

**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-418-RTS

DIRECT TESTIMONY

PREPARED BY

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UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

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I. Introduction and Qualifications of Testimony

Q. Would you please state your name and business address?

A. My name is Ian D. Campbell. My business address is 1500 Southwest Arrowhead Road, Topeka, Kansas, 66604.

Q. By whom are you employed and in what capacity?

A. I am employed by the Kansas Corporation Commission (Commission) as a Regulatory Auditor.

Q. What is your educational background and professional experience?

A. I received a Bachelor of Science in Business with a concentration in Accounting, as well as a minor in Modern Language, from Emporia State University in May 2019. I began employment with the Commission in my current position in May 2019.

Q. Have you ever testified before this Commission?

A. Yes, I have previously provided Direct Testimony in Docket Nos. 19-ATMG-525-RTS and 20-BLVT-218-KSF. I have also participated in numerous ratemaking dockets and contributed to several Staff Report and Recommendations regarding utility ratemaking issues. A list of my previous Staff assignments and the areas that they have covered is available upon request.

Q. What were your responsibilities in the review of the Application filed in Docket No. 21-BHCG-418-RTS (21-418 Docket)?

A. My responsibilities as a Regulatory Auditor were to analyze, audit, and review Black Hills Energy's ("Black Hills" or "Company") rate case Application. I examined Black Hills' filing for accuracy and adherence to regulatory accounting principles and issued discovery regarding my assigned sections of the Application. In addition, I am supporting select Staff

1 adjustments to Black Hills' rate base and pro forma income statement in an effort to ensure
2 that the resulting rates are just and reasonable. All of my responsibilities were carried out
3 under the direction of Kristina Luke Fry, Managing Auditor, and Justin Grady, Chief of
4 Revenue Requirements, Cost of Service and Finance.

5 6 **II. Executive Summary**

7 **Q. What is the purpose of your testimony in this proceeding?**

8 A. The purpose of my testimony is to offer explanation and support for 18 Staff adjustments
9 to Black Hills' pro forma rate base and income statement. In addition to these adjustments,
10 I am sponsoring 19 Staff Exhibits.¹ A summary of my sponsored pro forma adjustments is
11 listed below. Ultimately, I recommend that the Commission:

- 12 • Update Black Hills' Plant In Service and Accumulated Depreciation balances to
13 June 30, 2021;
- 14 • Update and normalize Prepayments to June 30, 2021 and remove items Staff
15 contends are inappropriate for ratepayer recovery;
- 16 • Update and normalize Gas Stored Underground and Materials and Supplies to June
17 30, 2021;
- 18 • Update Customer Deposits and Customer Advances for Construction to June 30,
19 2021;
- 20 • Update Accumulated Deferred Income Taxes (ADIT) to June 30, 2021, and remove
21 portions of ADIT related to Prepayments, Pensions, OPEB, and Incentive
22 Compensation, among other items;

¹ Exhibits IDC-1 through IDC-19 are attached at the end of my testimony.

- 1 • Update and normalize Depreciation Expense and Fleet Depreciation to reflect
- 2 Staff's update to Plant In Service and Staff's proposed depreciation rates;
- 3 • Update and normalize Bad Debt Expense based on Staff's five-year average net
- 4 write-off percentage and Staff's recommended operating revenue;
- 5 • Update Rent Expense to reflect known and measurable changes to the test year;
- 6 • Normalize Travel Expenses to better reflect ongoing changes in travel;
- 7 • Remove Dues and Donations that Staff contends are unnecessary and are therefore
- 8 inappropriate to recover from ratepayers;
- 9 • Remove Advertising Expenses that Staff contends are unnecessary and
- 10 inappropriate for ratepayer recovery;
- 11 • Update Interest on Customer Deposits to mirror Staff's update to Customer
- 12 Deposits;
- 13 • Reverse the Miscellaneous Adjustment due to lack of support; and
- 14 • Revise the amount of expenses included in the case pertaining to the Company's
- 15 Data Infrastructure Improvement Program (DIIP).

17 **III. Rate Base Adjustments**

18 **A. Property, Plant, and Equipment**

19 **Q. Could you please begin by explaining Staff Adjustment No. 1 to Rate Base?**

20 A. Yes, Staff Rate Base Adjustment No. 1 (RB-1) increases Black Hills' Rate Base by
21 \$10,345,885.² Staff's adjustment updates Section 4 of Black Hills' Application to reflect
22 the balances for Plant in Service through Staff's update period ending June 30, 2021.

² See Exhibit IDC-1.

Updating plant balances in this manner allows the utility the opportunity to earn a fair return on, and return of, Plant that is in Service and is used and useful. Staff recommends the Commission adopt Staff's adjustment as it results in a cost of service which most closely resembles Black Hill's ongoing cost of doing business.

B. Accumulated Depreciation

Q. Could you please explain Staff Adjustment No. 2 to Rate Base?

A. Staff Rate Base Adjustment No. 2 (RB-2) increases Black Hills' Rate Base by \$1,394,024.³ Staff's adjustment updates Section 5 of Black Hills' Application to reflect the balance of Accumulated Depreciation through Staff's update period ending June 30, 2021. This adjustment corresponds with Staff's Adjustment RB-1 to synchronize the balance of Plant in Service and its corresponding Accumulated Depreciation balances. Just as Staff's adjustment to update Plant in Service ensures that Black Hills has an opportunity to earn a return on, and a return of, its invested capital, Staff's adjustment to update Accumulated Depreciation ensures ratepayers are given credit for the capital they have returned to Black Hills and, therefore, no longer need to pay a return on the capital. Staff recommends the Commission adopt this adjustment as it synchronizes Plant in Service and Accumulated Depreciation as of June 30, 2021.

Q. Why is there such a large increase in Plant in Service and a decrease in Accumulated Depreciation?

A. Typically, when Staff performs its updates to Plant in Service and Accumulated Depreciation, as well as other Rate Base items, there is a net increase to both Plant in

³ See Exhibit IDC-2.

1 Service and Accumulated Depreciation. In this case, Black Hills inadvertently did not
2 include Construction Work in Progress (CWIP) in their Plant Additions in the Application.
3 This is the main reason for the large update to Plant in Service, as the CWIP balance as of
4 December 30, 2020 was \$10,902,595.⁴ Black Hills also overestimated the updated amount
5 of Accumulated Depreciation in the Application, which is why Staff's adjustment
6 decreases the balance of Accumulated Depreciation from the test year.

7
8 **C. Materials and Supplies**

9 **Q. Please explain Staff Adjustment No. 3 to Rate Base.**

10 A. Staff Rate Base Adjustment No. 3 (RB-3) decreases Black Hills' Rate Base by \$129,208.⁵
11 This adjustment revises Section 6 of Black Hills' Application to normalize the balance of
12 Materials and Supplies recorded to FERC Accounts 154 and 163 using a 13-month average
13 for the period ending June 30, 2021. In its examination of Black Hills' Application, Staff
14 analyzed the monthly balance of FERC Accounts 154 and 163 to determine if a discernable
15 upward or downward trend was present. Due to the absence of any trends, Staff utilized a
16 13-month average for the period ending June 30, 2021. Staff recommends the Commission
17 adopt Staff's adjustment as it reflects more recent, up-to-date, and known and measurable
18 data for the 13-month period ending June 30, 2021. This also provides better
19 synchronization with Staff's Plant in Service and other Rate Base adjustments.

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21

⁴ See Stmt A, page 1 of the Application.

⁵ See Exhibit IDC-3.

D. Gas Stored Underground

Q. Could you please explain Staff Adjustment No. 4 to Rate Base?

A. Staff Rate Base Adjustment No. 4 (RB-4) increases Black Hills' Rate Base by \$60,083.⁶

This adjustment revises Section 6 of Black Hills' Application to normalize the balance of Gas Stored Underground recorded to FERC Account 164 using a 13-month average for the period ending June 30, 2021. In its examination of Black Hills' Application, Staff analyzed the monthly balance of FERC Account 164 to determine if a discernable upward or downward trend was present. Due to the absence of any trends, Staff utilized a 13-month average for the period ending June 30, 2021. Staff recommends the Commission adopt Staff's adjustment as it reflects more recent, up-to-date, and known and measurable data for the 13-month period ending June 30, 2021. This also provides better synchronization with Staff's Plant in Service and other Rate Base adjustments.

E. Prepayments

Q. Could you please explain Staff Adjustment No. 5 to Rate Base?

A. Staff Rate Base Adjustment No. 5 (RB-5) decreases Rate Base by \$55,832.⁷ This adjustment revises Section 6 of Black Hills' Application to normalize the balance of Prepayments recorded in FERC Account 165 using a 13-month average for the period ending June 30, 2021. This account includes prepayments for insurance and rents. In the Application, Black Hills also included a prepayment to an advertising agency. This type of advertising is routinely disallowed and Black Hills admitted this charge was left in

⁶ See Exhibit IDC-4.

⁷ See Exhibit IDC-5.

1 inadvertently.⁸ For these reasons, Staff removed the prepayment from the working capital
2 calculation. Since no other trend was present, Staff utilized a 13-month average for the
3 period ending June 30, 2021. Staff recommends the Commission adopt Staff's adjustment
4 as it reflects more recent, up-to-date, appropriate, and known and measurable data for the
5 13-month period ending June 30, 2021.

6
7 **F. Customer Deposits**

8 **Q. Please explain Staff Adjustment No. 6 to Rate Base.**

9 A. Staff Rate Base Adjustment No. 6 (RB-6) increases Black Hills' Rate Base by \$110,474.⁹
10 This adjustment updates FERC Account 235000 Customer Deposits to the ending balance
11 as of June 30, 2021 in order to capture a downward trend. Staff recommends the
12 Commission adopt Staff's adjustment as it reflects more recent, up-to-date, and known and
13 measurable data for the period ending June 30, 2021. This also provides better
14 synchronization with Staff's Plant in Service and other Rate Base adjustments.

15
16 **G. Customer Advances**

17 **Q. Please explain Staff Adjustment No. 7 to Rate Base.**

18 A. Staff Rate Base Adjustment No. 7 (RB-7) increases Black Hills' Rate Base by \$100,479.¹⁰
19 This Adjustment updates FERC Account 252000 Customer Advances for Construction to
20 the ending balance as of June 30, 2021 in order to capture a downward trend. Staff
21 recommends the Commission adopt Staff's adjustment as it reflects more recent, up-to-

⁸ See Black Hills Response to CURB Data Request No. 81, included in Exhibit IDC-19.

⁹ See Exhibit IDC-6.

¹⁰ See Exhibit IDC-7.

1 date, and known and measurable data for the period ending June 30, 2021. This also
2 provides better synchronization with Staff's Plant in Service and other Rate Base
3 adjustments.

4
5 **H. Accumulated Deferred Income Taxes**

6 **Q. Please explain Staff Adjustment No. 8 to Rate Base.**

7 A. Staff Rate Base Adjustment No. 8 (RB-8) increases Accumulated Deferred Income Tax
8 (ADIT) by \$8,240,834.¹¹ ADIT is included in Rate Base as an offset to Plant in Service, so
9 the increase in ADIT will ultimately decrease Rate Base. Staff's adjustment is comprised
10 of 9 parts:

- 11 1. Update ADIT balances to the update period of June 30, 2021;
- 12 2. Update ADIT to reflect Staff's Bad Debt Expense Adjustment;
- 13 3. Remove ADIT associated with Pension Expense and FAS 106 costs;
- 14 4. Remove portions of ADIT corresponding to Staff's Prepayments adjustment;
- 15 5. Remove Other Reg. Asset from ADIT;
- 16 6. Remove portions of ADIT corresponding to Staff's Incentive Compensation
17 adjustment;
- 18 7. Remove Rate Case Expense Asset from ADIT;
- 19 8. Remove ADIT associated with Net Operating Loss Carryforward; and
- 20 9. Update EDIT balances to reflect Staff's position on the Tax Adjustment Rider.

21 Staff Witness Kristina Luke Fry will be providing testimony in support of items 7 through
22 9, though the amounts will be shown in Exhibit IDC-8.

¹¹ See Exhibit IDC-8.

1 **Q. Please explain what ADIT represents.**

2 A. ADIT represents the income tax that is deferred due to larger deductions reported on a
3 Company's income tax returns compared to the amount of expense reported for book
4 purposes. A larger deduction for income tax purposes compared to the expenses reported
5 for book purposes results in lower taxable income and a lower income tax amount owed to
6 the government compared to the income tax expense reported for book purposes. As years
7 progress, each year's current deferred income tax is added to the previous years'
8 accumulated deferred income taxes resulting in a liability or asset account, respectively
9 (representing either positive or negative deferred taxes). The net ADIT balance represents
10 the accumulation of the various year's deferred income tax activity. In traditional rate base
11 rate of return ratemaking, the net balance of ADIT is recognized as cost-free capital and,
12 thus, is an offset to rate base.

13 The timing difference for deductions between book and income tax purposes is
14 temporary. Eventually, the income tax deductions will become smaller compared to the
15 deductions for book purposes. The smaller future deductions for income tax purposes
16 compared to the deductions for book purposes will result in the Company paying more in
17 income taxes to the government than the income tax expense recorded on its books. In a
18 year where the Company pays more in income taxes than it records on its books, the
19 Company's ADIT balance will be reduced.

20 **Q. Does an ADIT account increase or decrease Rate Base?**

21 A. Depending on whether the temporary timing difference results in the Company's taxable
22 income being more than or less than book income, the timing difference can result in an
23 ADIT asset or liability. ADIT assets increase Rate Base and ADIT liabilities decrease Rate

1 Base. Currently, Black Hills' net ADIT balance is a liability, so it decreases Black Hills'
2 Rate Base. The net ADIT liability is included in Rate Base because it represents a source
3 of cost-free financing to the utility.

4 **Q. Could you please explain the first component of Staff's adjustment to Black Hills'**
5 **ADIT liability through the update period?**

6 A. The first part of Staff's adjustment updates the ADIT balance to the end of the update
7 period of June 30, 2021. This adjustment reflects the effect on deferred income taxes as a
8 result of actual plant additions, changes in net operating loss carryforward, and other
9 changes to Black Hills operations from the end of the test year, December 31, 2020, to June
10 30, 2021.

11 **Q. Please continue with the second component of Staff's ADIT adjustment.**

12 A. Staff's adjustment to ADIT includes an update of ADIT associated with Bad Debt Reserve.
13 This adjustment is synchronized with Staff's Bad Debt Expense Adjustment, IS-12.

14 **Q. Please provide an explanation for the removal of ADIT associated with Pension and**
15 **FAS106.**

16 A. Staff's adjustment to ADIT includes a removal of ADIT associated with Pension expense
17 and FAS106. It is important to remove the Pension and Other Post-Employment Benefits
18 (OPEB) related ADIT from Rate Base because the Pension and OPEB related ADIT is
19 simply the cost-free capital impact associated with the timing differences created by the
20 Company funding Pensions and OPEB in the excess of the amount required for Generally
21 Accepted Accounting Principles. Because the funding difference does not receive Rate
22 Base treatment, it is appropriate to remove this ADIT balance from Rate Base as well. This

1 is an adjustment commonly made (or accepted) by other regulated utilities in rate cases
2 before this Commission.¹²

3 **Q. Please provide an explanation for the removal of ADIT items corresponding to**
4 **Prepayments.**

5 A. Staff's adjustment to ADIT includes a removal of a portion of ADIT associated with
6 Prepayments. Staff Adjustment RB-3 removes a portion of Prepayments for advertising.
7 For consistency purposes, an adjustment was made to remove the corresponding ADIT
8 associated with this adjustment.

9 **Q. Please provide an explanation for the removal of ADIT associated with Other Reg.**
10 **Asset.**

11 A. Staff's adjustment to ADIT includes a removal of Other Reg. Asset – Deferred Tax
12 Liability. This account is related to the income taxes associated with Ad-Valorem Tax
13 Surcharges and the Weather Normalization adjustment.¹³ Since Black Hills recovers these
14 costs outside of base rates, the related ADIT amounts should also be removed from the cost
15 of service.

16 **Q. Please provide an explanation for the removal of ADIT items corresponding with the**
17 **incentive compensation.**

18 A. Staff's adjustment to ADIT includes the percentage removal of ADIT associated with AIP
19 Bonus. Staff Witness Kristina Luke Fry is removing 6.94% of AIP Bonus, as shown in her
20 testimony. For consistency purposes, an adjustment was made to remove the same
21 percentage of the ADIT associated with these items.

¹² For example, see paragraph 80 in the *Order on Atmos Energy Corporation's Application for a Rate Increase*, filed on February 24, 2020, in Docket No. 19-ATMG-525-RTS.

¹³ See Black Hills Response to Staff Data Request No. 223, included in Exhibit IDC-19.

1 **Q. Please explain the remaining ADIT adjustments.**

2 A. Staff Witness Kristina Luke Fry is providing testimony in support of the remaining ADIT
3 adjustments. These items are marked with an asterisk (*) in Exhibit IDC-8, and include the
4 Net Operating Loss Carryforward, Excess Deferred Income Taxes, and the Rate Case
5 Expense Asset Deferred Tax Liability.

7 **IV. Income Statement Adjustments**

8 **A. Depreciation Expense**

9 **Q. Could you please explain Staff Adjustment No. 10 to the Income Statement?**

10 A. Staff Income Statement Adjustment No. 10 (IS-10) decreases depreciation expense by
11 \$164,218.¹⁴ This adjustment revises Black Hills' Adjustment No. IS-34, discussed on page
12 52 of Black Hills Witness Rachel R. Schuldt, which normalizes depreciation expense using
13 depreciable plant balances as of December 31, 2020, and Black Hills' proposed
14 depreciation rates supported by Black Hills Witness John J. Spanos. Staff's calculation of
15 this adjustment yields an updated annualized depreciation expense based on Staff's updated
16 plant balances as of June 30, 2021, and Staff's proposed depreciation rates.¹⁵

17 **Q. Please indicate what portions of Staff's depreciation expense adjustment total are**
18 **attributable to Staff's update to plant in service and Staff's proposed depreciation**
19 **rates.**

20 A. Staff's adjustment increases Black Hills' pro-forma depreciation expense by \$149,440 due
21 to Staff's update to Black Hills' plant in service and decreases Black Hills' depreciation
22 expense by \$313,658, due to the difference between Black Hills' and Staff's proposed

¹⁴ See Exhibit IDC-9.

¹⁵ Staff's proposed depreciation rates can be found in the direct testimony of Roxie McCullar.

1 depreciation rates. The net effect of these two adjustments is Staff's total adjustment to
2 Black Hills' annualized depreciation expense in the amount of \$164,218.

3 **Q. Why are there three lines related to Account 118 Other Utility Plant in Depreciation**
4 **Expense but only two lines in Plant in Service and Accumulated Depreciation?**

5 A. Account 118 Other Utility Plant is the asset account of Black Hills Service Company that
6 is allocated to other subsidiaries, such as Black Hills. There are several different types of
7 assets included in this account, from computers to vehicles to buildings. Black Hills has a
8 depreciation rate for the different types of assets in Account 118, based on CIS+, Vehicles,
9 and all other assets. The Vehicles allocated from Account 118 have a different depreciation
10 rate than the other non-CIS+ assets, but are included in the Plant in Service and
11 Accumulated Depreciation amounts as part of the All but CIS+ assets.

12
13 **B. Fleet Depreciation**

14 **Q. Please continue with Staff Income Statement Adjustment No. 11.**

15 A. Staff Income Statement Adjustment No. 11 (IS-11) decreases operating expenses by
16 \$3,773.¹⁶ This adjustment updates Fleet Depreciation to reflect Staff's update to Plant in
17 Service as of June 30, 2021, as well as Staff's proposed depreciation rates. Staff's
18 adjustment is comprised of the above-the-line portion of the difference between Black
19 Hills' Depreciation Expense related to Vehicles and Staff's updated balances and proposed
20 depreciation rates related to Vehicles as of June 30, 2021.

21
22

¹⁶ See Exhibit IDC-10.

1 **Q. Why is Fleet Depreciation separate from Depreciation Expense?**

2 A. Fleet Depreciation reflects actual usage of vehicles by the company, only some of which
3 is recorded above the line and can be included in rates. This usage is charged via the loading
4 process, where vehicle depreciation is charged to the relevant Operations and Maintenance
5 account, instead of to the Depreciation accounts. The portion recorded below the line needs
6 to be removed according to the capitalization rate.¹⁷

7
8 **C. Bad Debt Expense**

9 **Q. Please continue with Staff Adjustment No. 12 to the Income Statement.**

10 A. Staff Income Statement Adjustment No. 12 (IS-12) decreases operating expenses by
11 \$110,723.¹⁸ Staff's adjustment reflects the effect of bad debt expense of Staff's adjustment
12 to Black Hills' filed revenue requirement position. This adjustment will need to be updated
13 as the case progresses to reflect any changes in Staff's revenue requirement position and,
14 ultimately, to reflect the results of the Commission's Final Order.

15 **Q. How did Staff calculate its bad debt expense ratio?**

16 A. Staff's methodology for calculating bad debt expense utilizes a five-year average of non-
17 gas related net write-offs incurred as a percentage of total retail revenue to calculate a
18 normalized ratio for non-gas bad debt of 0.5808 percent.¹⁹ This percentage is then applied
19 to Staff's pro-forma operating revenues plus the Cost of Gas included in the Test Year to
20 calculate the normalized non-gas-related bad debt expense. The addition of the Cost of Gas
21 is done to present a like-for-like comparison between Staff's and Black Hills' Adjustments.

¹⁷ See Black Hills Response to Staff Data Request No. 198, included in Exhibit IDC-19. This Data Request updated the total Fleet Loadings as well as the Capitalization Rate.

¹⁸ See Exhibit IDC-11.

¹⁹ See Exhibit IDC-11(a).

Moreover, Staff's net bad debt write-off percentage calculation is based on updated, actual numbers through five years ending June 30, 2021. Staff recommends the Commission adopt Staff's adjustment as it reflects actual, more up-to-date information to calculate an accurate level of bad debt expense that best reflects Black Hills' cost of service going forward.

Q. Why is Staff recommending a 5-year average instead of a 3-year average?

A. Staff is recommending a 5-year average due to the unique 2019 and 2020 activity. Below is an excerpt from Exhibit IDC-7.

Year Ending	Retail Revenue	Net Write-Off	Average Net Write-Off %
June 30	(a)	(b)	(b) / (a)
2017	\$ 94,845,098	\$ 524,883	0.5534%
2018	103,756,719	521,640	0.5028%
2019	100,876,329	781,806	0.7750%
2020	91,961,396	562,766	0.6120%
2021	103,635,901	477,456	0.4607%
5-Year Average Ratio			0.5808%

Based on this information, the average Net Write-Off percentage for the majority of the COVID-19 pandemic is reflected in the year ending June 30, 2021, and is the lowest percent of the group. However, it is not significantly lower than 2017 and 2018. In addition, the year ending June 30, 2019 is significantly higher than any other year and presents itself as more of an outlier than 2021. By taking a 5-year average that includes both of these extremes, Staff attempts to smooth over the highs and lows to find a more accurate representation of the Net Write-Off going forward.

1 **D. Rent Expense**

2 **Q. Please explain Staff Adjustment No. 13 to the Income Statement.**

3 A. Staff Income Statement Adjustment No. 13 (IS-13) decreases expenses by \$3,300.²⁰ This
4 adjustment reflects the removal from the cost of service those leases that expired and are
5 no longer used and useful. Black Hills removed several expired leases in its Application,
6 but there were four leases whose status was not known at the time of filing. In its response
7 to Staff Data Request No. 164, Black Hills provided an update on these leases. Staff
8 removed those that were not renewed.

9
10 **E. Travel Expense**

11 **Q. Please explain Staff Adjustment No. 14 to the Income Statement.**

12 A. Staff Income Statement Adjustment No. 14 (IS-14) decreases expenses by \$106,378.²¹
13 Staff's adjustment reflects the average amount of travel expense Black Hills incurred
14 between 2019 and 2020.

15 **Q. Why did Staff average the travel expense recorded during 2019 and 2020?**

16 A. Staff believes that 2020 was not a typical year, and thus Black Hills' travel expenses do
17 not accurately reflect the Company's costs going forward. However, Staff also believes
18 that 2019 was an above average year of travel, based on Black Hills' expense history.²² It
19 is Staff's contention that as the world recovers from COVID-19, business travel will be
20 somewhere between the pre-pandemic high of 2019 and the pandemic low of 2020, due to
21 the increased usage of tele-commuting and virtual conferences. Staff also contends that it

²⁰ See Exhibit IDC-12.

²¹ See Exhibit IDC-13.

²² See Response to Staff Data Request No. 134, included in Exhibit IDC-19.

1 will take time to get back to full travel as the world economy is still struggling with the
2 containment of the virus.

3 **Q. How did Staff arrive at its adjustment amount?**

4 A. First, Staff went through Black Hills' travel expenses and removed those expenses that it
5 contends to be unnecessary or unjust for recovery for both 2019 and 2020, such as alcohol
6 and entertainment, in the amount of \$39,719. Then, Staff took the average of these adjusted
7 years to arrive at what Staff argues to be a more appropriate level of expense going forward.
8 Finally, Staff took the difference between this number and Black Hills' Adjustment IS-29
9 to arrive at the final adjustment amount.

10
11 **F. Dues**

12 **Q. Please explain Staff Adjustment No. 15 to the Income Statement.**

13 A. Staff Income Statement Adjustment No. 15 (IS-15) decreases expenses by \$24,450.²³
14 Staff's adjustment removes additional expenses that do not directly benefit Kansas
15 ratepayers and are not necessary to provide safe and reliable natural gas distribution service
16 and are thus improper to recover in rates. This adjustment removes dues payments that do
17 not directly provide benefits to Kansas ratepayers, such as The Block Agency and the
18 Montana Taxpayers Association, in the amount of \$58,236. The remaining amounts were
19 then reduced by 50%, consistent with previous Staff policy and conforming to K.S.A. 66-
20 1,206(a), in the amount of \$34,958, to arrive at Staff's reduction of \$93,194. Staff then
21 took the difference between this number and Black Hills' Adjustment No. IS-16 in the
22 amount of \$68,744 to arrive at its adjustment number of \$24,450.

²³ See Exhibit IDC-14.

1 **G. Advertising**

2 **Q. Please explain Staff Adjustment No. 16 to the Income Statement.**

3 A. Staff Income Statement Adjustment No. 16 (IS-16) decreases expenses by \$58,994.²⁴
4 Staff's adjustment removes two additional expenses related to general, institutional,
5 promotional, and corporate-image advertising that were not eliminated from Black Hills'
6 adjusted test year. These advertising expenses do not directly benefit ratepayers and are
7 not necessary for the provision of safe and reliable natural gas distribution service and are
8 thus improper to recover through rates. Past Commission practice has been to disallow the
9 costs of advertising related to promotion or consumption of utility services, promotion of
10 goodwill, or the improvement of the public image of a utility from the cost of service.²⁵

11
12 **H. Interest on Customer Deposits**

13 **Q. Could you please explain Staff Adjustment No. 17 to the Income Statement?**

14 A. Staff Income Statement Adjustment No. 17 (IS-17) decreases Customer Deposit Expense
15 by \$21,964.²⁶ Staff's adjustment revises Black Hills' Interest on Customer Deposits. In this
16 adjustment, Staff utilized the actual amount of customer deposits on hand as of June 30,
17 2021 and applied the Commission approved customer deposit interest rate for the calendar
18 year 2021.²⁷ Staff's adjustment calculates the amount of interest expense associated with
19 customer deposits at the update date to reflect the most recent, known and measurable
20 information. This adjustment synchronizes Interest Expense on Customer Deposits with

²⁴ See Exhibit IDC-15.

²⁵ See Page 81 of December 28, 2005, Order on Rate Applications in Docket No. 05-WSEE-981-RTS.

²⁶ See Exhibit IDC-16.

²⁷ See Order Setting Interest Rate on Security Deposits for Calendar Year 2021 in Docket No. 98-GIMX-348-GIV.
The interest rate for Calendar Year 2021 is 0.13%.

Staff's update to Customer Deposits as shown in Staff Adjustment RB-6. Staff recommends the Commission adopt Staff's adjustment as it represents a more accurate ongoing level of Black Hills' operating expenses.

I. Miscellaneous Adjustment

Q. Please explain Staff Adjustment No. 18 to the Income Statement.

A. Staff Income Statement Adjustment No. 18 (IS-18) increases operating revenue by \$3,531.²⁸ This adjustment reverses Black Hills' Adjustment No. IS-12. After reading testimony and issuing discovery, Staff is still uncertain of the reason for this adjustment. Black Hills contends that the amount is comprised of Gas Taxes and reconciles the Revenue Requirement with the Class Cost of Service Study.²⁹ Black Hills does not have any documentation to support the amounts included in this adjustment, other than Gas Taxes, for which Staff has no further support.³⁰ With little to no supporting documentation, Staff contends this adjustment is not supported by substantial competent evidence and is not known and measurable and therefore we recommend reversing Black Hills' IS-12.

V. Data Infrastructure Improvement Program

Q. What is Staff Adjustment No. 19 to the Income Statement?

A. Staff Income Statement Adjustment No. 19 (IS-19) reduces operating expenses by \$52,064.³¹ Staff took the difference between Black Hills' actual costs as of June 30, 2021

²⁸ See Exhibit IDC-17.

²⁹ See Page 31 of Direct Testimony of Black Hills Witness Schuldt.

³⁰ See Black Hills Response to Staff Data Request No. 217, included in Exhibit IDC-19.

³¹ See Exhibit IDC-18.

1 and the DIIP costs at the end of the test year. Then, Staff subtracted Black Hills' adjustment
2 to arrive at Staff's DIIP Adjustment of \$52,064.

3 **Q. What is the Data Infrastructure Improvement Program?**

4 A. Black Hills has implemented a DIIP "to close known data gaps and verify current data for
5 accuracy" both in Kansas and in other states.³² This program consists of several different
6 but related projects that Black Hills contends will improve overall safety, security, and
7 reliability of their system.³³ Full implementation is expected to take up to ten years to
8 complete. The first part of the DIIP, which began in late 2020, will allow Black Hills to
9 update its GIS mapping systems with information not already in the system, providing a
10 more complete picture of the pipelines in the Company's service areas to improve safety.

11 **Q. What costs related to the DIIP are Black Hills requesting recovery of?**

12 A. Black Hills is requesting to recover \$400,000 related to the DIIP, as this is the amount
13 Black Hills has budgeted for the year ending December 31, 2021. Expenses related to the
14 DIIP were incurred during the test year in the amount of \$168,152. Black Hills Adjustment
15 No. IS-28 proposes to adjust this amount by \$231,848 to arrive at the \$400,000.

16 **Q. What is Staff's position regarding the DIIP?**

17 A. Staff agrees that the DIIP, as proposed by Black Hills, is a necessary project to improve
18 pipeline safety, since accurate records and up-to-date maps are a vital aspect of maintaining
19 system integrity. However, Staff will not recommend ratepayer recovery of costs that are
20 not known and measurable. Through discovery, Staff asked Black Hills what types of
21 projects would be included and for any documentation of expected costs. Black Hills
22 provided detailed descriptions of the types of projects that would be included and estimated

³² See Direct Testimony of Jerry A. Watkins, page 16.

³³ See Black Hills Response to Staff Data Request No. 133, included in Exhibit IDC-19.

1 preliminary costs. While informative, the responses have not been convincing that the
2 actual costs will be anywhere near the projected costs. There are very few specific details
3 about what the future projects will be, except what similar projects in other states have
4 looked like. Some project scopes have not even been developed yet.³⁴ At the time of this
5 filing, the DIIP will not yet have been in operation in Kansas for 12 months, so there is not
6 a full year of cost information available to compare actual and projected costs.

7 As well as the cost uncertainty, Staff is unsure if the types of projects involved will
8 be able to be capitalized. If the projects can be capitalized, Black Hills could use the Gas
9 System Reliability Surcharge (GSRS) to fund the DIIP, as the improvement of pipeline
10 security and integrity would fall under the umbrella of the GSRS. Using numbers from
11 Black Hills' most recent GSRS filing (Docket No. 21-BHCG-434-TAR), Black Hills
12 collects approximately \$950,000 from the GSRS annually. This amount is more than
13 enough to cover any costs associated with projects that can be capitalized and still allow
14 Black Hills to continue to replace obsolete pipe and other activities allowable under the
15 GSRS. If the projects cannot be capitalized, Black Hills will still have the ability to file a
16 rate case in the future to request the project costs be included in rates. At that point, Black
17 Hills should have multiple years of cost information, which would allow for a better
18 projection of future costs. Based on these factors, at this time Staff recommends the
19 Commission include only the known and measurable costs associated with the DIIP as of
20 June 30, 2021, as shown in Staff Adjustment IS-19.

³⁴ See Response to Staff Data Request No. 189, included in Exhibit IDC-19.

VI. Exhibits and Conclusion

Q. Please summarize your recommendations in this Docket.

A. I recommend that the Commission make the following findings as they relate to Black Hills' requested rate changes in this Docket:

- Update Black Hills' Plant In Service and Accumulated Depreciation balances to June 30, 2021;
- Update and normalize Prepayments to June 30, 2021 and remove items Staff contends are inappropriate for ratepayer recovery;
- Update and normalize Gas Stored Underground and Materials and Supplies to June 30, 2021;
- Update Customer Deposits and Customer Advances for Construction to June 30, 2021;
- Update Accumulated Deferred Income Taxes (ADIT) to June 30, 2021, and remove portions of ADIT related to Prepayments, Pensions, OPEB, and Incentive Compensation, among other items;
- Update and normalize Depreciation Expense and Fleet Depreciation to reflect Staff's update to Plant In Service and Staff's proposed depreciation rates;
- Update and normalize Bad Debt Expense based on Staff's five-year average net write-off percentage and Staff's recommended operating revenue;
- Update Rent Expense to reflect known and measurable changes to the test year;
- Normalize Travel Expenses to better reflect ongoing changes in travel;
- Remove Dues and Donations that Staff contends are unnecessary and are therefore inappropriate to recover from ratepayers;

- 1 • Remove Advertising Expenses that Staff contends are unnecessary and
- 2 inappropriate for ratepayer recovery;
- 3 • Update Interest on Customer Deposits to mirror Staff's update to Customer
- 4 Deposits;
- 5 • Reverse the Miscellaneous Adjustment due to lack of support; and
- 6 • Revise the amount of expenses included in the case pertaining to the Company's
- 7 Data Infrastructure Improvement Program (DIIP).

8 **Q. Are you sponsoring any exhibits?**

9 A. Yes. The following list provides an outline of the exhibits I am sponsoring:

IDC-1	Staff Exhibit to update Plant in Service
IDC-2	Staff Exhibit to update Accumulated Depreciation
IDC-3	Staff Exhibit to update Prepayments
IDC-4	Staff Exhibit to update Gas Stored Underground
IDC-5	Staff Exhibit to update Materials and Supplies
IDC-6	Staff Exhibit to update Customer Deposits
IDC-7	Staff Exhibit to update Customer Advances for Construction
IDC-8	Staff Exhibit to update ADIT
IDC-9	Staff Exhibit to normalize Depreciation Expense
IDC-10	Staff Exhibit to update Fleet Depreciation
IDC-11	Staff Exhibit to update Bad Debt Expense
IDC-11(a)	Staff Exhibit to provide detail to Staff Net Write-Off Percentage
IDC-12	Staff Exhibit to support Rent Adjustment
IDC-13	Staff Exhibit to support Travel Adjustment

IDC-14	Staff Exhibit to support Dues Adjustment
IDC-15	Staff Exhibit to support Advertising Adjustment
IDC-16	Staff Exhibit to update Interest on Customer Deposits
IDC-17	Staff Exhibit to reverse Miscellaneous Adjustment
IDC-18	Staff Exhibit to revise and update the DIIP
IDC-19	Responses to Staff Data Requests Nos. 133, 134, 189, 195, 198, 217, 223, CURB Data Request No. 81.

1 **Q.** **Does this conclude your testimony?**

2 **A.** Yes, thank you.

Black Hills Energy
Plant in Service
Rate Base Adjustment No. 1
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-1

Line No.	FERC Account	Description	(a) Balance as of December 31, 2020	(b) Balance as of June 30, 2021	(c) Black Hills Adjusted Balance	(d) = (b) - (c) Staff Adjustment
1		INTANGIBLE PLANT				
2	301.00	Intangibles Organization	\$ 186,932	\$ 186,932	\$ 186,932	\$ -
3	302.00	Intangibles Franchises & Consents	74,990	74,990	74,990	-
4	303.00	Intangibles Miscellaneous	1,335,506	1,335,506	1,335,506	-
5	303.01	Intangibles Miscellaneous - Easements	1,730,332	1,730,332	1,730,332	-
6	303.02	Intangibles Miscellaneous - Trademarks	181,000	181,000	181,000	-
7		Total Intangible Plant	<u>\$ 3,508,760</u>	<u>\$ 3,508,760</u>	<u>\$ 3,508,760</u>	<u>\$ -</u>
8		NATURAL GAS PRODUCTION & GATHERING PLANT				
9	336.01	Purification Equipment	\$ 18,719	\$ 18,719	\$ 18,719	\$ -
10		Total Natural Gas Production & Gathering Plant	<u>\$ 18,719</u>	<u>\$ 18,719</u>	<u>\$ 18,719</u>	<u>\$ -</u>
11		TRANSMISSION PLANT				
12	365.01	Land	\$ 9,431	\$ 9,431	\$ 9,431	\$ -
13	365.02	Land Rights/Right-of-Way (Non-Depreciable)	594,368	616,595	966,218	(349,622)
14	365.71	Land/Farm Tap	644	644	644	-
15	365.72	Land Rights/Farm Tap (Non-Depreciable)	2,100	2,100	2,100	-
16	366.01	Structures and Improvements	131,402	143,358	214,152	(70,794)
17	367.00	Transmission Plant - Mains	41,002,208	53,000,440	44,803,950	8,196,490
18	368.04	Compressor Station Equipment	2,475	2,475	2,475	-
19	369.03	Measuring & Regulating Station Equipment	4,002,449	4,445,838	4,425,949	19,889
20	371.01	Transmission Plant - Other Equipment	108,344	106,791	108,344	(1,554)
21		Total Transmission Plant	<u>\$ 45,853,421</u>	<u>\$ 58,327,671</u>	<u>\$ 50,533,262</u>	<u>\$ 7,794,409</u>
22		DISTRIBUTION PLANT				
23	374.01	Land	\$ 186,909	\$ 186,909	\$ 186,909	\$ -
24	374.02	Land Rights/Right of Way (Non-Depreciable)	183,574	635,199	205,469	429,730
25	375.01	Structures and Improvements	937,596	945,246	1,030,848	(85,602)
26	376.00	Distribution Plant - Mains	123,324,102	128,554,160	128,551,711	2,449
27	377.00	Compressor Station Equipment	175,304	175,304	175,304	-
28	378.00	Measuring & Regulating Station Equipment - General	6,068,652	6,275,454	7,340,810	(1,065,355)
29	379.00	Measuring & Regulating Station Equipment - City Gate	61,111	61,111	204,676	(143,565)
30	380.00	Distribution Plant - Services	73,785,831	77,995,410	76,360,950	1,634,460
31	381.00	Meters	10,822,114	10,198,579	11,267,589	(1,069,010)
32	381.01	Meters - ERT & AMI	9,723,356	9,643,463	9,723,356	(79,893)
33	382.01	Meter Installations	1,670,741	1,840,086	1,828,548	11,539
34	383.01	House Regulators	32,053,464	33,997,511	33,169,196	828,316
35	385.01	Industrial Measuring & Regulating Station Equipment	6,215,827	6,217,721	6,358,436	(140,715)
36	387.00	Other Equipment	109,363	109,363	109,363	-
37		Total Distribution Plant	<u>\$ 265,317,942</u>	<u>\$ 276,835,516</u>	<u>\$ 276,513,163</u>	<u>\$ 322,353</u>
38		GENERAL PLANT				
39	389.01	Land	\$ 904,183	\$ 930,859	\$ 829,867	\$ 100,992
40	390.01	Structures and Improvements	9,604,400	13,653,792	11,215,767	2,438,024
41	390.51	Leasehold Improvements	26,483	18,265	26,483	(8,219)
42	391.01	Office Furniture & Equipment	356,672	559,373	360,561	198,811
43	391.03	Computer Hardware	929,925	951,127	929,925	21,201
44	391.04	Software	-	95,874	-	95,874
45	391.07	Ipad Hardware	222,824	256,192	222,824	33,368
46	392.01	Transportation Equipment	50,025	50,025	50,025	-
47	392.03	Light Trucks	7,015,685	8,048,745	8,160,786	(112,041)
48	392.04	Medium Trucks	62,551	62,551	62,551	-
49	392.05	Heavy Trucks	427,251	427,251	427,251	-
50	392.06	Trailers	167,615	196,489	165,718	30,771
51	393.00	Stores Equipment	29,525	32,215	29,525	2,690
52	394.00	Tools, Shop, and Garage Equipment	2,487,845	1,671,865	2,929,845	(1,257,980)
53	395.00	Laboratory Equipment	11,714	11,714	11,714	-
54	396.00	Power Operated Equipment	1,065,958	1,044,546	1,049,376	(4,831)
55	397.00	Communication Equipment	1,526,897	1,545,975	1,526,897	19,079
56	398.00	Miscellaneous Equipment	17,218	28,904	28,848	56
57		Total General Plant	<u>\$ 24,906,773</u>	<u>\$ 29,585,761</u>	<u>\$ 28,027,965</u>	<u>\$ 1,557,796</u>
58	118	Other Utility Plant (Corporate Shared Assets - CIS+)	\$ 2,857,045	\$ 2,910,583	\$ 2,965,931	\$ (55,347)
59	118	Other Utility Plant (Corporate Shared Assets - All but CIS+)	\$ 9,423,829	\$ 10,552,862	\$ 9,826,187	\$ 726,675
60		Total Other Utility Plant	<u>\$ 12,280,874</u>	<u>\$ 13,463,445</u>	<u>\$ 12,792,118</u>	<u>\$ 671,327</u>
61						
62		Total Gross Plant	<u>\$ 351,886,489</u>	<u>\$ 381,739,872</u>	<u>\$ 371,393,987</u>	<u>\$ 10,345,885</u>

Sources: Sched D-1 in relied files
Black Hills' Response to Staff Data Requests Nos. 166, 167, 194, and 195

Black Hills Energy
Accumulated Depreciation and Amortization
Rate Base Adjustment No. 2
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-2

		(a)	(b)	(c)	(d) = (b) - (c)
		Accumulated Depreciation Balance as of December 31, 2020	Accumulated Depreciation Balance as of June 30, 2021	Black Hills Adjusted Balance	Staff Adjustment
Line No.	Description				
1	Intangible	\$ 2,380,221	\$ 2,430,789	\$ 2,482,885	\$ (52,096)
2	Production and Gathering Plant	12,774	13,086	13,086	-
3	Storage Plant	-	-	-	-
4	Transmission	11,863,636	12,973,397	11,819,459	1,153,938
5	Distribution	82,723,566	82,881,536	85,483,078	(2,601,542)
6	General	6,601,454	6,811,254	6,586,665	224,590
7	Other Utility Plant (Corporate Shared Assets - CIS+)	980,604	1,139,924	1,260,390	(120,466)
8	Other Utility Plant (Corporate Shared Assets - All but CIS+)	119,659	672,392	670,840	1,552
9	Total Adjusted Accumulated Depreciation	\$ 104,681,914	\$ 106,922,378	\$ 108,316,402	\$ (1,394,024)

Sources: 'Stmt E' in relied files

Black Hills' Response to Staff Data Requests Nos. 164, 168, 194, and 195

Black Hills Energy
Materials and Supplies
Rate Base Adjustment No. 3
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-3

			Note 1 Materials and Supplies (Acct 154, 163)	
Line No.	Year	Month		
1	2019	December	\$	2,021,165
2	2020	January		2,325,989
3		February		2,480,680
4		March		2,626,875
5		April		2,718,561
6		May		2,799,996
7		June		2,983,780
8		July		3,294,644
9		August		3,215,103
10		September		2,788,349
11		October		2,851,920
12		November		2,277,159
13		December		2,372,733
14	2021	January		2,180,142
15		February		2,167,882
16		March		2,185,290
17		April		2,321,521
18		May		2,142,816
19		June		2,295,918
20	Staff 13-Month Average		\$	2,544,404
21	Less Black Hills 13-Month Average		\$	2,673,612
22	Total Staff Adjustment		\$	(129,207)

Source: Black Hills' Response to Staff Data Request No. 190

Black Hills Energy
Gas Stored Underground
Rate Base Adjustment No. 4
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-4

Line No.	Year	Month	Gas Stored Underground	
1	2019	December	2,452,065	
2	2020	January	1,654,755	
3		February	961,664	
4		March	341,357	
5		April	453,071	
6		May	864,160	
7		June	1,283,550	
8		July	1,736,569	
9		August	2,203,937	
10		September	2,844,497	
11		October	3,255,839	
12		November	2,863,345	
13	2020	December	2,317,861	\$ 1,787,129
14	2021	January	1,613,657	
15		February	676,349	
16		March	898,468	
17		April	813,842	
18		May	1,418,940	
19	2021	June	2,086,885	\$ 1,847,211
20	Staff 13-Month Average		\$ 1,847,211	
21	Less Black Hills 13-Month Average		\$ 1,787,129	
22	Total Staff Adjustment to Account 164		\$ 60,082	

Source: Black Hills' Response to Staff Data Request Nos. 172 and 191

Black Hills Energy
Prepayments
Rate Base Adjustment No. 5
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-5

Line No.	Year	Month	(a)	(b)	(c) = (a) - (b)
			Black Hills Unadjusted Prepaid Expenses	Prepaid Expenses Removed	Adjusted Prepaid Expenses
1	2019	December	\$ 35,121		
2	2020	January	31,437		
3		February	26,254		
4		March	157,071		
5		April	136,637		
6		May	115,454		
7		June	149,317	\$ 90,000	\$ 59,317
8		July	134,452	75,000	59,452
9		August	114,178	60,000	54,178
10		September	87,161	45,000	42,161
11		October	77,651	30,000	47,651
12		November	57,471	15,000	42,471
13	2020	December	49,066	-	49,066
14	2021	January	195,536	165,000	30,536
15		February	175,046	150,000	25,046
16		March	149,352	135,000	14,352
17		April	128,847	120,000	8,847
18		May	114,441	105,000	9,441
19	2021	June	92,936	90,000	2,936
20	Staff 13-Month Average				\$ 34,266
21	Less Black Hills 13-Month Average				\$ 90,098
22	Total Staff Adjustment to Account 165				\$ (55,832)

Source: Black Hills' Response to Staff Data Request No. 171.

Black Hills Energy
Customer Deposits
Rate Base Adjustment No. 6
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-6

Line No.	FERC Acct	Description	Amount
1	235000	Customer Deposits - Test Year	\$ (1,433,558)
2		Customer Deposits - June 30, 2021	(1,323,084)
3		Staff Adjustment to Customer Deposits	<u>\$ 110,474</u>

Source: Black Hills' Response to Staff Data Request Nos. 1 and 169

Black Hills Energy
Customer Advances for Construction
Rate Base Adjustment No. 7
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-7

Line No.	FERC Acct	Description	Amount
1	252000/252001	Customer Advances - Test Year	\$ (114,892)
2		Customer Advances - June 30, 2021	(14,413)
3		Staff Adjustment to Customer Advances	\$ 100,479

Source: Black Hills' Response to Staff Data Requests Nos. 1 and 169

Black Hills Energy
Accumulated Deferred Income Taxes Adjustment
Rate Base Adjustment No. 8
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-8

Line No.	Account	Description	(a) Black Hills Adjusted Balance	(b) June 30, 2021 Ending Balance	(c) Staff Adjustments	(d) = (b) + (c) - (a) Total Staff Adjustment
1		Deferred Income Tax Assets				
2	190300.DT1000	DTA LT - VACATION:	\$ 47,622	\$ 82,971	\$ -	\$ 35,349
3	190300.DT1010	DTA LT - BAD DEBT RESERVE:	1,261,196	1,278,717	(60,345)	(42,824)
4	190300.DT1020	DTA LT - EMPLOYEE GROUP INSURANCE:	6,283	6,283	-	-
5	190300.DT1032	DTA LT - AIP BONUS:	62,501	(43,334)	3,007	(102,828)
6	190300.DT1050	DTA LT - WORKMANS COMP:	(20,075)	(12,419)	-	7,656
7	190300.DT1099	DTA LT-OTHER:	(188)	2,149	-	2,337
8	190300.DT2020	DTA LT-RETIREE HEALTHCARE:	4,144	4,144	(4,144)	(4,144)
9	190300.DT2092	DTA LT-TAX ON TAX FED GROSS UP - TCJA*	2,517,788	3,394,279	-	876,491
10	190300.DT2095	DTA LT-TAX ON TAX FED GROSS UP - KS HB2585*	-	784,086	-	784,086
11	190300.DT3010	DTA LT-PERFORMANCE PLAN:	18	(888)	-	(906)
12	190300.DT3076	DTA LT-LINE EXTENSION DEP GAS:	62,769	43,679	-	(19,090)
13	190300.DT3090	DTA LT-PENSION FAS 87:	(530,631)	(516,886)	516,886	530,631
14	190300.DT4120	DTA LT-PENSION FAS 158 LIAB:	1,211,316	1,390,824	(1,390,824)	(1,211,316)
15	190300.DT4125	DTA LT-RET HLTH FAS158 LIAB:	356,521	377,191	(377,191)	(356,521)
16	190300.DT4165	DTA LT-NOL CARRYFORWARD*:	32,992	-	-	(32,992)
17	190300.DT4135	DTA LT-INS RESERVE LIAB:	21,616	21,616	-	-
18	190300.DT4415	DTA LT - ALT FUEL VEHICLE CREDIT:	50,000	50,000	-	-
19	190300.DT4430	DTA LT - R&D CREDIT:	393,017	434,081	-	41,064
20	190300.DT4466	DTA LT - PUC FEES:	86,090	84,262	-	(1,828)
21	190998.DT2092	DTA LT - SVC CO FAS 109 OTHER:	186,377	162,124	-	(24,252)
22		Total Deferred Income Tax Assets	\$ 5,749,357	\$ 7,542,879	\$ (1,312,611)	\$ 480,911
23						
24		Accumulated Deferred Income Taxes - Property				
25	282300.DT4063	DEF TAX PROPERTY LT-ACCELERATED DEP:	\$ (26,330,141)	\$ (27,807,472)	\$ -	\$ (1,477,331)
26		Total Accumulated Deferred Income Taxes - Property	\$ (26,330,141)	\$ (27,807,472)	\$ -	\$ (1,477,331)
27						
28		Regulatory Liabilities for Federal TCJA EDIT*				
29	DFTX.DT5000	PROTECTED PROPERTY RB	\$ (11,989,467)	\$ (12,268,144)	\$ -	\$ (278,676)
30	DFTX.DT5001	NON-PROTECTED PROPERTY RB_PT	-	(3,636,109)	-	(3,636,109)
31	DFTX.DT5002	PROTECTED NOL RB	-	184,834	-	184,834
32	DFTX.DT5003	NON-PROTECTED NP RB	-	540,107	-	540,107
33	DFTX.DT5005	NON-REFUNDED ARAM	-	(1,015,555)	-	(1,015,555)
34		Total Regulatory Liabilities for Federal TCJA EDIT	\$ (11,989,467)	\$ (16,194,866)	\$ -	\$ (4,205,399)
35						
36		Regulatory Liabilities for Kansas EDIT*				
37	254015.DT1500	REG LIAB EXCESS DEF STATE - HB2585	\$ -	\$ (3,733,744)	\$ -	\$ (3,733,744)
38		Total Regulatory Liabilities for Kansas EDIT	\$ -	\$ (3,733,744)	\$ -	\$ (3,733,744)
39						
40		Accumulated Deferred Income Taxes - Other				
41	283300.DT4040	DTL LT - PREPAID EXPENSES:	\$ (10,304)	\$ (19,517)	\$ 11,725	\$ 2,512
42	283300.DT4098	DTL LT - DEFERRED REGULATORY:	-	(22,312)	-	(22,312)
43	283300.DT4110	DTL LT-OTHER REGULATORY LIABILITIES:	(105)	(105)	-	-
44	283300.DT4130	DTL LT-RETIREE HEALTHCARE:	(164,635)	(136,352)	136,352	164,635
45	283300.DT4150	DTL LT-LT RATE CASE ASSET*:	(1,361)	-	-	1,361
46	283300.DT4155	DTL LT-REG PSC PENSION ASSET:	0	0	(0)	(0)
47	283300.DT4201	DTL LT-LT REG OTHER ASSET:	(513,659)	(496,148)	496,148	513,659
48		Total Accumulated Deferred Income Taxes - Other	\$ (690,064)	\$ (674,432)	\$ 644,224	\$ 659,855
49						
50		Allocated Black Hills Service Company ADIT & EDIT				
51	282998.DT4060	BHSC ALLOC DEF TAX PROPERTY-LT ACCELERATED DEP	\$ (1,685,595)	\$ (1,650,722)	\$ -	\$ 34,873
52	254998	BHSC ALLOC REG LIAB EDIT*	(796,283)	(580,358)	(215,925)	-
53		Total Allocated Black Hills Service Company ADIT & EDIT	\$ (2,481,878)	\$ (2,231,080)	\$ (215,925)	\$ 34,873
54						
55		Total Other Rate Base Items	\$ (35,742,194)	\$ (44,421,800)	\$ (884,312)	\$ (8,240,834)

*Testimony in support of these adjustments is provided by Staff Witness Kristina Luke Fry.
Source: Black Hills' Response to Staff Data Requests Nos. 1 and 169

Black Hills Energy
Depreciation Expense
Income Statement Adjustment No. 10
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC- 9

Line No.	FERC Account	Description	(1)				(2)				I	(3)				N	O
			A	B	C	D	E	F	G	H		J	K	L	M		
			Black Hills Adjusted Plant In Service 12/31/2020	Black Hills Proposed Depreciation Rate	Pro Forma Capitalized Depreciation Expense	Project Pro Forma Depreciation Expense	Staff's Pro Forma Adjusted Depreciable Plant 6/30/2021	Black Hills Proposed Depreciation Rate	Pro Forma Capitalized Depreciation Expense	Staff Adjusted Depreciation Expense for Plant Update	Adjustment to Depreciation Exp Related to Staff's Plant Update	Staff's Pro Forma Adjusted Depreciable Plant 6/30/2021	Staff's Proposed Depreciation Rates	Pro Forma Capitalized Depreciation Expense	Staff's Pro Forma Depreciation Expense	Adjustment to Depreciation Expense Related to Staff's Proposed Rates	Staff's Adjustment to Depreciation Expense
						(A)(B)-(C)				(E)(F)-(G)	(H) - (D)				(J)(K)-(L)	(M) - (H)	(I) + (N)
1		INTANGIBLE PLANT															
2	301.00	Intangibles Organization	\$ 186,932	0.00%		\$ -	\$ 186,932	0.00%	\$ -	\$ -	\$ -	\$ 186,932	0.00%		\$ -	\$ -	\$ -
3	302.00	Intangibles Franchises & Consents	74,990	0.48%		360	74,990	0.48%	360			74,990	0.48%		360	-	-
4	303.00	Intangibles Miscellaneous	1,335,506	1.83%		24,440	1,335,506	1.83%	24,440			1,335,506	1.83%		24,440	-	-
5	303.01	Intangibles Miscellaneous - Easements	1,730,332	5.06%		87,555	1,730,332	5.06%	87,555			1,730,332	5.06%		87,555	-	-
6	303.02	Intangibles Miscellaneous - Trademarks	181,000	0.00%		-	181,000	0.00%	-			181,000	0.00%		-	-	-
7		Total Intangible Plant	\$ 3,508,760		\$ -	\$ 112,355	\$ 3,508,760		\$ -	\$ 112,355	\$ -	\$ 3,508,760		\$ -	\$ 112,355	\$ -	\$ -
8		NATURAL GAS PRODUCTION & GATHERING PLANT															
9	336.01	Purification Equipment	18,719	2.76%		517	18,718.78	2.76%	517		-	18,719	2.76%		517	-	-
10		Total Natural Gas Production & Gathering Plant	\$ 18,719		\$ -	\$ 517	\$ 18,719		\$ -	\$ 517	\$ -	\$ 18,719		\$ -	\$ 517	\$ -	\$ -
11		TRANSMISSION PLANT															
12	365.01	Land	\$ 9,431	0.00%		\$ -	\$ 9,431	0.00%		\$ -	\$ -	\$ 9,431	0.00%		\$ -	\$ -	\$ -
13	365.02	Land Rights/Right-of-Way (Non-Depreciable)	966,218	0.00%		-	616,595	0.00%	-	-	-	616,595	0.00%		-	-	-
14	365.71	Land/Farm Tap	644	0.00%		-	644	0.00%	-	-	-	644	0.00%		-	-	-
15	365.72	Land Rights/Farm Tap (Non-Depreciable)	2,100	0.00%		-	2,100	0.00%	-	-	-	2,100	0.00%		-	-	-
16	366.01	Structures and Improvements	214,152	0.98%		2,099	143,358	0.98%	1,405	(694)		143,358	0.98%		1,405	-	(694)
17	367.00	Transmission Plant - Mains	44,803,950	1.46%		654,138	53,000,440	1.46%	773,806	119,669		53,000,440	1.38%		731,406	(42,400)	77,268
18	368.04	Compressor Station Equipment	2,475	7.27%		180	2,475	7.27%	180			2,475	7.27%		180	-	-
19	369.03	Measuring & Regulating Station Equipment	4,425,949	2.81%		124,369	4,445,838	2.81%	124,928	559		4,445,838	2.81%		124,928	-	559
20	371.01	Transmission Plant - Other Equipment	108,344	8.90%		9,643	106,791	8.90%	9,504	(138)		106,791	8.90%		9,504	-	(138)
21		Total Transmission Plant	\$ 50,533,262		\$ -	\$ 790,428	\$ 58,327,671		\$ -	\$ 909,824	\$ 119,396	\$ 58,327,671		\$ -	\$ 867,423	\$ (42,400)	\$ 76,995
22		DISTRIBUTION PLANT															
23	374.01	Land	\$ 186,909	0.00%		\$ -	\$ 186,909	0.00%		\$ -	\$ -	\$ 186,909	0.00%		\$ -	\$ -	\$ -
24	374.02	Land Rights/Right-of-Way (Non-Depreciable)	205,469	0.00%		-	635,199	0.00%	-	-	-	635,199	0.00%		-	-	-
25	375.01	Structures and Improvements	1,030,848	2.45%		25,256	945,246	2.45%	23,159	(2,097)		945,246	2.45%		23,159	-	(2,097)
26	376.00	Distribution Plant - Mains	128,551,711	1.66%		2,133,958	128,554,160	1.66%	2,133,999	41		128,554,160	1.54%		1,979,734	(154,265)	(154,224)
27	377.00	Compressor Station Equipment	175,304	4.86%		8,520	175,304	4.86%	8,520			175,304	4.86%		8,520	-	-
28	378.00	Measuring & Regulating Station Equipment - General	7,340,810	2.33%		171,041	6,275,454	2.33%	146,218	(24,823)		6,275,454	2.33%		146,218	-	(24,823)
29	379.00	Measuring & Regulating Station Equipment - City Gate	204,676	4.74%		9,702	61,111	4.74%	2,897	(6,805)		61,111	4.74%		2,897	-	(6,805)
30	380.00	Distribution Plant - Services	76,360,950	2.24%		1,710,485	77,995,410	2.24%	1,747,097	36,612		77,995,410	2.09%		1,630,104	(116,993)	(80,381)
31	381.00	Meters	11,267,589	9.23%		1,039,998	10,198,579	9.23%	941,329	(98,670)		10,198,579	9.23%		941,329	-	(98,670)
32	381.01	Meters - ERT & AMI	9,723,356	7.10%		690,358	9,643,463	7.10%	684,686	(5,672)		9,643,463	7.10%		684,686	-	(5,672)
33	382.01	Meter Installations	1,828,548	0.90%		16,457	1,840,086	0.90%	16,561	104		1,840,086	0.90%		16,561	-	104
34	383.01	House Regulators	33,169,196	3.08%		1,021,611	33,997,511	3.08%	1,047,123	25,512		33,997,511	3.08%		1,047,123	-	25,512
35	385.01	Industrial Measuring & Regulating Station Equipment	6,358,436	2.45%		155,782	6,217,721	2.45%	152,334	(3,448)		6,217,721	2.45%		152,334	-	(3,448)
36	387.00	Other Equipment	109,363	2.92%		3,193	109,363	2.92%	3,193	-		109,363	2.92%		3,193	-	-
37		Total Distribution Plant	\$ 276,513,163		\$ -	\$ 6,986,362	\$ 276,835,516		\$ -	\$ 6,907,116	\$ (79,246)	\$ 276,835,516		\$ -	\$ 6,635,858	\$ (271,258)	\$ (350,504)
38		GENERAL PLANT															
39	389.01	Land	\$ 829,867	0.00%		\$ -	\$ 930,859	0.00%		\$ -	\$ -	\$ 930,859	0.00%		\$ -	\$ -	\$ -
40	390.01	Structures and Improvements	11,215,767	2.71%		303,947	13,653,792	2.71%	370,018	66,070		13,653,792	2.71%		370,018	-	66,070
41	390.51	Leasehold Improvements	26,483	0.00%		-	18,265	0.00%	-	-	-	18,265	0.00%		-	-	-
42	391.01	Office Furniture & Equipment	360,561	4.98%		17,956	559,373	4.98%	27,857	9,901		559,373	4.98%		27,857	-	9,901
43	391.03	Computer Hardware	929,925	17.64%		164,039	951,127	17.64%	167,779	3,740		951,127	17.64%		167,779	-	3,740
44	391.04	Software	-	0.00%		-	95,874	0.00%	-	-	-	95,874	0.00%		-	-	-
45	391.07	Ipad Hardware	222,824	20.00%		44,565	256,192	20.00%	51,238	6,674		256,192	20.00%		51,238	-	6,674
46	392.01	Transportation Equipment	50,025	8.53%		4,267	50,025	8.53%	4,267	-		50,025	8.53%		4,267	-	-
47	392.03	Light Trucks	8,160,786	7.13%		581,864	8,048,745	7.13%	573,876	(7,989)		8,048,745	7.13%		573,876	-	(7,989)
48	392.04	Medium Trucks	62,551	11.60%		7,256	62,551	11.60%	7,256	-		62,551	11.60%		7,256	-	-
49	392.05	Heavy Trucks	427,251	1.12%		4,785	427,251	1.12%	4,785	-		427,251	1.12%		4,785	-	-
50	392.06	Trailers	165,718	1.46%		2,419	196,489	1.46%	2,869	449		196,489	1.46%		2,869	-	449
51	393.00	Stores Equipment	29,525	4.00%		1,181	32,215	4.00%	1,289	108		32,215	4.00%		1,289	-	108
52	394.00	Tools, Shop, and Garage Equipment	2,929,845	3.90%		114,264	1,671,865	3.90%	65,203	(49,061)		1,671,865	3.90%		65,203	-	(49,061)
53	395.00	Laboratory Equipment	11,714	4.41%		517	11,714	4.41%	517	-		11,714	4.41%		517	-	-
54	396.00	Power Operated Equipment	1,049,376	5.57%		58,450	1,044,546	5.57%	58,181	(269)		1,044,546	5.57%		58,181	-	(269)
55	397.00	Communication Equipment	1,526,897	6.59%		100,622	1,545,975	6.59%	101,880	1,257		1,545,975	6.59%		101,880	-	1,257
56	398.00	Miscellaneous Equipment	28,848	6.67%		1,924	28,904	6.67%	1,928	4		28,904	6.67%		1,928	-	4
57		Total General Plant	\$ 28,027,965		\$ -	\$ 1,408,057	\$ 29,585,761		\$ -	\$ 1,438,941	\$ 30,884	\$ 29,585,761		\$ -	\$ 1,438,941	\$ -	\$ 30,884
58	118	Other Utility Plant (Corporate Shared Assets - CIS+)	\$ 2,965,931	4.06%		\$ 120,417	\$ 2,910,583	4.06%	\$ 118,170	\$ (2,247)		\$ 2,910,583	4.06%		\$ 118,170	\$ -	\$ (2,247)
59	118	Other Utility Plant (Corporate Shared Assets - All but CIS+)	9,297,846	10.07%		936,431	9,980,240	10.07%	1,005,158	68,727		9,980,240	10.07%		1,005,158	-	68,727
60	118	Other Utility Plant (Corporate Shared Assets - Vehicles)	528,341	9.30%		49,140	572,621	9.30%	53,258	4,118		572,621	9.30%		53,258	-	4,118
61		Total Other Utility Plant	\$ 12,792,118		\$ -	\$ 1,105,988	\$ 13,463,445		\$ -	\$ 1,176,586	\$ 70,599	\$ 13,463,445		\$ -	\$ 1,176,586	\$ -	\$ 70,599
62		Total Amortization of Unrecovered Reserve				\$ 274,383				\$ 274,383	-				\$ 274,383	-	-
63		Total Depreciation Expense				<u>\$ 10,019,047</u>				<u>\$ 10,168,487</u>	<u>\$ 149,440</u>				<u>\$ 9,854,829</u>	<u>\$ (313,658)</u>	<u>\$ (164,218)</u>

Source: Black Hills' Response to Staff Data Requests Nos. 1 and 167

Black Hills Energy
Fleet Depreciation Adjustment
Income Statement Adjustment No. 11
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-10

1	Staff Fleet Depreciation Expense from Exhibit IDC-5 (Note 1)	\$	(7,808)
2	Below The Line Vehicle loading Capitalization rate		51.68%
3	Capitalized amount (Line 68 x Line 69)	\$	(4,035)
4	Staff O&M Adjustment Amount (Line 68 - Line 70)	\$	(3,773)

Note 1: (Ln 46 to 50 (M) + Ln 54) - (Ln 46 to 50 (D) + Ln 54)

Black Hills Energy
Bad Debt Expense
Income Statement Adjustment No. 12
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-11

Line No.	FERC Acct	Description	Amount
1		Staff Pro Forma Retail Revenues	93,701,573 (1)
2		Staff 5-Year Average Net Bad Debt Write-Off (Line 13)	<u>0.5808%</u>
3		Staff Adjusted Bad Debt Expense (Line 1 x Line 2)	\$ 544,189
4		Less: Black Hills Bad Debt Expense Recorded to Test Year	<u>831,547 (2)</u>
5		Staff Adjustment to Bad Debt Expense	\$ (287,358)
6		Less: Black Hills Bad Debt Expense Adjustment	<u>(176,635)</u>
7	904	Total Staff Adjustment to Bad Debt Expense	<u><u>\$ (110,723)</u></u>

	Year Ending June 30	Retail Revenue (a)	Net Write-Off (b)	Average Net Write-Off % (b) / (a)
8	2017	\$ 94,845,098	\$ 524,883	0.5534%
9	2018	103,756,719	521,640	0.5028%
10	2019	100,876,329	781,806	0.7750%
11	2020	91,961,396	562,766	0.6120%
12	2021	<u>103,635,901</u>	<u>477,456</u>	<u>0.4607%</u>
13	5-Year Average Ratio			<u><u>0.5808%</u></u>

Sources: (1) Tab 'B-1' included in Staff Schedules plus the Cost of Gas from the Test Year
(2) 'Sched H-9' included in the relied files
Black Hills' response to Staff Data Request Nos. 75 and 170

Black Hills Energy
Bad Debt Expense Detail

Docket No. 21-BHCG-418-RTS
Exhibit IDC-11(a)

Period	Net BD Write-Offs	Total Gas Revenue	Year End Revenue	Year End Net Write-Offs	Net Write-Off Percentage
Jul-16	\$ 143,025	\$ 5,464,575			
Aug-16	61,429	6,479,128			
Sep-16	64,568	5,224,514			
Oct-16	58,088	4,508,520			
Nov-16	(16,489)	5,733,380			
Dec-16	(11,224)	9,765,309			
Jan-17	33,646	16,509,431			
Feb-17	14,029	14,632,513			
Mar-17	14,113	7,771,313			
Apr-17	29,405	7,437,478			
May-17	56,235	5,962,709			
Jun-17	78,056	5,356,229	\$ 94,845,098	\$ 524,883	0.553%
Jul-17	266,395	6,562,735			
Aug-17	108,379	6,343,625			
Sep-17	77,865	5,490,977			
Oct-17	79,753	4,583,399			
Nov-17	(12,264)	7,110,079			
Dec-17	(1,792)	9,529,615			
Jan-18	32,617	15,027,555			
Feb-18	1,135	15,112,308			
Mar-18	8,718	12,225,709			
Apr-18	46,779	9,210,305			
May-18	57,644	7,187,920			
Jun-18	(143,589)	5,372,492	\$ 103,756,719	\$ 521,640	0.503%
Jul-18	294,050	6,024,265			
Aug-18	91,329	5,743,596			
Sep-18	61,956	4,753,590			
Oct-18	84,455	4,764,085			
Nov-18	(7,021)	7,190,481			
Dec-18	19,321	11,732,173			
Jan-19	24,243	14,116,383			
Feb-19	16,147	14,184,617			
Mar-19	42,758	13,799,758			
Apr-19	43,717	8,273,640			
May-19	45,796	5,674,656			
Jun-19	65,056	4,619,085	\$ 100,876,329	\$ 781,806	0.775%
Jul-19	252,828	5,432,677			
Aug-19	74,000	6,098,902			
Sep-19	70,228	5,508,230			
Oct-19	42,902	4,442,358			
Nov-19	(16,666)	7,512,495			
Dec-19	10,670	10,151,711			
Jan-20	21,051	11,606,892			
Feb-20	4,007	11,986,256			
Mar-20	23,959	10,192,544			
Apr-20	13,960	7,431,620			
May-20	45,986	5,956,771			
Jun-20	19,842	5,640,941	\$ 91,961,396	\$ 562,766	0.612%
Jul-20	16,119	5,798,862			
Aug-20	17,880	5,864,219			
Sep-20	21,171	5,495,193			
Oct-20	38,806	5,059,760			
Nov-20	64,093	7,459,189			
Dec-20	134,252	10,139,152			
Jan-21	1,967	13,311,345			
Feb-21	7,242	14,239,080			
Mar-21	13,099	13,976,148			
Apr-21	35,662	8,871,727			
May-21	49,999	7,458,981			
Jun-21	77,165	5,962,245	\$ 103,635,901	\$ 477,456	0.461%

Source: Black Hills' response to Staff Data Request Nos. 75 and 170

Black Hills Energy
Rent Expense Adjustment
Income Statement Adjustment No. 13
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-12

Line No.	FERC Acct	Account Description	Non-Renewed Leases		Amount
1	931	Rents	\$	22,700	\$ (22,700) (1)
2	860	Rents		2,400	(2,400)
3	881	Rents		900	(900)
4		Total	\$	26,000	\$ (26,000)
5		Less Black Hills' Rent Adjustment			<u>(22,700) (2)</u>
6		Staff's Lease Adjustment		\$	<u><u>(3,300)</u></u>

Sources: Note (1): Black Hills' response to Staff Data Request No. 54 and 164
Note (2): 'Sched H-1' from the relied files

Black Hills Energy
Travel Adjustment
Income Statement Adjustment No. 14
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-13

Line No.	FERC Account	2019 Book Amount	Staff Adjustments	2019 Adjusted	2020 Book Amount	Staff Adjustments	2020 Adjusted
1	856000	-	-	-	23	-	23
2	857000	11	-	11	4	-	4
3	863000	380	(80)	300	-	-	-
4	865000	217	-	217	-	-	-
5	870000	6,040	-	6,040	599	-	599
6	874000	1,689	-	1,689	963	-	963
7	874001	39	-	39	35	-	35
8	874002	804	-	804	85	-	85
9	875000	144	-	144	928	-	928
10	875001	93	-	93	-	-	-
11	876000	448	(84)	365	109	-	109
12	877000	-	-	-	428	-	428
13	878000	99	-	99	21	-	21
14	878001	9	-	9	-	-	-
15	879000	91	-	91	52	-	52
16	880000	65,457	(3,594)	61,862	21,395	(177)	21,217
17	885000	-	-	-	4	-	4
18	887000	1,154	(158)	996	471	-	471
19	888000	46	(7)	39	30	-	30
20	889000	4,382	-	4,382	2,008	-	2,008
21	889001	77	-	77	36	-	36
22	890000	30	-	30	-	-	-
23	891000	-	-	-	53	-	53
24	901000	71	-	71	-	-	-
25	902000	147	(60)	87	157	-	157
26	905000	5,060	(369)	4,691	1,094	-	1,094
27	908000	40	-	40	-	-	-
28	912000	885	(885)	-	324	-	324
29	921000	181,139	(17,515)	163,624	78,438	(13,803)	64,635
30	930200	14,611	(2,940)	11,671	2,867	(46)	2,821
31	Total	283,162	(25,693)	\$ 257,469	110,125	(14,026)	\$ 96,099
32							
33	Staff Revised 2019 Travel Expense						\$ 257,469
34	Staff Revised 2020 Travel Expense						\$ 96,099
35	Average of 2019 and 2020 Amounts						\$ 176,784
36	Less: 2020 Travel Expense						110,125
37	Travel Adjustment						\$ 66,659
38	Less: Black Hill's Travel Adjustment						173,037
39	Staff's Adjustment to Travel Expense						\$ (106,378)

Sources: Sched H-16 in relied files

Black Hills' Response to Staff Data Request No. 134

Black Hills Energy
Dues Adjustment
Income Statement Adjustment No. 15
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-14

Line No.	FERC Acct	Account Description	(a) Test Year Per Book Total	(b) Test Year Expense Removed	(c) (a) + (b) Test Year Per Book Total, As Adjusted	(d) Adjustment Percentage	(e) (c) x (-d) Test Year Expenses Removed by Adjustment Percentage	(f) (b) + (e) Total Expense Adjustment
1	850	Operation Supervision & Engineering	\$ 97	\$ -	\$ 97	50%	\$ (49)	\$ (49)
2	861	Maintenance Supervision & Engineering	55	-	55	50%	(27)	(27)
3	870	Dist. Operating and Supervision Engineering	2,055	(5)	2,050	50%	(1,025)	(1,030)
4	880	Dist. Ops. Other Expenses	15	-	15	50%	(8)	(8)
5	893	Dist. Maint. Of Meters & House Regulators	70	-	70	50%	(35)	(35)
6	912	Demonstrating and Selling Expense	602	-	602	50%	(301)	(301)
7	921	Office Supplies & Expense	82,491	(19,111)	63,380	50%	(31,690)	(50,801)
8	930.2	Miscellaneous General Expense	42,472	(39,119)	3,353	50%	(1,676)	(40,796)
9	932	Maintenance of General Plant	294	-	294	50%	(147)	(147)
10		Total	<u>\$ 128,151</u>	<u>\$ (58,236)</u>	<u>\$ 69,916</u>		<u>\$ (34,958)</u>	<u>\$ (93,194)</u>
11		Less: Black Hills' Dues Adjustment						<u>(68,744)</u>
12		Staff's Adjustment to Dues Expense						<u>\$ (24,450)</u>

Sources: 'Sched H-3' in relied files
Black Hills' Response to Staff Data Request No. 132

Black Hills Energy
Advertising Expense Adjustment
Income Statement Adjustment No. 16
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-15

Line No.	FERC Acct	Description	Amount
1	913	Rocking M Media - Halloween Safety Advertising	\$ (170)
2	930.1	Vladimir Jones - Kansas Safety Media	(58,824)
3		Total Staff Adjustment	<u>\$ (58,994)</u>

Sources: Black Hills' Responses to Staff Data Requests Nos. 52, 53, and 188
'Sched H-2' in the Application

Black Hills Energy
Interest On Customer Deposits Adjustment
Income Statement Adjustment No. 17
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-16

Line No.	FERC Acct	Amount
1	Customer Deposits Ending Balance June 30, 2021	\$ 1,323,084
2	Interest Rate	0.13%
3	Staff Interest Expense	<u>\$ 1,720</u>
4	Less Black Hill's Test Year Interest Expense	23,684
5	431 Staff's Adjustment to Operating Expenses	<u><u>\$ (21,964)</u></u>

Sources: '8.3p4' included in the Application
Black Hills' Response to Staff Data Request No. 193
Docket No. 98-GIMX-348-GIV: Order dated November 24, 2020.

Black Hills Energy
Miscellaneous Adjustment
Income Statement Adjustment No. 18
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-17

Line No.	Description	Amount
1	Staff Recommended Amount	\$ -
2	Less Black Hills Miscellaneous Adjustment	(3,531)
3	Total Staff Adjustment	\$ 3,531

Sources: 'Stmnt I' in the Application
Black Hills Response to Staff Data Request No. 217

Black Hills Energy
Data Improvement Integrity Program Adjustment
Income Statement Adjustment No. 19
Test Year Ending December 30, 2020

Docket No. 21-BHCG-418-RTS
Exhibit IDC-18

Line No.	FERC Account	Description	Amount
1		Actual DIIP Costs as of June 30, 2021	\$ 347,936
2		DIIP Costs at end of Test Year	<u>168,152</u>
3			
4		Difference	\$ 179,783
5			
6		Less: Black Hills' Adjustment	<u>231,848</u>
7			
8	870	Total Staff Adjustment	<u><u>\$ (52,064)</u></u>

Sources: 'Sched H-15' in the relied files
Black Hills' Responses to Staff Data Requests Nos. 133, 189, and 230

Exhibit IDC-19

Responses to Data Requests

**BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
DOCKET NO. 21-BHCG-418-RTS
KANSAS CORPORATION COMMISSION
DATA REQUEST NO. KCC-133**

DATE OF REQUEST: 06/24/2021
DATE RESPONSE DUE: 07/06/2021
REQUESTOR: Kansas Corporation Commission
AUDITOR:
ANSWERED BY: Jerry Watkins
DATE RESPONDED: 07/06/2021
SUBJECT: DIIP
REFERENCE:

REQUEST:

Please provide support for the methodology used to calculate the \$400,000 in estimated annual costs for the DIIP.

RESPONSE:

The Company has a contract with EN Engineering related to the first Data Infrastructure Investment Program project, discussed on page 17 of Mr. Watkins' Direct Testimony, to provide engineering support for records digitization, records verification, data improvement, and MAOP reconfirmation for Kansas assets. The Confidential contract is attached.

Additionally, please see the attached documents detailing the Company's preliminary costs for DIIP projects and descriptions for each, which are planned to be completed over the next 10 years. As shown on the attachment, the average annual cost is approximately \$535,000. In its Application, the Company has requested recovery of \$400,000 annually.

ATTACHMENTS:

Attachment KCC-133 ATTACHMENT A - Kansas Data Infrastructure Improvement Program Budget CONFIDENTIAL

Attachment KCC-133 ATTACHMENT B – MAOP Contract CONFIDENTIAL
Attachment KCC-133 ATTACHMENT C - MAOP Contract Revision CONFIDENTIAL.pdf
Attachment KCC-133 ATTACHMENT D - Kansas DIIP Project Descriptions.pdf

Verification of Response

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

Signed: /s/ Rob Daniel

Date: July 6, 2021

BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
DR KCC 5-134: Travel Expense Adjustment

BUSINESS_UNIT 50504

Sum of MONETARY_AMOUNT	Column Labels				
Row Labels	2017	2018	2019	2020	Grand Total
850000	1,268.05	8.89			1,276.94
856000	70.00	387.09		22.50	479.59
857000	102.97		10.88	4.10	117.95
861000	213.20	283.47			496.67
863000	26.79	998.00	380.40		1,405.19
865000	76.07	21.64	216.72		314.43
870000	1,368.37	1,597.87	6,039.65	599.24	9,605.13
873000	106.81				106.81
874000	1,139.48	1,265.77	1,689.42	962.88	5,057.55
874001		129.11	38.56	35.38	203.05
874002	983.99	564.34	804.41	85.33	2,438.07
875000	86.57	462.20	144.30	927.79	1,620.86
875001	105.06	115.83	92.57		313.46
876000	149.53	584.43	448.45	108.70	1,291.11
877000				427.91	427.91
878000	377.70	120.22	98.55	21.46	617.93
878001		52.34	9.27		61.61
879000	176.44	249.80	91.46	52.27	569.97
880000	62,907.56	72,305.13	65,456.58	21,394.71	222,063.98
885000				4.35	4.35
886000		38.11			38.11
887000	514.43	3,108.23	1,153.50	470.84	5,247.00
887001		114.36			114.36
888000		485.42	45.93	29.91	561.26
889000	3,974.51	2,735.13	4,381.75	2,004.83	13,096.22
889001	154.70	46.03	77.00	36.47	314.20
890000	24.06		30.04		54.10
891000	27.97	40.52		53.23	121.72
892000	3.25	35.29			38.54
893000	58.36	83.14			141.50
901000			70.53		70.53
902000	212.47	22.30	146.70	157.45	538.92
905000	3,120.79	3,369.93	5,060.08	1,093.95	12,644.75
907000	1,859.59				1,859.59
908000			40.00		40.00
912000	768.37	1,203.31	885.00	323.58	3,180.26
921000	84,891.55	110,725.58	181,138.67	78,437.97	455,193.77
930200	1,785.91	9,161.24	14,611.13	2,866.78	28,425.06
935000	391.87	1,265.14			1,657.01
Grand Total	166,946.42	211,579.86	283,161.55	110,121.63	771,809.46

**BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
DOCKET NO. 21-BHCG-418-RTS
KANSAS CORPORATION COMMISSION
DATA REQUEST NO. KCC-189**

DATE OF REQUEST: 07/28/2021
DATE RESPONSE DUE: 08/06/2021
REQUESTOR: Kansas Corporation Commission
AUDITOR: Ian Campbell
ANSWERED BY: Evan Martin/Rob Daniel
DATE RESPONDED: 08/06/2021
SUBJECT: DIIP
REFERENCE:

REQUEST:

Please provide a detail breakdown of future DIIP projects.

Is the Company planning to true up any over or under collection in future rate filings?

RESPONSE:

A detailed scope of services document is attached related to the Transmission/Gathering TVC Records project. Additionally, please see attached examples of scope of services documents that are being utilized in other states Black Hills operates in for the Gas Service Card Mapping project, Distribution Main & Service Centerline Survey and Distribution Data Attribute Improvement projects. These provide detailed breakdowns of the work to be performed which will be utilized for Kansas with modifications to include specific Kansas assets. The other projects scopes of service have not been developed at this time.

While the Company is willing to consider a tracking mechanism or deferral accounting that allows for recovery of actual expenses incurred through the Data Infrastructure Improvement Program, any such mechanism or deferral should allow for recovery of all prudently incurred DIIP expenses, and not be limited to the Company's request in this proceeding.

ATTACHMENTS:

Attachment KCC-189 ATTACHMENT A CONFIDENTIAL Scope of Services Distribution Data Attribute Improvement Example

Attachment KCC-189 ATTACHMENT B CONFIDENTIAL Scope of Services Distribution Main and Service Centerline Survey Example

Attachment KCC-189 ATTACHMENT C CONFIDENTIAL Scope of Services Gas Service Card Mapping Example

Attachment KCC-189 ATTACHMENT D CONFIDENTIAL Scope of Services Transmission Gathering TVC Records

Verification of Response

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

Signed: /s/Rob Daniel

Date: August 6, 2021

BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
DOCKET NO. 21-BHCG-418-RTS
KANSAS CORPORATION COMMISSION
DATA REQUEST NO. KCC-195

DATE OF REQUEST: 07/28/2021
DATE RESPONSE DUE: 08/06/2021
REQUESTOR: Kansas Corporation Commission
AUDITOR: Ian Campbell
ANSWERED BY: Rachel Schuldt
DATE RESPONDED: 08/06/2021
SUBJECT: Accrual for Pending Retirements
REFERENCE: KCC-166; Sched D-1

REQUEST:

Black Hills' response to Staff DR 166 shows an Accrual for Pending Retirements amount of \$661,321.74. Please break this number down by subaccount similar to the format of tab 'YE20Plant' in Sched D-1. Please also provide an explanation of what Accrual for Pending Retirements is.

RESPONSE:

The Accrual for Pending Retirements included in Staff DR 166 at June 30, 2021 was \$640,603.30, and is detailed on the attached file.

Retirements are not posted in PowerPlan until the work order is audited and closed. The Accrual for Pending Retirements estimates the amount of pending retirements based on the test system and books a reserve entry to the general ledger plant and reserve balances to capture these retirements. The entry is recorded to the general ledger quarterly and reversed the following day, so the accrual reflects the pending retirements at each quarter end. Actual retirements are booked in PowerPlan when work orders are closed.

- The Accrual for Pending Retirements at December 31, 2020 was \$1,301,925.04 (which reversed 1/1/2021)

- The Accrual for Pending Retirements at March 31, 2021 was \$766,564.53 (which reversed 4/1/2021)
- The Accrual for Pending Retirements at June 30, 2021 was \$640,60.30 (which reversed 7/1/2021)

It appears the Accrual for Pending Retirements amount of \$661,321,74 listed in the request netted the 1/1/21 reversal of the 12/31/2020 accrual with the 6/30/2021 accrual.

ATTACHMENTS:

Attachment KCC-195 Accrual for Pending Retirements June 30 2021.xlsx

Verification of Response

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

Signed: /s/Rob Daniel

Date: August 6, 2021

BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
DOCKET NO. 21-BHCG-418-RTS
KANSAS CORPORATION COMMISSION
DATA REQUEST NO. KCC-198

DATE OF REQUEST: 07/30/2021
DATE RESPONSE DUE: 08/09/2021
REQUESTOR: Kansas Corporation Commission
AUDITOR: Ian Campbell
ANSWERED BY: Rachel Schuldt
DATE RESPONDED: 08/09/2021
SUBJECT: Fleet Depreciation
REFERENCE:

REQUEST:

Please provide Vehicle Loadings for all accounts shown in Sched H-20 for the 12 months ending June 30, 2021 in a similar format to that shown in Sched H-20.

Please provide balances as of June 30, 2021 for accounts marked "Vehicles" in Sched J-1, separated by sub account.

Please provide support for the Vehicle Loading Capitalization rate of 49.92% shown on Line 70 of Sched H-20.

RESPONSE:

Vehicle Loadings of \$895,993 for the 12 months ending June 30, 2021 are shown on the 'DR 198' tab of the attached file.

June 30, 2021 plant balances for "Vehicles" are shown on tab 'Vehicles' of the attached file.

The 49.92% capitalization rate on Line 70 of Schedule H-20 is calculated in cell N5 of the 'Pivot' tab in workpaper BH-WP-RRS-19-IS-33 Sched H-20 Fleet Depreciation Adjustment submitted with the original filing.

ATTACHMENTS:

Attachment KCC-198 Fleet Loadings July 2020 to June 2021 and Vehicle Balances June 30 2021.xlsx

Verification of Response

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

Signed: /s/Rob Daniel

Date: August 9, 2021

**BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
DOCKET NO. 21-BHCG-418-RTS
KANSAS CORPORATION COMMISSION
DATA REQUEST NO. KCC-217**

DATE OF REQUEST: 08/06/2021
DATE RESPONSE DUE: 08/16/2021
REQUESTOR: Kansas Corporation Commission
AUDITOR: Ian Campbell
ANSWERED BY: Rachel Schuldt
DATE RESPONDED: 08/16/2021
SUBJECT: Miscellaneous Adjustment
REFERENCE:

REQUEST:

Please provide documentation and calculations to support the Miscellaneous Adjustment IS-12 in the amount of \$3,531.

RESPONSE:

As noted on page 31 of Ms. Schuldt's direct testimony, this adjustment captures miscellaneous reconciling items to align the revenues in the revenue requirement study to the revenue in the class cost of service study. The gas taxes are provided below, and the remaining portion of the adjustment is for the adjustment necessary to align revenues in the two models. No additional documentation is available.

REV_YEAR	2020
----------	------

Tariff Customer Class	GL_KEY	Sum of REVENUE
GASTX	480000	3,038

ATTACHMENTS:

None.

Verification of Response

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

Signed: /s/ Rob Daniel

Date: August 16, 2021

**BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
DOCKET NO. 21-BHCG-418-RTS
KANSAS CORPORATION COMMISSION
DATA REQUEST NO. KCC-223**

DATE OF REQUEST: 08/11/2021
DATE RESPONSE DUE: 08/20/2021
REQUESTOR: Kansas Corporation Commission
AUDITOR: Kristina Luke Fry
ANSWERED BY: Ann Stichler
DATE RESPONDED: 08/20/2021
SUBJECT: ADIT
REFERENCE:

REQUEST:

Please provide a detailed explanation of each of the following accounts and the amount and location of their related Rate Base accounts:

- 283300 DT4130 – DTL LT-Retiree Healthcare
- 283300 DT4150 – DTL LT-LT Rate Case Asset
- 283300 DT4201 – DTL LT-LT Reg Other Asset

RESPONSE:

- 283300 DT4130 – DTL LT-Retiree Healthcare – This account is the accumulated deferred income taxes (“ADIT”) related to retiree healthcare. The related accounts are: 253011, 228300, 242009, 182315, and although these accounts are not included in rate base, the associated expenses are recovered in cost of service.
- 283300 DT4150 – DTL LT-LT Rate Case Asset - 283300 DT4150 – DTL LT-LT Rate Case Asset – This account is the ADIT related to rate case expenses. For tax, the expenses were deducted when paid, while for book, the expenses are recorded to a regulatory asset in account 186002. The

regulatory asset for rate case expenses is amortized into cost of service over a three-year period.

For both retiree healthcare and rate case expenses, the income tax deduction was in advance of the deduction for book purposes and gave rise to deferred tax liabilities. Deferred tax liabilities are deferred tax collections from customers that are more than amounts paid to the government. In the time between collection from customers and payment to the government, the utility benefits from cost-free capital that is appropriate to reflect as a rate base reduction to flow back to customers.

- 283300 DT4201 – DTL LT-LT Reg Other Asset – This account is the ADIT related to ad valorem tax surcharge (“AVTS”) and the weather normalization adjustment surcharge (“WNA”). The associated accounts are 182300 and 182361. Both these accounts are not included in rate base and the associated costs are recovered outside of base rates. As a result of the costs being recovered outside of base rates and because the Company does not collect deferred income tax expense on these two items, the ADIT of \$513,659 should be removed in the calculation of the total amount of ADIT in rate base.

ATTACHMENTS:

None.

Verification of Response

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

Signed: /s/ Rob Daniel

Date: August 20, 2021

BLACK HILLS / KANSAS GAS UTILITY COMPANY, LLC
d/b/a BLACK HILLS ENERGY
DOCKET NO. 21-BHCG-418-RTS
CITIZEN'S UTILITY RATEPAYER BOARD
DATA REQUEST NO. CURB-81

DATE OF REQUEST:	08/06/2021
DATE RESPONSE DUE:	08/20/2021
REQUESTOR:	Kansas Corporation Commission
AUDITOR:	Joseph R. Astrab
ANSWERED BY:	Rachel Schuldt
DATE RESPONDED:	08/20/2021
SUBJECT:	Accounting
REFERENCE:	KCC-38

REQUEST: Regarding the response to KCC-38, please provide a description of the “Ready” branding expenditures, and provide a copy of the annual contract or agreement relating to the associated prepayments.

RESPONSE:

The “Ready” branding expenditures represent the costs for media placements across billboards, print advertising, and online/social media. At the time working capital in the revenue requirement was calculated, Black Hills was not aware that these costs were included in Prepaid Expenses. Accordingly, Black Hills will make a correction to remove these prepayments related to “Ready” branding at the time it files Rebuttal testimony.

Additionally, please the attached document.

ATTACHMENTS:

Attachment CURB-81 Invoice.pdf

Verification of Response

I have read the foregoing information request and answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this information request.

Signed: /s/ Rob Daniel

Date: 08/20/2021

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Ian Campbell, being duly sworn upon his oath deposes and states that he is an Auditor for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Direct Testimony*, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.

/s/ Ian D. Campbell

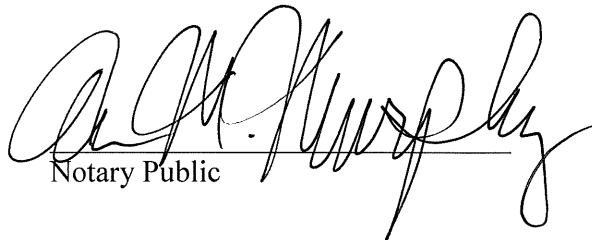
Ian Campbell

Auditor

State Corporation Commission of the

State of Kansas

Subscribed and sworn to before me this 8 day of September, 2021.


Notary Public

My Appointment Expires: 4/28/25



NOTARY PUBLIC - State of Kansas

ANN M. MURPHY

My Appt. Expires 4/28/25

CERTIFICATE OF SERVICE

21-BHCG-418-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing testimony was sent by electronic mail this 10th day of September, 2021, to the following:

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CERTIFICATE OF SERVICE

21-BHCG-418-RTS

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Abigail Emery, CRP
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* Denotes those receiving the Confidential version