

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

FEB 05 2013

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 for Gas System Reliability)
Surcharge per K.S.A. 66-2201 through 66-2204)

by
State Corporation Commission
of Kansas
Docket No. 13-BHCG-404-TAR

RESPONSE TO STAFF REPORT AND RECOMMENDATION

COMES NOW Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills"), and in response to the Report and Recommendation of the Staff of the State Corporation Commission of the State of Kansas ("Staff") dated February 4, 2013, ("Report"), states as follows:

1. On December 12, 2012, Black Hills filed an Application for approval of the Gas System Reliability Surcharge ("GSRS"). The filing revealed costs available for GSRS recovery in the amount of \$653,330. Staff performed an audit and on February 4, 2013, filed its Report. Staff recommended \$7,297,874 of the \$7,426,186 proposed capital cost be included in the surcharge. This results in recovery of \$651,140, which is an increase for residential customers of \$0.40 each month or \$4.80 annually.

2. In an attachment to its Application, Black Hills provided a list of 16 public works projects and 178 safety related projects sought to be included in the surcharge. After reviewing this list, supporting documentation, and Black Hills' responses to Staffs data requests, Staff recommended a total capital cost of \$128,312 associated with three projects did not meet the requirements for recovery under the Gas Safety and Reliability Policy Act found in K.S.A. 66-2204. The projects recommended for disallowance by Staff are projects that upgrade pipeline system pressure for increased capacity, and a few of the projects that did not include sufficient documentation to determine if they were based on requirements of pipeline safety regulations.

3. Staff recommended that Black Hills be allowed to collect \$651,140 in GSRS revenue requirement per year via the per-customer monthly surcharges listed in Exhibit 3 of Staff's Report.

4. The following recommendations were made in Staff's Report:

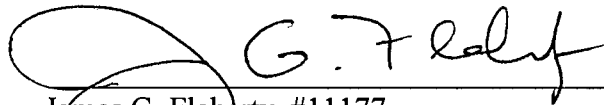
Approve Black Hills' revised GSRS increase of \$651,140 to be collected via the per-customer surcharge listed in Exhibit 3 as attached to Staff's Report with the following conditions:

(a) Black Hills must file updated GSRS tariffs to reflect the changes in the per-customer surcharge as discussed above prior to billing the new surcharges;

(b) Black Hills must file a true-up pursuant to K.S.A. 2011 Supp. 66-2204(e)(2); and

(c) Staff will review Black Hills' true-up filing to make sure the amounts recovered via this surcharge are appropriate, and any over/under recoveries will be appropriately refunded/recovered from customers at that time.

5. Black Hills has reviewed the Report and the recommendations included in the Report. Black Hills does not contest the adjustments recommended by Staff in its Report for purposes of this docket and agrees to the conditions included in the Report as outlined herein.



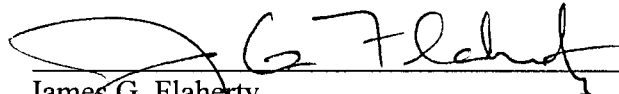
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VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF FRANKLIN)

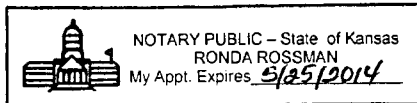
James G. Flaherty, of lawful age, being first duly sworn on oath, states:

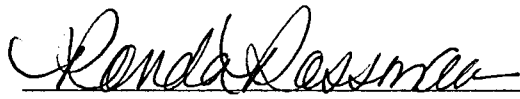
That he is the attorney for Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy, named in the foregoing Response to Staff Report and Recommendation, and is duly authorized to make this affidavit; that he has read the foregoing Response, and knows the contents thereof; and that the facts set forth therein are true and correct.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 5th day of February, 2013.





Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

Docket No. 13-BHCG-404-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Response to Staff's Report and Recommendation was served by electronic service on this 5th day of February, 2013, to the following parties who have waived receipt of follow-up hard copies.

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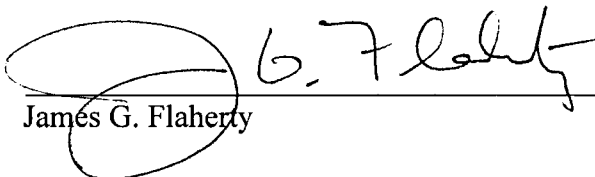
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