A. Currently, Small Commercial Transportation Services—Aggregated (SCTS-A) and
- Small Volume Transportation Services Aggregated (SVTS-A) have the option to
- enroll annually taking effect on June 1; Irrigation Transportation Services—
- 12 Aggregated (ITS-A) have the option to enroll twice a year taking effect on April 1 and
- November 1; and Large Volume Transportation Services—Aggregated (LVTS-A)
- have the option to enroll monthly. All notifications for enrollment changes are due to
- 15 Company 30 days prior to the enrollment date.
- 16 O. PLEASE DISCUSS THE CHANGES MADE TO THE ENROLLMENT PERIOD
- 17 FOR THE AGGREGATED RATE SCHEDULES (INDEX NO 39 TARIFF
- 18 **SHEET NOS. 6-7).**
- 19 A. The proposed enrollment period change will align all Aggregated Rate Schedules —
- 20 SCTS-A, SVTS-A, ITS-A and LVTS-A ("Aggregators") to a June 1 through May
- 21 31 transportation term with enrollment occurring at least sixty (60) days prior to June 1
- 22 to allow the necessary setup to occur prior to program year start. This alignment will

- streamline the enrollment process and reduce the administrative burden on the Company and establish clear and concise rules across all Rate Schedules.
- 3 Q. HOW WILL THESE ENROLLMENT CHANGES IMPACT AGGREGATORS
- 4 AND AGGREGATED END-USERS?
- 5 A. The enrollment changes will limit Aggregators' ability to move aggregated End-Users 6 from Sales Service to an aggregated Rate Schedule or between Aggregators to once 7 annually. The biggest impact will be to the LVTS-A aggregated End-Users who were 8 previously able to make monthly elections. While this transportation services tariff 9 change may limit the Aggregators' enrollment flexibility, there is no financial cost to 10 these limitations. The Aggregators will have to adapt to enroll End Users within the 11 Company's more structured enrollment timeline. As noted above, the enrollment period 12 change proposed by the Company will reduce the administrative burden on the 13 Company from the enrollment process and establish clear and concise rules for End 14 Use transportation Customers and Aggregators across the Company's different 15 transportation services Rate Schedules.
  - B. Transportation Service Definitions Operational Flow Orders
- 17 Q. PLEASE DISCUSS OPERATIONAL FLOW ORDERS, AS THEY ARE
  18 CURRENTLY DEFINED IN THE COMPANY TARIFF.
- An Operational Flow Order ("OFO") is currently defined in the Company's tariff as a notice issued by the Company to Customer(s) requiring the delivery of specified quantities of gas to Company at times deemed necessary by the Company to maintain system integrity and assure continued service. This language limits the Company's

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- ability to call OFOs only in situations where the system is undersupplied or when transportation Customers have not brought on enough supply to meet their demand.
- Q. PLEASE DISCUSS THE CHANGES MADE TO THE OPERATIONAL FLOW
   ORDER LANGUAGE IN TRANSPORTATION SERVICES INDEX NO. 30,
- 5 SCHEDULE TD, TARIFF SHEET NO. 3.
- 6 A. The changes to the OFO language aim to expand Company's ability to manage its 7 system by addressing two additional items: (i) the Company's ability to call OFOs 8 when the system is oversupplied with gas and (ii) the Company's ability to call OFOs 9 for specific Customers under Customer-specific OFOs. The proposed change will 10 allow the Company to call an OFO in situations where the system is oversupplied as 11 well as when transportation Customers have delivered too much supply compared to 12 their demand. Additionally, the ability for the Company to call OFOs related to specific 13 customer activity will allow the Company to identify and provide specific OFO 14 instructions to offenders. This change will avoid the need for broadly issued system-15 wide OFOs when only specific Customers are causing an issue on the pipeline, and in 16 turn it will limit exposing Customers that are in or near compliance to potential 17 penalties.

### 18 Q. WHY DOES THE COMPANY PROPOSE TO ADJUST THE OPERATIONAL 19 FLOW ORDER LANGUAGE?

A. Expansion of the OFO language will provide additional tools for the Company to manage the system against over- and undersupply situations including reliability and system integrity issues that are unique to each situation. Ultimately, expanding the

2	1) the risk that Sales Customers will incur penalties managing long imbalances on the
3	upstream pipeline; and 2) the risk of high or overpressure lines when trying to take
4	quantities of gas that are not being consumed by the parties delivering the quantities of
5	gas on to the system. The addition of customer-specific OFOs allows the Company to

target the application of OFOs to offending parties which will ensure transportation

Customers are motivated to help protect the system's integrity through accurate gas

language to allow for OFOs in the event of oversupply protects against two main risks:

8 supply nominations.

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- 9 Q. WILL THERE BE ANY CHANGES TO THE PENALTY RATES AS PART OF
  10 THE PROPOSED OFO CHANGES?
- 11 A. No. The Company is not proposing a change to the various transportation penalty rates 12 themselves, just an expansion of the types of situations when penalties would apply.
- 13 C. Applying Daily Imbalance Charges to All Transport Customers
- 14 Q. PLEASE DISCUSS DAILY IMBALANCE CHARGES, AS THEY ARE
  15 CURRENTLY DEFINED IN THE COMPANY TARIFF.
- 16 A. The Daily Imbalance Charge is an additional charge applied to Customers specifically
  17 located downstream of Northern Natural Gas Company ("Northern Natural"), Colorado
  18 Interstate Gas Company, Inc. ("CIG") and Panhandle Eastern Pipe Line Company
  19 ("PEPL") whose allocated daily and/or cumulative monthly receipts exceed their daily
  20 and/or cumulative monthly allocated deliveries.

- 1 Q. WHY DO THESE CHARGES ONLY APPLY TO CUSTOMERS
- 2 SPECIFICALLY LOCATED DOWNSTREAM OF NORTHERN NATURAL,
- 3 CIG, AND PEPL?
- 4 A. Each of those interstate natural gas pipelines require that daily gas receipts into the
- 5 interstate pipeline match daily gas deliveries off of the interstate pipeline. If they do
- 6 not match, the interstate pipeline may assess daily scheduling charges.
- 7 Q. PLEASE DESCRIBE THE CHANGES TO THE DAILY IMBALANCE
- 8 CHARGE (INDEX NO 37 TARIFF SHEET NOS. 1-3).
- 9 A. The Company is proposing to eliminate the limit to the Daily Imbalance Charge to
- Northern, CIG, and PEPL and instead apply the Daily Imbalance Charge uniformly
- across the entire service area of Black Hills throughout the State of Kansas. Uniform
- statewide application of the Daily Imbalance Charge is intended to incent Customers
- to actively manage their transportation imbalances. This change is also intended to
- help ensure the Black Hills general system sales Customers are recovering the totality
- of costs incurred by Black Hills to manage the pipeline system and the gas balancing
- with the upstream pipelines.
- 17 Q. HOW WILL THE CHANGES TO THE DAILY SCHEDULING CHARGES
- 18 **IMPACT CUSTOMERS?**
- 19 A. Since the Daily Scheduling Charge already applies to a large portion of Black Hills'
- transportation Customers, the Daily Scheduling Charge will additionally impact the
- 21 Black Hills transportation Customers who are supplied downstream of Southern Star
- Central Gas Pipeline ("Southern Star") in the Wichita, KS service area and any other

small subset of Black Hills' transportation Customers not located downstream of Northern Natural, CIG or PEPL. The expansion of the Daily Scheduling Charge across the entire Black Hills system, specifically to the areas served downstream of Southern Star, will further assist in the management of transportation service gas imbalances on the gas distribution system that currently has very few tools and limited ability for physically managing or absorbing customer imbalances today (i.e., lack of operational balancing agreements, on-system storage, upstream storage services, etc.).

#### D. Receipt Point Assignment

A.

### Q. PLEASE DESCRIBE THE RECEIPT POINT REQUIREMENTS.

Customers are provided with receipt point locations where the customer needs to source and nominate gas supply into the Company's system for the delivery of gas to the Customer's End Use location or Aggregated Delivery Pool. In areas of our gas distribution system where the Company has single interconnects with upstream interstate or intrastate pipelines, the assignment of receipt points to these end use delivery points or Aggregated Delivery Pools is straightforward and limited to the single point of interconnect. However, the Company also manages larger gas distribution or gas transmission systems. In areas where the Company has multiple points of interconnections with other interstate or intrastate transmission pipelines, Black Hills must have the authority to assign receipt points on its gas distribution system to allow for optimal utilization of the Company's gas distribution systems.

The assignment of receipt points on the Company's gas distribution system for receipt of gas provided by Black Hills' transportation customers also ensures that the

gas physically supplied by a transportation customer can be consumed by that customer. The proposed tariff language the Company is proposing allows the Company to assign specific receipt points to transportation Customers that will satisfy these gas supply delivery system requirements. Additionally, where flexibility (e.g., gas pressures, quantity, etc.) exists on Black Hills' gas distribution systems, the Company can allow for additional secondary Receipt Points. Under those circumstances and subject to available capacity and adequate gas pressures, Black Hills transportation Customers can use one or more of the alternative Receipt Points for delivery of customer-owned natural gas into the gas distribution system on a "secondary" basis.

### E. Non-Telemetered Daily Balancing Service

- 11 Q. PLEASE DESCRIBE THE NON-TELEMETERED DAILY BALANCING
  12 SERVICE CHARGE. (INDEX NO 37 TARIFF SHEET NOS. 1-3)
  - The Non-Telemetered Daily Balancing Service Charge is \$0.009 per Therm that applies to all activity in the non-telemetered Aggregated Delivery Pools. Non-telemetered pools are pools without telemetry and therefore do not have access to daily measurement for their delivered quantities and only receive measurement monthly when meter readings are available. These non-telemetered Aggregated Delivery Pools pose distinct challenges for the Company in balancing daily usage with a lack of transparency due to their non-telemetered measured daily usage. The Non-telemetered Daily Balancing Service Charge is meant to protect the system sales Customers against gas costs associated with daily system management, through a crediting of those charges to the Purchased Gas Adjustment ("PGA"), for the cost to manage the daily

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imbalance activity of a monthly managed delivery pool. The disparity that the Non-telemetered Daily Balancing Service Charge is meant to address is the inherent benefit of non-telemetered Aggregated Delivery Pools being able to avoid daily gas price exposure. One way to think about this charge is the difference of being able to baseload "first of the month" gas at Inside FERC's Gas Market Report ("IFERC") gas commodity pricing and avoid intramonth daily gas purchases at Gas Daily gas commodity pricing or, alternatively, managing unnecessary positive imbalances with upstream pipeline services or gas sales. Thus, the intended purpose of the Non-Telemetered Daily Balancing Service Charge is meant to contribute to the potential costs to Sales Customers of Black Hills for balancing transportation customer activity, and protecting the Sales customer from being exposed to unnecessary gas costs associated with daily system management.

### Q. WHY IS THE COMPANY PROPOSING AN INCREASE TO THE NON-TELEMETERED DAILY BALANCING SERVICE CHARGE AND HOW WAS THE INCREASE DETERMINED?

The Company is proposing an increase due to the daily price volatility the Company has experienced in the last four years. The Company determined it was appropriate to review the charge and analyze whether the Non-Telemetered Daily Balancing Service Charge was still meeting the intended purpose of protecting system sales Customers for the daily price risk that the Aggregators serving non-telemetered Aggregation Delivery Pools avoid.

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To determine the Non-Telemetered Daily Balancing Service Charge, the Company looked at historical pricing of natural gas commodity for the last three years and then used a simple average of that gas supply pricing to determine the absolute value of the daily difference between IFERC and Gas Daily prices (KSG Confidential Direct Exhibit SBT-2<sup>1</sup>). After the Company determined that figure, the Company then multiplied it by 15% which is meant to reflect a +/- 15% daily to monthly (average) gas usage swing (i.e., variance in gas consumption) for a customer. The Company doesn't have knowledge of the actual daily quantity of gas consumed by the Non-Telemetered Aggregated Delivery Pool. Therefore, to estimate how much daily load there is to balance, the Company estimated the load profiles of those Customers are similar to the load profile observed for gas load flowing through a representative Town Border Stations ("TBS") connected to the Company's gas distribution system. The representative TBS load profile had an average monthly to daily load profile ratio of approximately 15% (KSG Direct Exhibit SBT-3).

#### F. Gas Quality Specifications

### Q. DOES THE CURRENT TARIFF HAVE GAS QUALITY REQUIREMENTS FOR TRANSPORTATION CUSTOMERS?

A. Yes, the tariff currently includes language that requires Customer-owned gas transported to be of commercial quality; however, no specific criteria is included on what constitutes commercial quality. The goal of this tariff adjustment is to provide

<sup>&</sup>lt;sup>1</sup> © Platts Inside FERC Gas Market Report; S&P Global Commodity Insights

1		clarity to Customers on what quality specifications are required for the natural gas
2		being transported via the Company's system and the potential penalties for non-
3		compliance.
4	Q.	WHAT GAS QUALITY SPECIFICATIONS IS THE COMPANY PROPOSING
5		TO INCLUDE IN THE TARIFF?
6	A.	The Company proposes including requirements pertaining to the following natural gas
7		quality specifications:
8		<ul> <li>Liquid contaminants including hydrocarbons and water;</li> </ul>
9		• Gas contaminants including oxygen, carbon dioxide, and water vapor;
10		Solid contaminants including dust, gums, and particulates;
11		Hazardous or toxic contaminants including bacteria and bacterial agents;
12		Hydrogen Sulfide and total sulfur content;
13		Heating Value requirements; and
14		Gas Temperature requirements.
15		The Company also proposes including a narrative in the tariff defining the legal,
16		operational, and financial ramifications for a Customer's failure to meet these
17		requirements.
18	Q.	HOW WILL THESE ADJUSTMENTS IMPACT TRANSPORTATION
19		CUSTOMERS?
20	A.	Customers will continue to be responsible for ensuring the natural gas being transported
21		via the Company's system is of commercial quality. These tariff adjustments do not

1	alter that responsibility, but instead provide clarity to Customers on what specifications
2	constitute commercial quality natural gas. The addition of a failure-to-comply narrative
3	defines punitive actions the Company can take against Customers if they do not meet
1	these requirements

### 5 Q. HOW WILL THESE ADJUSTMENTS IMPACT SALES CUSTOMERS AND

### 6 THE COMPANY?

- 7 A. These adjustments will provide additional protections and detail when the Company is
  8 required to enforce out of quality specification gas. Gas which fails to meet these
  9 quality specifications has the potential to cause equipment damage, health and safety,
  10 reliability, and pipeline integrity issues for all customers on the system.
- 11 Q. DO ANY OTHER GAS UTILITIES IN KANSAS HAVE GAS QUALITY
- 12 SPECIFICATIONS IN THEIR TARIFF?
- 13 A. Yes, Atmos Energy has similar gas quality specifications as those proposed above.
- 14 V. <u>CONCLUSION</u>
- 15 O. DOES THIS CONCLUDE YOUR TESTIMONY?
- 16 A. Yes.

#### **AFFIDAVIT OF SAMUEL B. TOBIN**

State of Colorado	)	
	) ss	
City and County of Denver	)	

I, SAMUEL B. TOBIN, being first duly sworn on oath, depose and state that I am the same Samuel B. Tobin 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.

Samuel B. Tobin

Subscribed and sworn to before me, A Notary Public, in and for said County and State, this 23<sup>rd</sup> day of January, 2025.

Notary Public

My Commission expires: 11-17-26

ELAINE D HEGLER
Notary Public
State of Colorado
Notary ID # 19984031852
My Commission Expires 11-17-2026

### EDUCATION, EMPLOYMENT HISTORY AND PROFESSIONAL EXPERIENCE

I received my Bachelor of Science degree in Environmental Studies with a minor in Resource and Environmental Economics from the University of Nebraska in 2009. I received my Master of Applied Science in Environmental Policy and Management from the University of Denver in 2011. From 2010 to 2012 while completing my master's degree, I worked as a Graduate Research Participant in Policy Analysis in the Strategic Energy Analysis Center at the National Renewable Energy Laboratory in Golden, CO. After completing my master's degree, I worked for the State of Colorado as an Energy Analyst, where my main responsibilities were budget forecasting, energy project management and strategic energy audits.

In 2013, I started at SourceGas, LLC ("SourceGas") as an Analyst III – Gas Contracts where I managed all transportation contracting, capacity allocation/modeling and price and optimization modeling. In 2014, I took on the role of Analyst IV – Gas Supply and Shipper Services where, in addition to my previous responsibilities, I assumed transactional responsibilities for SourceGas' newly developed market center services Rate Schedule. In 2016, I assumed the position of Manager of Asset Optimization and maintained the same role following the acquisition of SourceGas by Black Hills Energy. My main responsibilities in the Manager of Asset Optimization role include market center services modeling and transacting, transportation contracting, various Choice Gas capacity subscription and allocation duties and commercial growth and development for the company's transmission and storage assets. In 2023, I assumed my current role of Senior Manager, Commercial Services where my responsibilities expanded to encompass transportation customer program management, market center services, off-system transportation sales, transportation contracting and transportation business systems.

## KSG CONFIDENTIAL DIRECT EXHIBIT SBT-2

# - ABSOLUTE VALUE OF THE DAILY DIFFERENCE BETWEEN IFERC AND GAS DAILY PRICES<sup>1</sup>

### - The Confidential Exhibit is subject to the protective order issued in the proceeding

Black Hills/Kansas Gas Utility Company, LLC d/b/a Black Hills Energy ("Applicant") has designated KSG Confidential Direct Exhibit SBT-2 – Absolute Value of the Daily Difference Between iFERC and Gas Daily Prices as confidential pursuant to K.S.A. 66-1220a and K.A.R. 82-1-221a in that the Gas Market Report contains confidential information concerning financial and business information that has not been disclosed to the public and disclosure to the public of such information would result in harm to the public interest, generally and which is not otherwise available from public sources. Additionally, the information is derived from copyrighted material produced by Platts Inside FERC Gas Market Report; an S&P Global Commodity Insights Report.

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<sup>&</sup>lt;sup>1</sup> ©Platts Inside FERC Gas Market Report; S&P Global Commodity Insights

### **KSG DIRECT EXHIBIT SBT-3**

### KSG Direct Exhibit SBT-3

