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December 19, 2023

Lynn M. Retz  
Executive Director  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, KS 66604

RE: Docket No. 24-BHCG-\_\_\_-TAR  
*Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy Application for  
Tariff Revision.*

Dear Ms. Retz:

Enclosed for filing is an Application for a Tariff Revision filed on behalf of Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy.

Respectfully submitted,

*/s/ Douglas J. Law*

Douglas J. Law, KS Bar #29118  
Associate General Counsel

DL:ce

cc: Service List  
Rob Daniel  
Ann Stichler  
Nick Smith

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF ) Docket No. 24-BHCG-457-TAR  
BLACK HILLS/KANSAS GAS UTILITY )  
COMPANY, LLC, D/B/A BLACK HILLS )  
ENERGY, FOR APPROVAL OF REVISIONS TO )  
TARIFF LANGUAGE ON OTHER )  
TRANSPORTATION SERVICE CHARGES. )

**APPLICATION FOR TARIFF REVISION**

Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy (“Black Hills” or “Applicant”) submits the following application pursuant to K.S.A. 66-1,201, 66-1,207, 77-526 and K.A.R. 82-1-202, K.A.R. 82-11-6, and other applicable statutes and regulations. Applicant is requesting to revise language pertaining to Transportation Service Customer (“Transportation Customer”) Monthly Cash Out Price calculations within Applicant’s Kansas Corporation Commission (“Commission”) approved tariff as described more fully below. In support of its Application, Black Hills states as follows:

**I. INTRODUCTION**

1. Black Hills is a limited liability company with its principal place of business in Kansas located at 601 N. Iowa Street, Lawrence, Kansas 66044. Black Hills is duly authorized to transact business in the State of Kansas, holds appropriate certificates from the Commission to transact business as a natural gas public utility and is now and has been engaged in the purchase, transmission, sale and distribution of natural gas in the State of Kansas in accordance with the laws of said state and the rules and regulations of the Commission. Black Hills serves approximately 118,000 customers in 67 communities and in 48 surrounding counties in Kansas.

2. The names, addresses and phone numbers of the persons authorized to receive notices and communications with respect to this Application on behalf of Black Hills are as follows:

Douglas J. Law  
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## **II. BACKGROUND**

1. On March 31, 2023, Kansas Gas Service (“KGS”) filed an application with the Commission (Docket 23-KGSG-719-TAR, “KGS Docket”) requesting, among other adjustments, a revision to their currently approved tariff for Transportation Customer Cash Out Price calculation methodology.

2. On September 22, 2023, all parties, including both the Citizens Utility Ratepayer Board (“CURB”) and the Staff of the Kansas Corporation Commission (“Staff”) filed a Joint Motion for Approval of the Settlement Agreement (“Settlement Agreement”). This Settlement

Agreement contains a new methodology for calculating Transportation Customer Cash Out Prices:

*...Kansas Gas Service can cash out customers using High or Low Cash Out Prices depending on the type of imbalance (i.e., long or short on retainage adjusted receipts) based upon the average gas prices published in Platts Gas Daily. The Cash Out Price shall be (1) the highest daily average price for the month calculated as a simple average of the four indexes in the case of Over-Deliveries, or (2) the lowest daily average price for the month calculated as a simple average of the four indexes in the case of Under-Deliveries.*

3. As written in Staff’s Testimony in Support of the Settlement Agreement, when Transportation Customers fear excessive penalties, it can result in “...higher and higher prices being paid for gas, and thus recorded on the Gas Daily Index. The higher the gas costs go, the higher the potential penalty gets, and vice versa. It is not in the interest of Sales or Transportation customers to have a situation where exorbitant penalties are calculated, or worse, that the fear of such penalties actually drives the market price of gas higher for all.” (Testimony in Support of Unanimous Settlement Agreement, Docket No. 23-KGSG-719-TAR, pp.-15.)

4. Based on Staff’s Testimony and the unanimous approval of the KGS Settlement Agreement, Black Hills is presenting this Application in an effort to control potentially exorbitant penalties from driving peak demand prices higher, while also continuing to encourage Transportation Customers to remain in balance.

### **III. APPLICANT’S REQUEST TO REVISE TARIFF LANGUAGE**

1. To ensure that Transportation Customers have appropriate incentives to balance natural gas loads on Black Hills’ gas distribution system and to promote consistency of Transportation Customer Charges throughout Kansas, Applicant is requesting revisions to its current tariff. The proposed tariff changes are intended to closely align the Applicant’s Cash Out

Price calculations with the KGS Settlement Agreement results.

2. Applicant calculates Cash Out Prices for Transportation Customers by applying a Cash Out methodology that generally represents the cash out methodology and administrative gas procurement of the interstate pipeline(s) or other transport provider immediately upstream of the Customer: Northern Natural Gas Company (“Northern” or “NNG”), WTG Hugoton Pipeline (“WTG”), ONEOK Field Services Company Pipeline (“ONEOK”), or All Other Pipelines (“AOP”). Transportation Customers are in an “Underage” position when allocated deliveries exceed allocated receipts for the month and customers are in an “Overage” position when allocated receipts exceed allocated deliveries for the month.

3. Per Black Hills’ Tariff Index No. 37, part 5, for NNG Customers, the monthly Cash Out Price is currently determined using the highest (for Underage) or lowest (for Overage) Platts Gas Daily price for Northern, demarc **or** Northern, Ventura for the month the imbalance was incurred. Applicant proposes changing this Calculation to be the **average of** the highest or lowest Platts Gas Daily price for Northern, demarc **and** Northern, Ventura for the month the imbalance was incurred. For example, if the highest Northern, demarc delivery point price for the month is \$3.00/MMBtu and the highest Northern, Ventura delivery point price for the month is \$2.50/MMBtu, the current NNG Customer Underage Cash Out Price would be \$3.00/MMBtu, however the newly proposed NNG Customer Underage Cash Out Price would be \$2.75/MMBtu.

4. Similarly, for AOP Customers, the monthly Cash Out Price is currently determined using the highest (for Underage) or lowest (for Overage) Platts Gas Daily price off Panhandle, Tx/Okla, Southern Star, NGPL Midcontinent, and CIG Rockies for the month the imbalance was incurred. Applicant proposes changing this Calculation to be the **average of** the highest or lowest Platts Gas Daily price off Panhandle, Tx/Okla, Southern Star, NGPL Midcontinent, and CIG

Rockies for the month the imbalance was incurred.

5. To maintain consistency with modeling provided in the KGS Docket, Table 1 below shows the actual and proposal-adjusted Cash Out Prices for AOP Customers during December 2022. By taking the average highest price instead of the absolute highest price, the adjusted Cash Out price would be reduced from \$44.610/MMBtu to \$23.010/MMBtu. At \$23.010/MMBtu, Transportation Customers still have ample incentive to stay in balance yet are given an appropriate punitive penalty for imbalances that closely resembles the KGS Settlement Agreement Cash Out Price calculation methodology.

6. Red-lined and clean versions of Applicant's proposed revisions to Index No. 37 of the Company's approved tariff are included at the end of this Application as Attachment 1.

**TABLE 1 - December 2022 Cash Out Price Calculation  
(Actual and Proposed)**

Date	Panhandle	Southern Star	CIG, Rockies	NGPL Mid Con
12/1/2022	\$5.520	\$5.760	\$5.840	\$5.550
12/2/2022	\$5.190	\$5.655	\$5.410	\$5.235
12/3/2022	\$4.250	\$4.585	\$4.490	\$4.270
12/4/2022	\$4.250	\$4.585	\$4.490	\$4.270
12/5/2022	\$4.250	\$4.585	\$4.490	\$4.270
12/6/2022	\$4.025	\$4.130	\$4.230	\$4.065
12/7/2022	\$3.955	\$4.110	\$4.210	\$4.085
12/8/2022	\$3.945	\$4.145	\$4.330	\$4.035
12/9/2022	\$4.315	\$4.565	\$4.565	\$4.470
12/10/2022	\$4.600	\$4.965	\$4.850	\$4.615
12/11/2022	\$4.600	\$4.965	\$4.850	\$4.615
12/12/2022	\$4.600	\$4.965	\$4.850	\$4.615
12/13/2022	\$5.265	\$5.435	\$5.650	\$5.270
12/14/2022	\$5.645	\$5.865	\$6.085	\$5.660
12/15/2022	\$5.400	\$5.700	\$5.710	\$5.420
12/16/2022	\$6.095	\$6.185	\$6.370	\$5.675
12/17/2022	\$5.655	\$6.770	\$6.765	\$5.150
12/18/2022	\$5.655	\$6.770	\$6.765	\$5.150
12/19/2022	\$5.655	\$6.770	\$6.765	\$5.150
12/20/2022	\$5.320	\$6.240	\$6.700	\$4.880
12/21/2022	\$4.750	\$6.230	\$6.525	\$4.565
12/22/2022	\$9.575	\$29.725	\$44.610	\$7.655
12/23/2022	\$10.050	\$15.965	\$16.625	\$7.155
12/24/2022	\$7.205	\$9.885	\$15.050	\$5.370
12/25/2022	\$7.205	\$9.885	\$15.050	\$5.370
12/26/2022	\$7.205	\$9.885	\$15.050	\$5.370
12/27/2022	\$7.205	\$9.885	\$15.050	\$5.370
12/28/2022	\$3.180	\$4.180	\$5.015	\$3.250
12/29/2022	\$2.530	\$3.530	\$4.000	\$3.115
12/30/2022	\$2.580	\$3.480	\$3.570	\$2.675
12/31/2022	\$2.580	\$3.480	\$3.570	\$2.675
<b>Lowest (Current)</b>	\$2.530	\$3.480	\$3.570	\$2.675
<b>Average Lowest (Proposed)</b>	\$3.064			
<b>Highest (Current)</b>	\$10.050	\$29.725	\$44.610	\$7.655
<b>Average Highest (Proposed)</b>	\$23.010			

#### IV. CONCLUSION

1. Applicant's proposed Cash Out Price calculation adjustments will reduce the potential for exorbitant penalties, thus limiting the potential for fear-driven price spikes during periods of peak demand, while remaining punitive enough to encourage Transportation Customers to remain in balance. These changes will also help improve the consistency of Cash Out Price calculations for Transportation Customers across Kansas.

**WHEREFORE**, for the reasons set forth herein, Black Hills respectfully asks that the Commission issue an order approving its request for the Tariff Revision as explained above, without prejudice.

Respectfully submitted,

*/s/ Douglas Law*

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Associate General Counsel  
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Attorney for Black Hills Kansas Gas Utility Company,  
LLC, d/b/a Black Hills Energy





**ATTACHMENT 1**

**THE STATE CORPORATION COMMISSION OF KANSAS**

Index No. 37

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

(Name of Issuing Utility)

Schedule OTC, ~~Fifth~~<sup>Fourth</sup> Revised

**KANSAS SERVICE AREA**

(Territory to which schedule is applicable)

Replacing: Index No. 37, Schedule OTC, ~~4<sup>th</sup>~~<sup>3<sup>rd</sup></sup> Rev, Sheet 5 of ~~107~~  
which was filed ~~1/1/2022~~<sup>1/20/2009</sup>

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 5 of 10 Sheets

**OTHER TRANSPORTATION CHARGES (continued)**

If additional Deliveries to End-User(s) beyond those nominated are made which result in the Company incurring pipeline charges or penalties, the Company shall have the option to allocate such penalties and charges to the Customer on a basis determined by the Company.

5. **MONTHLY CASH OUT CHARGES:** By the end of each calendar month, Customer is required to balance its allocated Receipts and allocated Deliveries. Any variance between Customer's allocated Receipts and allocated Deliveries will result in the following "Cash Out" of Imbalance quantities:

A. **Northern Natural Gas Pipeline ("NNG").** For Customers located downstream of Northern Natural Gas Pipeline, the difference between allocated Receipts and allocated Deliveries will be charged for an Underage, or credited for an Overage, to the Customer based on the NNG Cash Out Price.

1. The NNG Cash Out Price shall be determined as follows:

- a. NNG Cash Out Price – Underage: Shall be the ~~average of the~~ highest Platts Daily Price Survey Midpoint Gas Price for Northern, demarc ~~and/or~~ Northern, Ventura for the month the Imbalance was incurred.
- b. NNG Cash Out Price – Overage: Shall be the ~~average of the~~ lowest Platts Daily Price Survey Midpoint Gas Price for Northern, demarc ~~and/or~~ Northern Ventura for the month the Imbalance was incurred.
- c. NNG Cash Out Price – Average: Shall be the average Platts Daily Price Survey Midpoint Gas Price for Northern, demarc or Northern, Ventura for the month the Imbalance was incurred.

Issued December 30, 2021  
Month Day Year

Effective January 1, 2022  
Month Day Year

By \_\_\_\_\_  
Signature

**Nicholas W. Smith, Manager – Regulatory and Finance**

**21-BHCG-418-RTS**  
**Approved**  
**Kansas Corporation Commission**  
**December 30, 2021**  
**/s/ Lynn Retz**

**ATTACHMENT 1**

**THE STATE CORPORATION COMMISSION OF KANSAS**

Index No. 37

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

(Name of Issuing Utility)

Schedule OTC, ~~New Sheet~~ First Revised

**KANSAS SERVICE AREA**

(Territory to which schedule is applicable)

Replacing: Index No. 37, Schedule OTC, New Sheet  
which was filed 1/1/2022

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 9 of 10 Sheets

**OTHER TRANSPORTATION CHARGES (Continued)**

**D. All Other Pipelines.** For Customers located downstream of All Other Pipelines (other than NNG, WTG and ONEOK), the difference between allocated Receipts and allocated Deliveries will be charged for Underage, or credited for Overage, to the Customer based on the Other Pipeline Cash Out Price.

1. The Other Pipeline Cash Out Price shall be determined as follows:

Other Pipeline Cash Out Price – Underage: Shall be the average of the highest Platts Daily Price Survey Midpoint Gas Price off Panhandle, TX/Okla, Southern Star, NGPL Midcontinent, and CIG Rockies for the month the Imbalance was incurred.

Other Pipeline Cash Out Price – Overage: Shall be the average of the lowest Platts Daily Price Survey Midpoint Gas Price off Panhandle, TX/Okla, Southern Star, NGPL Midcontinent, and CIG Rockies for the month the Imbalance was incurred.

Other Pipeline Cash Out Price – Average: Shall be the average Platts Daily Price Survey Midpoint Gas Price off Panhandle, TX/Okla, Southern Star, NGPL Midcontinent, and CIG Rockies for the month the Imbalance was incurred.

2. The Cash Out mechanism will be applied, including tiering, based on the following Tables:

Imbalance Level	Due Company - Underage
0% to -5%	Other Pipeline Cash Out Price – Underage x 100%
Less than -5% to -15%	Other Pipeline Cash Out Price – Underage x 120%
Less than -15%	Other Pipeline Cash Out Price – Underage x 140%

Imbalance Level	Due Customer - Overage
0% to 5%	Other Pipeline Cash Out Price – Overage x 100%
Greater than 5% to 15%	Other Pipeline Cash Out Price – Overage x 80%
Greater than 15%	Other Pipeline Cash Out Price – Overage x 60%

3. Imbalances caused by meter error and prior period adjustments will be Cashed Out at the 0%-5% tier using the Other Pipeline Cash Out Price – Average.

4. If price indices are eliminated or redefined or cease to be published in Platts Daily Price Survey, a superseding index will be used.

Issued December 30, 2021  
Month Day Year

Effective January 1, 2022  
Month Day Year

By \_\_\_\_\_  
Signature

Nicholas W. Smith, Manager – Regulatory

**21-BHCG-418-RTS**  
**Approved**  
**Kansas Corporation Commission**  
**December 30, 2021**  
**/s/ Lynn Retz**

**ATTACHMENT 1**

**THE STATE CORPORATION COMMISSION OF KANSAS**

Index No. 37

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

Schedule OTC, Fifth Revised

(Name of Issuing Utility)

**KANSAS SERVICE AREA**

Replacing: Index No. 37, Schedule OTC, 4<sup>th</sup> Rev, Sheet 5 of 10  
which was filed 1/1/2022

(Territory to which schedule is applicable)

No supplement or separate understanding  
shall modify the tariff as shown hereon.

Sheet 5 of 10 Sheets

**OTHER TRANSPORTATION CHARGES (continued)**

If additional Deliveries to End-User(s) beyond those nominated are made which result in the Company incurring pipeline charges or penalties, the Company shall have the option to allocate such penalties and charges to the Customer on a basis determined by the Company.

5. **MONTHLY CASH OUT CHARGES:** By the end of each calendar month, Customer is required to balance its allocated Receipts and allocated Deliveries. Any variance between Customer's allocated Receipts and allocated Deliveries will result in the following "Cash Out" of Imbalance quantities:

A. **Northern Natural Gas Pipeline ("NNG").** For Customers located downstream of Northern Natural Gas Pipeline, the difference between allocated Receipts and allocated Deliveries will be charged for an Underage, or credited for an Overage, to the Customer based on the NNG Cash Out Price.

1. The NNG Cash Out Price shall be determined as follows:

- a. NNG Cash Out Price – Underage: Shall be the average of the highest Platts Daily Price Survey Midpoint Gas Price for Northern, demarc and Northern, Ventura for the month the Imbalance was incurred.
- b. NNG Cash Out Price – Overage: Shall be the average of the lowest Platts Daily Price Survey Midpoint Gas Price for Northern, demarc and Northern Ventura for the month the Imbalance was incurred.
- c. NNG Cash Out Price – Average: Shall be the average Platts Daily Price Survey Midpoint Gas Price for Northern, demarc or Northern, Ventura for the month the Imbalance was incurred.

Issued \_\_\_\_\_  
Month Day Year

Effective \_\_\_\_\_  
Month Day Year

By \_\_\_\_\_  
Signature

Nicholas W. Smith, Manager – Regulatory

**ATTACHMENT 1**

**THE STATE CORPORATION COMMISSION OF KANSAS**

Index No. 37

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

(Name of Issuing Utility)

Schedule OTC, First Revised

**KANSAS SERVICE AREA**

(Territory to which schedule is applicable)

Replacing: Index No. 37, Schedule OTC, New Sheet  
which was filed 1/1/2022

No supplement or separate understanding  
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Sheet 9 of 10 Sheets

**OTHER TRANSPORTATION CHARGES (Continued)**

**D. All Other Pipelines.** For Customers located downstream of All Other Pipelines (other than NNG, WTG and ONEOK), the difference between allocated Receipts and allocated Deliveries will be charged for Underage, or credited for Overage, to the Customer based on the Other Pipeline Cash Out Price.

1. The Other Pipeline Cash Out Price shall be determined as follows:

Other Pipeline Cash Out Price – Underage: Shall be the average of the highest Platts Daily Price Survey Midpoint Gas Price off Panhandle, TX/Okla, Southern Star, NGPL Midcontinent, and CIG Rockies for the month the Imbalance was incurred.

Other Pipeline Cash Out Price – Overage: Shall be the average of the lowest Platts Daily Price Survey Midpoint Gas Price off Panhandle, TX/Okla, Southern Star, NGPL Midcontinent, and CIG Rockies for the month the Imbalance was incurred.

Other Pipeline Cash Out Price – Average: Shall be the average Platts Daily Price Survey Midpoint Gas Price off Panhandle, TX/Okla, Southern Star, NGPL Midcontinent, and CIG Rockies for the month the Imbalance was incurred.

2. The Cash Out mechanism will be applied, including tiering, based on the following Tables:

Imbalance Level	Due Company - Underage
0% to -5%	Other Pipeline Cash Out Price – Underage x 100%
Less than -5% to -15%	Other Pipeline Cash Out Price – Underage x 120%
Less than -15%	Other Pipeline Cash Out Price – Underage x 140%

Imbalance Level	Due Customer - Overage
0% to 5%	Other Pipeline Cash Out Price – Overage x 100%
Greater than 5% to 15%	Other Pipeline Cash Out Price – Overage x 80%
Greater than 15%	Other Pipeline Cash Out Price – Overage x 60%

3. Imbalances caused by meter error and prior period adjustments will be Cashed Out at the 0%-5% tier using the Other Pipeline Cash Out Price – Average.

4. If price indices are eliminated or redefined or cease to be published in Platts Daily Price Survey, a superseding index will be used.

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Nicholas W. Smith, Manager – Regulatory