

BEFORE THE 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] KCC Docket No. 14-BHCG-502-RTS
COMMISSION TO MAKE CERTAIN]
CHANGES IN ITS RATES FOR NATURAL]
GAS SERVICE]

DIRECT TESTIMONY OF

BRIAN KALCIC

RE: CLASS REVENUE ALLOCATION,
RESIDENTIAL AND SMALL COMMERCIAL
RATE DESIGN, AND
GSRs AND ATSR APPLICATION

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

**REDACTED VERSION
(PERTAINS TO SCHEDULE BK-2)**

September 12, 2014

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Verification
Appendix – Qualifications of Brian Kalcic
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1 **Q. Please state your name and business address.**

2 A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

3

4 **Q. What is your occupation?**

5 A. I am an economist and consultant in the field of public utility regulation, and principal of
6 Excel Consulting. My qualifications are described in the Appendix to this testimony.

7

8 **Q. On whose behalf are you testifying in this case?**

9 A. I am testifying on behalf of the Citizens' Utility Ratepayer Board ("CURB").

10

11 **Q. What is the subject of your testimony?**

12 A. I will examine the class revenue allocation proposal sponsored by Black Hills Energy
13 ("Black Hills" or "Company"). I will also critique the Company's rate design proposals for
14 its Residential Service ("RS-1") and Small Commercial Service ("SC-1") rate classes, and
15 sponsor an alternative residential and small commercial rate design.

16 Finally, I will examine how Black Hills applies its Gas System Reliability
17 Surcharge ("GSRs") and Ad Valorem Tax Surcharge Rider ("ATSR") to select customer
18 classes.

19

20 **Q. Have you reflected CURB witness Andrea C. Crane's recommended revenue
21 adjustment for Black Hills in your class revenue allocation and rate design proposals?**

22 A. Yes, I have.

23

1 **Q. Please summarize your primary recommendations.**

2 A. Based upon my analysis of the Company's filing and interrogatory responses, I recommend
3 that the Kansas Corporation Commission ("KCC" or "Commission"):

- 4 • Adopt CURB's recommended class revenue allocation, which implements a
5 total revenue decrease of \$0.857 million;
- 6 • Reject the Company's proposal to recover 100% of its proposed RS-1 and
7 SC-1 base revenue increases in class customer charges;
- 8 • Adopt CURB's recommended RS-1 and SC-1 rate design guidelines; and
- 9 • Adopt CURB's recommendation that Black Hills apply its GSRS and ATSR
10 riders to all sales and transportation customers that pay full tariff rates for
11 delivery service.

12 The specific details associated with the above recommendations are discussed below.

13

14 **I. CLASS REVENUE ALLOCATION**

15

16 **Q. Mr. Kalcic, what is the Company's requested increase in total revenue in this
17 proceeding?**

18 A. The Company's requested increase in total revenue is \$5.038 million.

19

20 **Q. What is the Company's requested increase in total *base rate* revenue in this
21 proceeding?**

22 A. Black Hills collects \$2.229 million and \$2.241 million, respectively, through its GSRS and
23 ATSR riders. Black Hills proposes to "rebase" or recover those GSRS and ATSR revenues

1 in base rates (rather than via surcharges) at the conclusion of this case. As such, the
2 Company's requested increase in base rate revenue is \$5.038 million plus \$2.229 million
3 (GSRS) plus \$2.241 million (ATSR) or \$9.508 million.
4

5 **Q. How does Black Hills propose to recover its requested base rate revenue increase of**
6 **\$9.508 million in this case?**

7 A. The Company's proposed class revenue allocation is shown in columns 7-8 of Schedule
8 BK-1. The proposed system average increase in base rate revenue is 20.99% (see column 8
9 at line 16). Among the Company's firm and interruptible service classes, base rate
10 increases range from a low of 16.31% (Large Volume Firm) to a high of 37.33% (Small
11 Volume Interruptible).
12

13 **Q. How does Black Hills propose to adjust *total* class revenues, after rebasing the GSRS**
14 **and ATSR?**

15 A. The Company's proposed total revenue adjustments, by customer class, are shown in
16 columns 9-10 of Schedule BK-1. The proposed increase in total class revenues (excluding
17 the cost of gas) is \$5.038 million or 10.12% (per line 16). On a total revenue basis, class
18 revenue adjustments range from a decrease of 4.71% (Large Volume Firm) to an increase
19 of 18.36% (Small Commercial).
20

21 **Q. How did Black Hills arrive at its proposed base rate revenue allocation shown in**
22 **columns 7-8 of Schedule BK-1?**

1 A. To the extent practical, Black Hills proposes to align class revenues with their respective
2 cost-based revenue levels, as measured by the Company's cost-of-service study ("COSS").
3 More specifically, Black Hills is proposing to align its Residential, Small Commercial and
4 *aggregate* (i.e., firm, interruptible and full margin transportation) Small and Large Volume
5 classes with cost of service.¹
6

7 **Q. Does CURB agree with the Company's proposed base rate revenue allocation?**

8 A. Not entirely. As shown in Schedule BK-1, the Large Volume class would receive an
9 overall decrease on a total revenue basis. In light of the Company's request for a 10.12%
10 increase in total revenues, CURB believes it is inappropriate for any class to receive a total
11 revenue decrease at the Company's requested revenue requirement level.

12 In addition, lines 9-10 of Schedule BK-1 show that Black Hills is not proposing any
13 increase to irrigation customers. At a minimum, irrigation customers should incur an
14 increase commensurate with the nominal increase proposed for the Company's negotiated
15 rate customers (per line 11 of Schedule BK-1).
16

17 **Q. Have you developed a recommended revenue allocation to implement Ms. Crane's**
18 **recommended total revenue decrease of \$0.857 million?**

19 A. Yes. My recommended revenue allocation is shown in Schedule BK-2, at column 9.
20

¹ See Exhibit __ (TJS-12), Table 1 at lines 25-29.

1 **Q. Is column 9 of Schedule BK-2 reflective of CURB's recommended base rate revenue**
2 **increase of \$3.614 million (column 7) and the rebasing of \$4.470 million of GSRS and**
3 **ATSR revenues?**

4 A. Yes, it is.

5

6 **Q. How did you determine the base revenue increases shown in column 7 of Schedule**
7 **BK-2?**

8 A. I assigned CURB's recommended base rate revenue increase of \$3.614 million to rate
9 classes via three steps. First, I scaled back the Company's proposed revenue allocation
10 shown in Schedule BK-1 proportionately, to produce CURB's recommended base revenue
11 increase of \$3.614 million. Second, I assigned the irrigation classes the same percentage
12 increase (after scaleback) as the Large Volume negotiated rate customers shown on line 11.
13 Third, I uniformly adjusted all firm and interruptible class revenues, as needed, so that no
14 firm or interruptible service rate class would receive a total revenue *increase* at CURB's
15 recommended revenue requirement level.

16

17 **Q. What is the range of total revenue adjustments across rate classes under CURB's**
18 **recommended revenue allocation?**

19 A. As shown in column 10 of Schedule BK-2, CURB's total revenue adjustments range from
20 0.0% (Small Commercial) to a decrease of 12.35% (Large Volume Interruptible).

21

22

1 **II. RS-1 AND SC-1 RATE DESIGN**

2
3 **Q. Mr. Kalcic, please describe the Company's current RS-1 and SC-1 rate structures.**

4 A. The Company serves residential sales service customers via Rate Schedule RS-1, which
5 includes a customer charge and a flat-rate commodity charge. Black Hills serves small
6 commercial customers (i.e., annual usage no greater than 500 Mcf) via Rate Schedule SC-1.
7 Like Rate Schedule RS-1, Rate Schedule SC-1 includes a customer charge and a flat-rate
8 commodity charge, which is currently set at the same level as the residential commodity
9 charge.

10
11 **Q. How does Black Hills propose to adjust its current RS-1 and SC-1 rates in this**
12 **proceeding?**

13 A. The Company proposes to increase the RS-1 customer charge from \$16.00 to \$21.70 per
14 month, and the SC-1 customer charge from \$22.75 to \$36.00 per month. In addition, Black
15 Hills proposes to reduce its existing RS-1 and SC-1 commodity charge from \$0.14524 to
16 \$0.14355 per therm, so as to recover its RS-1 and SC-1 revenue targets. In essence, Black
17 Hills is proposing to recover 100% of its proposed RS-1 and SC-1 increases in the
18 customer charge.

19
20 **Q. How did the Company determine the levels of its proposed RS-1 and SC-1 customer**
21 **charges?**

22 A. At the present time, Black Hills recovers 65.0% and 56.5%, respectively, of its total
23 residential and small commercial base rate revenues (i.e., excluding the GSRs) through

1 customer charges. However, according to the Company's COSS, approximately 80.5% and
 2 69.1%, respectively, of the Company's claimed residential and small commercial revenue
 3 requirements are comprised of customer-related costs. In the Company's view, it would be
 4 appropriate to begin correcting this mismatch by assigning 100% of its proposed RS-1 and
 5 SC-1 increases to the customer charge.

6
 7 **Q. Does CURB agree with the Company's proposal to recover 100% of the RS-1 and**
 8 **SC-1 base rate increases via the customer charge?**

9 A. No. As discussed below, CURB finds that the Company's proposed customer-related class
 10 revenue targets are too high.

11
 12 **Q. How does the Company's proposed RS-1 customer charge compare to the approved**
 13 **customer charges of other Kansas natural gas distribution companies ("NGDC")?**

14 A. As shown in Table 1 below, the Company's proposed customer charge, if approved, would
 15 be the highest of any NGDC in Kansas.

16
 17 **TABLE 1**

18 Comparison of Residential Customer Charges

	<i>Monthly Customer Charge</i>
Atmos (Present)	\$18.19
Kansas Gas Service (Present)	\$15.35
Black Hills (Proposed)	\$21.70

19

1 **Q. Mr. Kalcic, what is CURB's view regarding the appropriate amount of residential**
2 **and small commercial revenues to be collected via customer charges?**

3 A. CURB's Consumer Counsel informs me that, as a matter of policy, it is the position of
4 CURB's Board of Directors that residential and small commercial customers should pay no
5 more than 50% of their respective base rate revenue requirements via customer charges. In
6 CURB's view, a 50%/50% (customer/commodity) split in class revenue requirement
7 recovery appropriately balances: 1) an NGDC's desire to acquire a stable stream of margin
8 revenues; with 2) a customer's desire to maintain control over his/her total monthly bill (by
9 conserving energy). In other words, it is CURB's primary position that the Commission
10 should establish a formal policy of encouraging conservation, and seek to implement that
11 policy by revising existing gas rate structures to provide a stronger conservation-oriented
12 price signal.

13
14 **Q. While it is not the Company's proposal in this proceeding, what would be the**
15 **consequence of collecting 80.5% and 69.1%, respectively, of the Company's**
16 **residential and small commercial class revenue requirements via customer charges?**

17 A. At the Company's proposed class revenue requirement levels, that rate design approach
18 would necessitate recovering an additional \$6.7 million in customer charges, compared to
19 maintaining the Company's *existing* RS-1 and SC-1 customer charge ratios of 65.0% and
20 56.5%, respectively. In CURB's view, moving to that level of fixed charge (guaranteed
21 revenue) recovery would significantly reduce the Company's business risk, which would
22 require a commensurate reduction in the Company's allowed return on equity.

23

1 **Q. What would be the RS-1 and SC-1 customer charge levels under CURB's 50%/50%**
2 **policy?**

3 A. At the Company's proposed class revenue requirements, the RS-1 and SC-1 monthly
4 customer charges would be \$15.25 and \$24.00, respectively.²

5

6 **Q. Would setting the RS-1 and SC-1 customer charge at the above 50%/50% levels**
7 **necessitate a large increase in the Company's existing RS-1 and SC-1 commodity**
8 **charge?**

9 A. Yes. The required commodity charge increase would be approximately 73%.

10

11 **Q. In order to avoid the customer bill impacts associated with a 73% commodity charge**
12 **increase, have you considered an alternative RS-1 and SC-1 rate design that would**
13 **instead hold existing customer charges at their current levels, and assign 100% of the**
14 **(combined) class increases to the commodity charge?**

15 A. Yes, I have. Schedule BK-3 shows the resulting RS-1 and SC-1 rates, at CURB's
16 recommended class revenue requirement levels. As shown in Schedule BK-3, the required
17 commodity charge increase under this rate design scenario is 24.9%. In addition, the
18 overall percentage of (combined) RS-1 and SC-1 base rate revenues recovered via customer
19 charges would be 58.7%.

20

² Since the RS-1 and SC-1 classes pay the same commodity charge, it is not feasible to recover exactly 50% of each class's revenue requirement via the customer charge. Rather, these rates would recover 50% of *combined* RS-1 and SC-1 revenues via customer charges.

1 **Q. Mr. Kalcic, do you have any comment on the customer charge cost of service**
2 **benchmarks used to develop the Company's RS-1 and SC-1 rate design proposals?**

3 A. Yes. The Company's customer charge benchmarks include a portion of distribution mains,
4 which Black Hills deems to be customer-related. As discussed below, customer charges
5 should be limited to the recovery of *direct* customer costs, which exclude distribution
6 mains.

7

8 **Q. What types of costs does a natural gas utility incur?**

9 A. In general, a utility's costs (revenue requirement) may be classified as demand-,
10 commodity- or customer-related. Demand-related costs are driven by the peak demands
11 placed on the system. Commodity costs are related to the amount of annual consumption
12 on a utility system. Customer costs are those that vary directly with the number of
13 customers served, such as the costs associated with meters, meter reading, service lines, and
14 billing.

15

16 **Q. Under a strict cost-of-service approach to rate design, what types of costs should a**
17 **utility recover in its customer charges?**

18 A. Customer charges should be limited to the recovery of a utility's direct customer-related
19 costs. All other costs should be recovered via a utility's volumetric and/or demand charges.

20

21 **Q. Mr. Kalcic, have you identified the Company's direct RS-1 and SC-1 customer-related**
22 **costs, at the Company's claimed revenue requirement level?**

1 A. Yes. Lines 6-7 in Table 5 of Exhibit __ (TJS-12) shows the total amount of direct customer-
2 related costs allocated to each class in the Company's COSS. For the RS-1 and SC-1
3 classes, the respective customer-cost benchmarks are \$19.25 and \$33.88 per month.
4 Therefore, the Company's proposed RS-1 and SC-1 customer charges of \$21.70 and
5 \$36.00, respectively, exceed their respective COSS-based customer charge levels.

6

7 **Q. Do you have a rate design recommendation in the event that the KCC decides**
8 **to use the Company's COSS as a guide to determine class customer charges?**

9 A. Yes. In that event, I would recommend that the Commission set the RS-1 and SC-1
10 customer charge levels at no more than \$19.25 and \$33.88 per month, respectively, at the
11 Company's requested revenue requirement level. Furthermore, these maximum customer
12 charge levels should be reduced proportionately, commensurate with any reduction in the
13 Company's overall allowed revenue requirement.

14

15 **III. GSRS AND ATSR APPLICATION**

16

17 **Q. Mr. Kalcic, do the GSRS and ATST apply to all of the Company's customer classes?**

18 A. No. At the present time, Black Hills does not apply the GSRS or ATST rider to
19 wholesale, large volume customers with negotiated margins or irrigation service
20 customers.

21

22 **Q. Does CURB agree with this Company practice?**

1 A. No. More specifically, CURB does not agree with the Company's practice of
2 exempting wholesale and irrigation customers from the riders. To the extent that
3 Black Hills has negotiated a delivery rate with a customer in order to retain load,
4 CURB does not oppose exempting that customer from the GSRS and ATST riders.

5
6 **Q. Would wholesale customers continue to receive a rider exemption at the**
7 **conclusion of this case?**

8 A. No, since Black Hills is proposing to eliminate its Wholesale Gas Service rate
9 schedule. Going forward, the Company proposes to serve wholesale customers on
10 its Large Volume Firm Service rate schedule, to which the GSRS and ATST riders
11 apply.

12
13 **Q. What is the Company's rationale for exempting irrigation customers from the**
14 **riders?**

15 A. Black Hills presumably exempts such customers because it believes irrigation
16 customers possess competitive alternatives to taking its gas service, i.e., may
17 otherwise leave its system.³

18
19 **Q. Has the Company presented any evidence that irrigation customers have**
20 **competitive service options?**

21 A. Not to CURB's knowledge.
22

³ See the Direct Testimony of Thomas J. Sullivan at page 45.

1 **Q. Do irrigation customers pay negotiated delivery rates?**

2 A. No. Unlike large volume customers with negotiated delivery rates (margins), all
3 irrigation service customers currently pay the full tariff rate of \$0.05100 per therm
4 for delivery service.

5

6 **Q. Should the Company's GSRS and ATST riders apply to irrigation service**
7 **customers?**

8 A. Yes. CURB recommends that Black Hills apply the riders to all sales and
9 transportation customers that pay full tariff rates for delivery service. GSRS and
10 ATST exemptions should apply only to those customers with a documented
11 competitive service option(s), as evidenced by a negotiated rate for delivery service.

12

13 **Q. Does this conclude your direct testimony?**

14 A. Yes.

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Indiana, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.

SCHEDULES BK-1 THROUGH BK-3

BLACK HILLS ENERGY - KANSAS

Summary of the Company's Proposed Allocation of its
Requested Increase in Total Base Rate Revenue and Total Revenues
(Excluding Gas Costs)

Line	Customer Class	Present	Present	Total	Proposed	Proposed	Total	Base Rate Revenue		Total Revenue	
		Base Rate Revenue	GSRs & Ad Valorem	Present Revenue	Base Rate Revenue	GSRs & Ad Valorem	Proposed Revenue	Increase	Percent	Increase	Percent
		(1)	(2)	(3) = (1) + (2)	(4)	(5)	(6) = (4) + (5)	(7) = (4) - (1)	(8) = (7) / (1)	(9) = (6) - (3)	(10) = (9) / (3)
	Firm										
1	Residential	\$29,202,002	\$2,800,959	\$32,002,961	\$35,846,439	\$0	\$35,846,439	\$6,644,437	22.75%	\$3,843,478	12.01%
2	S. Commercial	\$4,250,523	\$503,560	\$4,754,083	\$5,626,786	\$0	\$5,626,786	\$1,376,263	32.38%	\$872,703	18.36%
3	S. Volume	\$3,130,965	\$495,854	\$3,626,819	\$4,051,015	\$0	\$4,051,015	\$920,050	29.39%	\$424,196	11.70%
4	L. Volume 1/	\$2,778,413	\$612,807	\$3,391,220	\$3,231,638	\$0	\$3,231,638	\$453,225	16.31%	(\$159,582)	-4.71%
5	Subtotal	\$39,361,903	\$4,413,180	\$43,775,083	\$48,755,878	\$0	\$48,755,878	\$9,393,975	23.87%	\$4,980,795	11.38%
	Interruptible										
6	S. Volume	\$160,819	\$26,789	\$187,608	\$220,849	\$0	\$220,849	\$60,030	37.33%	\$33,241	17.72%
7	L. Volume	\$130,617	\$30,402	\$161,019	\$158,452	\$0	\$158,452	\$27,835	21.31%	(\$2,567)	-1.59%
8	Subtotal	\$291,436	\$57,191	\$348,627	\$379,301	\$0	\$379,301	\$87,865	30.15%	\$30,674	8.80%
	Other										
9	Irrigation	\$1,944,744	\$0	\$1,944,744	\$1,944,744	\$0	\$1,944,744	\$0	0.00%	\$0	0.00%
10	Irrigation Trans.	\$573,343	\$0	\$573,343	\$573,343	\$0	\$573,343	\$0	0.00%	\$0	0.00%
11	L. Volume 2/	\$1,281,208	\$0	\$1,281,208	\$1,307,560	\$0	\$1,307,560	\$26,352	2.06%	\$26,352	2.06%
12	Forfeited Disc.	\$444,424	\$0	\$444,424	\$444,424	\$0	\$444,424	\$0	0.00%	\$0	0.00%
13	Misc. Service	\$772,974	\$0	\$772,974	\$772,974	\$0	\$772,974	\$0	0.00%	\$0	0.00%
14	Oth. Gas Rev. /3	\$622,146	\$0	\$622,146	\$622,146	\$0	\$622,146	\$0	0.00%	\$0	0.00%
15	Subtotal	\$5,638,839	\$0	\$5,638,839	\$5,665,191	\$0	\$5,665,191	\$26,352	0.47%	\$26,352	0.47%
16	Total Revenue	\$45,292,178	\$4,470,371	\$49,762,549	\$54,800,370	\$0	\$54,800,370	\$9,508,192	20.99%	\$5,037,821	10.12%

Source: Exh__(TJS-10), Exh__(TJS-13) & Section 17.

Notes:

1/ Includes Wholesale customers; full margin customers only.

2/ Negotiated margin customers only.

3/ Includes WNA Rider revenue adjustment of \$181,043.

BLACK HILLS ENERGY - KANSAS

Summary of CURB's Recommended Allocation of its
Recommended Increase in Total Base Rate Revenue and Total Revenues
(Excluding Gas Costs)

Line	Customer Class	Present Base Rate Revenue	Present GSRS & Ad Valorem	Total Present Revenue	Recommended Base Rate Revenue	Proposed GSRS & Ad Valorem	Total Recommended Revenue	Base Rate Revenue		Total Revenue	
		(1)	(2)	(3) = (1) + (2)	(4)	(5)	(6) = (4) + (5)	(7) = (4) - (1)	(8) = (7) / (1)	(9) = (6) - (3)	(10) = (9) / (3)
Firm											
1	Residential	\$29,318,863	\$2,800,959	\$32,119,822	\$31,830,591	\$0	\$31,830,591	\$2,511,728	8.57%	(\$289,231)	-0.90%
2	S. Commercial	\$4,250,523	\$503,560	\$4,754,083	\$4,754,083	\$0	\$4,754,083	\$503,560	11.85%	\$0	0.00%
3	S. Volume	\$3,130,965	\$495,854	\$3,626,819	\$3,478,763	\$0	\$3,478,763	\$347,798	11.11%	(\$148,056)	-4.08%
4	L. Volume 1/										
5	Subtotal										
Interruptible											
6	S. Volume	\$160,819	\$26,789	\$187,608	\$183,512	\$0	\$183,512	\$22,693	14.11%	(\$4,096)	-2.18%
7	L. Volume	\$130,617	\$30,402	\$161,019	\$141,140	\$0	\$141,140	\$10,523	8.06%	(\$19,879)	-12.35%
8	Subtotal	\$291,436	\$57,191	\$348,627	\$324,652	\$0	\$324,652	\$33,216	11.40%	(\$23,975)	-6.88%
Other											
9	Irrigation	\$1,944,744	\$0	\$1,944,744	\$1,957,190	\$0	\$1,957,190	\$12,446	0.64%	\$12,446	0.64%
10	Irrigation Trans.	\$573,343	\$0	\$573,343	\$577,012	\$0	\$577,012	\$3,669	0.64%	\$3,669	0.64%
11	L. Volume 2/										
12	Forfeited Disc.	\$444,424	\$0	\$444,424	\$444,424	\$0	\$444,424	\$0	0.00%	\$0	0.00%
13	Misc. Service	\$772,974	\$0	\$772,974	\$772,974	\$0	\$772,974	\$0	0.00%	\$0	0.00%
14	Oth. Gas Rev. /3	\$622,146	\$0	\$622,146	\$622,146	\$0	\$622,146	\$0	0.00%	\$0	0.00%
15	Subtotal										
16	Total Revenue	\$46,012,536	\$4,470,371	\$50,482,907	\$49,626,221	\$0	\$49,626,221	\$3,613,685	7.85%	(\$856,686)	-1.70%

Source: Sch. BK-1, Schs. ACC-10 & ACC-11, and Direct Testimony of Brian Kalcic.

Notes:

- 1/ Includes Wholesale and Anadarko customers; full margin customers only.
- 2/ Negotiated margin customers only; includes Anadarko customers.
- 3/ Includes WNA Rider revenue adjustment of \$181,043.

BLACK HILLS ENERGY - KANSAS
 CURB Alternative Residential and Small Commercial
 Rate Design and Proof of Revenue

	<u>Billing Units</u> (1)	<u>Present Base Rates</u>		<u>Recommended Base Rates</u>		<u>Increase</u>	
		<u>Rate</u> (2)	<u>Revenue</u> (3)	<u>Rate</u> (4)	<u>Revenue</u> (5)	<u>Amount</u> (6)	<u>Percent</u> (7)
Residential		<u>RS-1</u>		<u>RS-1</u>			
Customer Charge	1,191,036	\$ 16.00	\$ 19,056,576	\$ 16.00	\$ 19,056,576	\$ -	0.00%
Commodity Charge	70,657,442	\$ 0.14524	\$ 10,262,287	\$ 0.18139	\$ 12,816,553	\$ 2,554,267	24.89%
Total Base Revenues			\$ 29,318,863		\$ 31,873,129	\$ 2,554,267	8.71%
Small Commercial		<u>SC-1</u>		<u>SC-1</u>			
Customer Charge	105,494	\$ 22.75	\$ 2,399,989	\$ 22.75	\$ 2,399,989	\$ -	0.00%
Commodity Charge	12,741,223	\$ 0.14524	\$ 1,850,535	\$ 0.18139	\$ 2,311,130	\$ 460,595	24.89%
Total Base Revenues			\$ 4,250,525		\$ 4,711,120	\$ 460,595	10.84%

CERTIFICATE OF SERVICE

14-BHCG-502-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 12th day of September, 2014, to the following:

JAMES G. FLAHERTY
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