

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) Docket No. 21-BHCG-418-RTS
Changes in its Rates for Natural Gas Service.)

JOINT MOTION TO APPROVE SETTLEMENT AGREEMENT

Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills") and the Citizens' Utility Ratepayer Board ("CURB") (collectively, "Joint Movants" and signatory parties to this Joint Motion), pursuant to K.A.R. 82-1-230a, request that the Commission issue an order approving the Settlement Agreement ("Agreement") which is attached as Exhibit A. In support of this Motion, the Joint Movants state and allege as follows:

1. On May 7, 2021, Black Hills filed an Application in this docket to make certain changes in its rates and charges for natural gas service. Pursuant to the Commission's Order dated June 3, 2021, the effective date of the Application was suspended until January 2, 2022. On June 10, 2021, the Commission issued an Order establishing a procedural schedule. This matter is currently set for hearing on October 18-20, 2021.

2. On May 11, 2021, CURB requested intervention in this proceeding and was granted intervention on May 27, 2021. On June 2, 2021, Freedom Pipeline filed for intervention, which was approved on June 23, 2021.

3. The schedules filed with Black Hills' Application indicated a need to increase base rates by \$10.2 million, based upon normalized operating results for the 12 months ending December 31, 2020, adjusted for known and measurable changes in revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments. As set forth in Black Hills' Application, the \$10.2

million increase in base rates included rolling into base rates revenues that at the time of the filing were being recovered through the Gas System Reliability Surcharge ("GSRS") in the amount of approximately \$4.9 million and resetting the GSRS rate to zero.¹ As indicated by Black Hills, the net revenue increase of \$5.3 million would be substantially offset by a refund of excess accumulated deferred income taxes ("EDIT"), including carrying costs, in the amount of \$2.8 million per year for three years, for a total refund to customers of \$8.4 million, through the Company's proposed Tax Adjustment Rider ("TA Rider"). As set forth in Black Hills' filed rate application, after accounting for the rebasing of the GSRS and the refund through the TA Rider, the net impact to customers for the next three years was a proposed increase in revenues of approximately \$2.5 million. After including the Company's most recently approved GSRS, the Company's Application request after rebasing GSRS revenues is \$3.6 million, with a proposed total increase in revenues of \$781 thousand including TA Rider refund amounts. Black Hills proposed an overall rate of return of 7.05 percent. Additionally, Black Hills included a depreciation study and sought new depreciation rates as part of its Application, and Black Hills updated its depreciation rates as appropriate for utility plant. In support of its Application, Black Hills submitted the testimony of 10 witnesses and the schedules required by K.A.R. 82-1-231.

4. On September 10, 2021, Staff filed its direct testimony (including supporting schedules and exhibits) in the above docket recommending that Black Hills be granted a base rate increase (revenue requirement increase) of \$2.9 million, which results in a net decrease to ratepayers of \$3.69 million (after accounting for the removal of the GSRS going forward). Staff also recommended an

¹On May 21, 2020, Black Hills filed an application with the Commission requesting approval to recover through its GSRS Rider additional revenues of \$1,834,047 associated with \$22,205,049 of capital costs for eligible infrastructure system replacements. The Commission approved the applicable revised Black Hills GSRS Charge on July 29, 2021, to be effective August 1, 2021 in Docket No. 22-BHCG-434-TAR. The GSRS amount approved by the Commission and included within this settlement agreement is approximately \$6.61 million.

adjustment to Black Hills' proposed depreciation rates and made recommendations regarding capital structure, return on equity (ROE) and adjustments to the income statement and rate base. Additionally, Staff opposed Black Hills' TA Rider and recommended that the tax benefit of the EDIT be included in base rates.

5. On September 10, 2021, CURB filed testimony in which it recommended a revenue deficiency of \$5.83 million. CURB agreed that the current annual GSRS revenues of \$6.61 million should be rolled into base rates. Therefore, the roll-in of the GSRS would result in a base rate reduction of \$783,711. CURB supported the proposed TA Rider and the annual refund of the \$2.8 million in tax savings through the TA Rider over three years, and when that is considered, CURB's recommendation was an overall annual revenue reduction of \$3.59 million.

6. Freedom Pipeline did not file testimony and no Party filed cross-answering testimony.

7. Black Hills filed rebuttal testimony on October 1, 2021.

8. Subsequently, on October 5, 2021, Black Hills, Staff, CURB and Freedom Pipeline met to discuss the possible settlement of the issues in this matter. The Joint Movants were able to reach a settlement agreement in principle resolving all issues in the case. The Settlement Agreement ("Agreement") was executed on October 8, 2021. The resolution of the issues is set forth in the Agreement attached hereto as Exhibit A. Freedom Pipeline has not signed the Agreement but has indicated to the Parties that it is not opposed to the Agreement.

9. The Joint Movants believe that the Agreement represents a reasonable and fair resolution of this matter and that the terms contained therein are in the public interest. Joint Movants believe the Agreement satisfies the five factors the Commission considers when reviewing a proposed settlement agreement.

10. As the Commission is aware, the five questions the Commission considers when

reviewing proposed settlement agreements are as follows:

- (a) was there an opportunity for the opposing party to be heard on their reasons for opposition to the Agreement;
- (b) is the Agreement supported by substantial competent evidence;
- (c) does the Agreement conform with applicable law;
- (d) does the Agreement result in just and reasonable rates; and
- (e) are the results of the Agreement in the public interest?²

A. THERE WAS AN OPPORTUNITY FOR THE OPPOSING PARTIES TO BE HEARD ON THEIR REASONS FOR OPPOSITION TO THE AGREEMENT

11. The parties to this docket are: Commission Staff, Black Hills, CURB and Freedom Pipeline. The Agreement addresses all issues between Staff, CURB and Black Hills. Representatives from Black Hills, Staff, CURB and Freedom Pipeline participated in the settlement negotiations in this docket on October 5, 2021. A settlement of all issues was reached by the Joint Movants resulting in the Agreement attached as Exhibit A, which is being filed with this Motion. All Parties have had an opportunity to be heard with respect to the terms of the Agreement.

B. THE AGREEMENT IS SUPPORTED BY SUBSTANTIAL COMPETENT EVIDENCE

12. There is substantial competent evidence in the record to support the agreement reached by the Joint Movants. In total, ten (10) Black Hills' witnesses filed direct and/or rebuttal testimony along with the testimony of a witness being filed in support of the Agreement. In addition to Staff's and CURB's testimony in support of the Agreement, nine (9) Staff witnesses and three (3) CURB witnesses also filed direct testimony in this docket. The Agreement is consistent with the testimony filed in this docket and reflects a compromise of the positions taken by the Parties as set forth in their

²Docket No. 08-ATMG-280-RTS, Order Approving Contested Settlement Agreement, issued May 12, 2012, paragraph 11.

direct and rebuttal testimonies and exhibits.

C. THE AGREEMENT CONFORMS WITH APPLICABLE KANSAS LAW

13. The Agreement was fully and fairly negotiated and represents a reasonable compromise based on all Parties' pre-filed positions and will result in just and reasonable rates for Black Hills' customers. Kansas law recognizes a strong policy favoring and encouraging settlements. Standards for reviewing the reasonableness of a settlement agreement requires the Commission to make a finding, supported by substantial competent evidence from a review of the record as a whole, that the settlement will establish just and reasonable rates. That standard is met in this case.

14. Settlement negotiations were thorough and comprehensive, and the Joint Movants had differing opinions about certain items. However, the Joint Movants were able to negotiate a compromise that satisfied each Joint Movant in all respects. This was done, in part, by agreeing to a revenue requirement without explicitly stating the resulting conclusions on every item in dispute. Where it was necessary to specifically state the settlement reached by the Joint Movants on a particular item for setting future rates or for other reasons, the Joint Movants did so.

D. THE AGREEMENT WILL RESULT IN JUST AND REASONABLE RATES

15. Kansas case law dealing with utility rate cases indicates the "just and reasonable" standard coincides with the "zone of reasonableness test adopted by the Kansas courts. The "just and reasonable" standard was first outlined by the United States Supreme Court.³ The Court emphasized that when evaluating whether rates are just and reasonable, the focus of inquiry is properly on the end result or "total effect" of the rate order, rather than on the specific rate setting method employed. In

³*Power Comm'n v. Hope Gas Co.*, 320 U.S. 591, 64 S.Ct. 281, 88 L.Ed. 333 (1944).

addition, the *Hope* case was followed by another Supreme Court case,⁴ which found the Natural Gas Act's articulated "just and reasonable" standard coincides with the applicable constitutional standards and any rate selected by a regulatory commission within" the "broad zone of reasonableness" cannot properly be attacked as confiscatory.

16. Applying these standards to the Agreement, the agreed upon (1) roll-in of \$6.61 million GSRS revenues into base rates; (2) the refund to customers of \$3,024,315 per year in EDIT tax savings through the TA Rider over the next three years, for a total refund to customers of approximately \$9.1 million; and (3) a net zero increase in base rates when accounting for the rebasing of previously authorized GSRS revenue falls within the range of recommendations proposed by Staff, CURB and Black Hills and is consistent with Kansas law regarding the reasonableness of rates. The Kansas Supreme Court has discussed the "zone of reasonableness" as it applies to the Commission's ratemaking function as follows:

There is an elusive range of reasonableness in calculating a fair rate of return. A court can only concern itself with the question as to whether a rate is so unreasonably low or so unreasonably high as to be unlawful. The in between point, where the rate is most fair to the utility and its customers, is a matter for the State Corporation Commission's determination.⁵

17. Black Hills, Staff and CURB all proposed that Black Hills be allowed to roll in \$6.61 million in GSRS revenues into base rates. Black Hills and CURB agreed that Black Hills should refund to customers the EDIT tax savings through the TA Rider over the next three years and Staff proposed that the tax savings should be included in base rates. The refund to customers of \$3,024,315 per year in EDIT tax savings through the TA Rider over the next three-years, for a total refund to

⁴*Permian Basin Area Rate Cases*, 390 U.S. 747, 770, 88 S.Ct. 1344, 20 L.Ed.2d 312, reh denied 392 U.S. 917, 88 S.Ct. 2050 (1968).

⁵*Southwestern Bell Tel. Co. v. State Corporation Commission*, 192 Kan. 39, 41, 386 P.2d 515 (1963).

customers of \$9.1 million, is consistent with the positions taken by the Parties. The three Parties had a difference in their recommendations relating to the other revenue requirement adjustments but the stipulated net zero increase in base rates when accounting for the rebasing of previously authorized GSRS revenue clearly falls within the zone of reasonableness when one considers the stipulated revenue increase is well within the positions of the Joint Movants. When combined with the evidence presented by the Joint Movants through filed testimony and schedules, the stipulated revenue requirement is supported by substantial competent evidence and results in just and reasonable rates. The stipulated amount also satisfies the balancing test aspect of the zone of reasonableness evaluation because the stipulated amount necessarily represents the Joint Movants' recognition of the risk of litigation and that a party will likely not prevail on every element of the pre-filed case.

18. In addition to the roll-in of GSRS revenues into base rates, the refund of tax savings through the TA Rider and a net zero increase in base rates when accounting for the rebasing of previously authorized GSRS revenue, the other specific provisions of the Agreement were fully and fairly negotiated by the Joint Movants in conjunction with the knowledge that it is unlikely the Commission would accept all or any of the Joint Movants' pre-filed positions. Each Joint Movant carefully considered the issues before the Commission and used their best judgment and knowledge of Commission precedent to determine where it might be successful and where compromise was warranted and appropriate.

E. THE AGREEMENT IS IN THE PUBLIC INTEREST

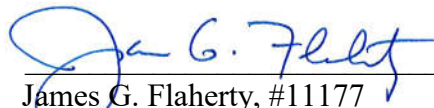
19. Each Joint Movant has a duty to protect the interest of the party it represents. Black Hills has a duty to its customers, employees and shareholders. The Staff and the Commission are in the unique position of being required to weigh and balance the interests of the company, the customers, and the public generally. CURB represents the interests of residential and small

commercial customers. As referenced in the Kansas Gas & Electric case, "the focus of the inquiry (in setting "just and reasonable" rates) is properly on the end result or "total effect" of the rate order, rather than upon the rate setting employed."⁶ The "total effect" of the terms of the Agreement results in just and reasonable rates and represents an equitable balancing of the interest of all the Parties. Thus, the Agreement is in the public interest and should be approved by the Commission in its entirety.

20. The Joint Movants are filing testimony in support of the Agreement on October 13, 2021.

WHEREFORE, for the reasons set forth herein, Black Hills, Staff and CURB request this Joint Motion be granted and that the Agreement attached hereto be approved.

Respectfully submitted:



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⁶*Kansas Gas & Electric*, 239 Kan. 483, 489 (1986).

/s/ Cole Bailey

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/s/ Joseph R. Astrab

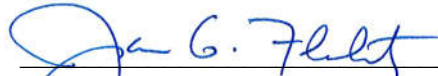
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VERIFICATION

STATE OF KANSAS, COUNTY OF FRANKLIN, ss:

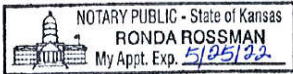
James G. Flaherty, of lawful age, being first duly sworn on oath, states:

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



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 8th day of October, 2021.





Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail this 8th day of October, 2021, addressed to:

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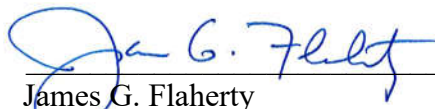
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James G. Flaherty

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) Docket No. 21-BHCG-418-RTS
Changes in its Rates for Natural Gas Service.)

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into between and among the Staff of the State Corporation Commission of the State of Kansas ("Staff"), Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills") and the Citizens' Utility Ratepayer Board ("CURB") (collectively referred to herein as the "Parties" or "Joint Movants"). This Agreement is being submitted to the Commission for its approval pursuant to K.A.R. 82-1-230a.

I. BLACK HILLS' APPLICATION

1. On May 7, 2021, Black Hills filed an Application in this docket to make certain changes in its rates and charges for natural gas service. Pursuant to the Commission's Order dated June 3, 2021, the effective date of the Application was suspended until January 2, 2022. On June 10, 2021, the Commission issued an Order establishing a procedural schedule. This matter is currently set for hearing on October 18-20, 2021.

2. On May 11, 2021, CURB requested intervention in this proceeding and was granted intervention on May 27, 2021. On June 2, 2021, Freedom Pipeline filed for intervention which was approved on June 23, 2021.

3. The schedules filed with Black Hills' Application indicated a need to increase base rates by \$10.2 million, based upon normalized operating results for the 12 months ending December 31, 2020, adjusted for known and measurable changes in revenues, operating and maintenance expenses,

cost of capital and taxes, and other adjustments. As set forth in Black Hills' Application, the \$10.2 million increase in base rates included rolling into base rates revenues that at the time of the filing were being recovered through the Gas System Reliability Surcharge ("GSRS") in the amount of approximately \$4.9 million and resetting the GSRS rate to zero.¹ As indicated by Black Hills, the net revenue increase of \$5.3 million would be substantially offset by a refund of excess accumulated deferred income taxes ("EDIT"), including carrying costs, in the amount of \$2.8 million per year for three years, for a total refund of approximately \$8.4 million, through the Company's proposed Tax Adjustment Rider ("TA Rider"). As set forth in Black Hills' filed rate application, after accounting for the rebasing of the GSRS and the refund through the TA Rider, the net impact to customers for the next three years was a proposed increase in revenues of approximately \$2.5 million. After including the Company's most recently approved GSRS, the Company's Application request after rebasing GSRS revenues is \$3.6 million, with a proposed total increase in revenues of \$781 thousand including TA Rider refund amounts. Black Hills proposed an overall rate of return of 7.05 percent. Additionally, Black Hills included a depreciation study and sought new depreciation rates as part of its Application, and Black Hills updated its depreciation rates as appropriate for utility plant. In support of its Application, Black Hills submitted the testimony of 10 witnesses and the schedules required by K.A.R. 82-1-231.

II. STAFF AND OTHER PARTIES' PRE-FILED POSITIONS

4. On September 10, 2021, Staff filed its direct testimony (including supporting schedules and exhibits) in the above docket recommending that Black Hills be granted a base rate increase

¹On May 21, 2020, Black Hills filed an application with the Commission requesting approval to recover through its GSRS Rider additional revenues of \$1,834,047 associated with \$22,205,049 of capital costs for eligible infrastructure system replacements. The Commission approved the applicable revised Black Hills GSRS Charge on July 29, 2021, to be effective August 1, 2021 in Docket No. 22-BHCG-434-TAR. The GSRS amount approved by the Commission and included within this settlement agreement is approximately \$6.61 million.

(revenue requirement increase) of \$2.9 million, which results in a net decrease to ratepayers of \$3.69 million (after accounting for the removal of the GSRS going forward). Staff also recommended an adjustment to Black Hills' proposed depreciation rates and made recommendations regarding capital structure, return on equity (ROE) and adjustments to the income statement and rate base. Additionally, Staff opposed Black Hills' TA Rider and recommended that the tax benefit of the EDIT be included in base rates.

5. On September 10, 2021, CURB filed testimony in which it recommended a revenue deficiency of \$5.83 million. CURB agreed that the current annual GSRS revenues of \$6.61 million should be rolled in to base rates. Therefore, the roll-in of the GSRS would result in a base rate reduction of \$783,771. CURB supported the proposed TA Rider and the refund of the \$2.8 million in tax savings through the TA Rider over three years, for a total refund of approximately \$8.4 million, and when that is considered CURB's recommendation was an overall annual revenue reduction of \$3.59 million.

6. Freedom Pipeline did not file testimony and no Party filed cross-testimony.

7. Black Hills filed rebuttal testimony on October 1, 2021.

8. Subsequently, on October 5, 2021, Black Hills, Staff, CURB and Freedom Pipeline met to discuss the possible settlement of the issues in this matter. The Joint Movants were able to reach a settlement agreement in principle resolving all issues in the case. Freedom Pipeline has not signed the Agreement but has indicated to the Parties that it is not opposed to the Agreement.

9. The Joint Movants believe that the Agreement represents a reasonable and fair resolution of this matter and that the terms contained therein are in the public interest. Joint Movants believe the Agreement satisfies the five factors the Commission considers when reviewing a proposed settlement agreement.

III. SETTLEMENT PROVISIONS

A. STIPULATED REVENUE REQUIREMENT; GSRS REBASING; AND TA RIDER

10. The Parties agree that the Commission should authorize Black Hills to include in base rates the \$6,610,982 in GSRS revenues that was approved by the Commission in Docket No. 22-BHCG-434-TAR and to reset the GSRS rates at zero. Any GSRS eligible investment placed in service on or after July 1, 2021, shall qualify as eligible infrastructure system investments as defined by K.S.A. 66-2202. The Parties further agree that the Commission should approve Black Hills' proposed TA Rider and to allow Black Hills to refund the EDIT tax savings in the amount of \$3,024,315 each year for the next three years, for a total refund of \$9.1 million, through the TA Rider. Black Hills shall be allowed to use the TA Rider to pass through or recover any decreases or increases in its revenue requirement due to any future changes to federal or state tax laws. Finally, the Parties agree that there will be no net increase in Black Hills' base revenue requirement other than the \$6.61 million in GSRS revenues mentioned herein.

B. MISCELLANEOUS ISSUES

11. The Parties agree the revenue requirement specified in paragraph 10 above, includes implementation of the depreciation rates proposed by Staff witness Roxie McCullar and set forth in Appendix A to this Agreement. Black Hills agrees it will adopt the depreciation rates in Appendix A. By agreeing to the depreciation rates set forth in Appendix A, Black Hills is not agreeing to the policy recommendations made by Ms. McCullar. Further, Black Hills is not precluded from advancing positions or arguments in future rate filings that differ from the policy recommendations made by Ms. McCullar.

12. Pursuant to the Commission's Order in Docket No. 19-ATMG-525-RTS, Staff addressed the issue of incentive compensation in pre-filed testimony. Testimony regarding incentive

compensation was also filed by Black Hills in its direct and rebuttal testimony. CURB also filed testimony regarding incentive compensation. The Parties agree that nothing in this Agreement constitutes an agreement by Black Hills that Staff's and CURB's proposed adjustments to incentive compensation are appropriate and this Agreement does not prevent Black Hills or other parties from challenging such adjustments in the future.

13. The Parties agree that nothing in this Agreement constitutes an agreement by the Parties to the capital structure proposals presented in this case and this Agreement does not prevent the Parties from challenging such proposals in the future.

14. With the exception of the Parties agreement to allow Black Hills to implement its TA Rider subject to the terms of this Agreement, Black Hills agrees to the recommendations contained in Mr. Grady's testimony regarding Black Hills's other proposed changes to its tariffs and general terms and conditions of service. Additionally, as identified on pages 15-16 of Black Hills' witness Robert W. Daniel's rebuttal testimony, the Company is withdrawing proposed revisions to Index No. 7 and Index No. 8.

C. ACCOUNTING MATTERS

15. For purposes of filing Black Hills' Ad Valorem Surcharge Rider (all subsequent years until rebased in Black Hills' next base rate case), the Parties agree that the ad valorem expenses embedded in base rates shall be \$5,293,400.

16. Amortization periods and/or expenses are established as follows:

- (a) Black Hills' actual rate case expense amortized over five years;
- (b) Black Hills' Pension and OPEB deferrals in the amounts of (\$5,119,104) and (\$560,769) respectively amortized over five years ((\$1,023,821) and (\$112,154) per year, respectively);

(c) Anadarko acquisition regulatory expenses in the amount of \$76,617 amortized over five years, \$15,323 per year;

(d) With respect to item 16(b) above, Black Hills shall have the right to recover any over-amortized amount relating to Pension and OPEB deferrals, and with respect to item 16(a), Black Hills reserves the right to seek recovery of any unamortized amount relating to rate case expense, with the understanding that Staff and CURB reserve their right to object to the recovery of any unamortized amount relating to rate case expense; and

(e) The revenue requirement set in this case includes a reduction to cost of service for amortization of federal protected plant excess deferred income taxes determined using the average rate assumption method.

17. For the purposes of calculating Black Hills' pension tracker going forward, the Parties agree that the base rates agreed to in this Agreement include the following expenses:

(a) Black Hills' Pension Expense:

\$184,471

(b) Black Hills' OPEB Expense:

\$201,614.

18. For purposes of calculating Black Hills' GSRS, the carrying charges to be applied to recoverable investments in such filings shall be calculated using a carrying charge of 7.78% gross of tax, which is based on state and federal tax rates in effect as of the date of this Agreement. The Parties agree this carrying charge is solely for purposes of subsequent GSRS filings and is not precedential for any other purpose.

19. For allocating costs among customer classes in a GSRS filing, such costs shall be allocated among Black Hills' classes of customers based on the revenue allocation presented in

Appendix B.

D. CLASS COST OF SERVICE AND RATE DESIGN

20. The Parties agree that nothing in this Agreement constitutes agreement to the class cost of service studies presented in this case and this Agreement does not prevent the parties from challenging such proposals in the future. The Parties agree the rebasing of the GSRS and the EDIT tax savings passed through to customers using the TA Rider shall be allocated among the respective classes of customers according to the amounts indicated for each class as shown in Appendix B attached hereto. The Parties agree to the rate design contained in Appendix B.

E. WEATHER NORMALIZATION ADJUSTMENT ("WNA") ISSUES

21. The Parties agree that irrigation, interruptible and transportation customer classes shall not be included in the WNA Rider. The Parties will confer to determine the coefficients for the other classes to be used in the WNA Rider, using the Staff's coefficients for all of the weather stations except for the Concordia weather station.

F. GENERAL TERMS AND CONDITIONS

22. Black Hills agrees to include in its tariffs, general terms and conditions and miscellaneous charges, the proposed changes included in Staff witness Justin Grady's testimony, with the exception of the TA Rider and the withdrawal of Company proposed revisions to Index No. 7 and Index No. 8, which has previously been discussed in this Agreement.

IV. MISCELLANEOUS PROVISIONS

A. THE COMMISSION'S RIGHTS

23. Nothing in this Agreement is intended to impinge or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation, including the obligation to ensure that Black Hills is providing efficient and

sufficient service at just and reasonable rates.

B. PARTIES' RIGHTS

24. The Parties, including Staff, shall have the right to present pre filed testimony in support of this Agreement. Such testimony shall be filed formally in the docket and presented by witnesses at a hearing on this Agreement. Such testimony shall be filed on or before October 13, 2021, as required by the procedural schedule filed in this docket.

C. WAIVER OF CROSS EXAMINATION AND POST HEARING BRIEFS

25. The Parties agree to waive cross examination on all testimony filed prior to the filing of this Agreement. The Parties agree that all such pre-filed testimony and exhibits may be incorporated into the record without objection. The Parties agree to waive filing of post-hearing briefs.

D. NEGOTIATED SETTLEMENT

26. This Agreement represents a negotiated settlement that fully resolves all of the issues in this docket among the Parties. The Parties represent that the terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein. Except as specified herein, the Parties shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement in the instant proceeding. If the Commission accepts this Agreement in its entirety and incorporates the same into a final order without material modification, the Parties shall be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein and in accordance with the terms hereof, and will not appeal the Commission's order on these issues.

E. INTERDEPENDENT PROVISIONS

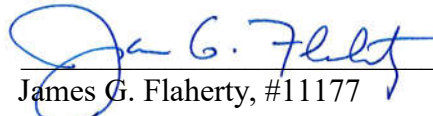
27. The provisions of this Agreement have resulted from negotiations among the Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this

Agreement in total, the Agreement shall be voidable and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof. Further, in such event, this Agreement shall be considered privileged and not admissible in evidence or made a part of the record in any proceeding.

F. SUBMISSION OF DOCUMENTS TO THE COMMISSION OR STAFF

28. To the extent this Agreement provides for information, documents or other data to be furnished to the Commission or Staff, such information, documents or data shall be filed with the Commission and a copy served upon the Commission's Director of Utilities. Such information, documents, or data shall be marked and identified with the docket number of this proceeding.

IN WITNESS WHEREOF, the Parties have executed and approved this Stipulated Settlement Agreement, effective as of the 8th day of October, 2021, by subscribing their signatures below.



James G. Flaherty, #11177
ANDERSON & BYRD, LLP
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BLACK HILLS/KANSAS GAS UTILITY COMPANY, LLC
APPENDIX A: DEPRECIATION RATES

FERC Acct	Description	Depreciation Rate
INTANGIBLE PLANT		
302.00	Intangibles Franchises & Consents	0.48%
303.00	Intangibles Miscellaneous	1.83%
303.01	Intangibles Miscellaneous - Easements	5.06%
NATURAL GAS PRODUCTION & GATHERING PLANT		
336.01	Purification Equipment	2.76%
TRANSMISSION PLANT		
366.01	Structures and Improvements	0.98%
367.00	Transmission Plant - Mains	1.38%
368.04	Compressor Station Equipment	7.27%
369.03	Measuring & Regulating Station Equipment	2.81%
371.01	Transmission Plant - Other Equipment	8.90%
DISTRIBUTION PLANT		
375.01	Structures and Improvements	2.45%
376.00	Distribution Plant - Mains	1.54%
377.00	Compressor Station Equipment	4.86%
378.00	Measuring & Regulating Station Equipment - General	2.33%
379.00	Measuring & Regulating Station Equipment - City Gate	4.74%
380.00	Distribution Plant - Services	2.09%
381.00	Meters	9.23%
381.01	Meters - ERT & AMI	7.10%
382.01	Meter Installations	0.90%
383.01	House Regulators	3.08%
385.01	Industrial Measuring & Regulating Station Equipment	2.45%
387.00	Other Equipment	2.92%
GENERAL PLANT		
390.01	Structures and Improvements	2.71%
390.51	Leasehold Improvements	0.00%
391.01	Office Furniture & Equipment	4.98%
391.03	Computer Hardware	17.64%
391.07	Ipad Hardware	20.00%
392.01	Transportation Equipment	8.53%
392.03	Light Trucks	7.13%
392.04	Medium Trucks	11.60%
392.05	Heavy Trucks	1.12%
392.06	Trailers	1.46%
393.00	Stores Equipment	4.00%
394.00	Tools, Shop, and Garage Equipment	3.90%
395.00	Laboratory Equipment	4.41%
396.00	Power Operated Equipment	5.57%
397.00	Communication Equipment	6.59%
398.00	Miscellaneous Equipment	6.67%
NON-DEPRECIABLE ACCOUNTS		
301.00	Intangibles Organization	
303.02	Intangibles Miscellaneous - Trademarks	
365.01	Land	
365.02	Land Rights/Right-of-Way (Non-Depreciable)	
365.71	Land/Farm Tap	
365.72	Land Rights/Farm Tap (Non-Depreciable)	
374.01	Land	
374.02	Land Rights/Right of Way (Non-Depreciable)	
389.01	Land	

APPENDIX A

Settlement Allocation of the Revenue Requirement Increase											
Customer Class	Target Class Revenue Allocation								Ultimate Class Increases		
	Total Base Rate Revenue	Percentage Revenue Rate Class	Equal Percentage Increase in Revenue	Proposed Increase in Revenue Requirement	Note: Proposed Increase Calculation	Total Base Rate Revenue	Percent Increase	Percentage Revenue Rate Class	Current Base Rate Revenue	Settlement Base Rate Revenue	Percent Increase
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Residential	\$ 32,784,815	67.2%	\$ 4,443,773	\$ 4,283,044	Residual	\$37,067,859	13.06%	66.9%	\$32,784,815	\$ 37,101,325	13.17%
Small Commercial - Sales	\$ 4,633,135	9.5%	\$ 627,992	\$ 627,992	Sys Avg	\$ 5,261,127	13.55%	9.5%	\$ 4,633,135	\$ 5,224,153	12.76%
Small Commercial - Transportation	\$ 156,698	0.3%	\$ 21,239	\$ 21,239	Sys Avg	\$ 177,937	13.55%	0.3%	\$ 156,698	\$ 181,097	15.57%
Subtotal	\$ 37,574,647	77.0%	\$ 5,093,004	\$ 4,932,275		\$42,506,922	13.13%	76.7%	\$37,574,647	\$ 42,506,576	13.13%
Small Volume Firm	\$ 3,037,821	6.2%	\$ 411,757	\$ 411,757	Sys Avg	\$ 3,449,578	13.55%	6.2%	\$ 3,037,821	\$ 3,476,708	14.45%
Small Volume Transportation	\$ 1,344,113	2.8%	\$ 182,186	\$ 182,186	Sys Avg	\$ 1,526,299	13.55%	2.8%	\$ 1,344,113	\$ 1,499,222	11.54%
Subtotal	\$ 4,381,934	9.0%	\$ 593,943	\$ 593,943		\$ 4,975,877	13.55%	9.0%	\$ 4,381,934	\$ 4,975,930	13.56%
Large Volume Firm	\$ 444,349	0.9%	\$ 60,229	\$ 66,252	110% of Avg	\$ 510,600	14.91%	0.9%	\$ 444,349	\$ 501,579	12.88%
Large Volume Transportation	\$ 3,264,736	6.7%	\$ 442,514	\$ 486,766	110% of Avg	\$ 3,751,502	14.91%	6.8%	\$ 3,264,736	\$ 3,758,167	15.11%
Large Volume Interruptible	\$ 587,738	1.2%	\$ 79,664	\$ 87,631	110% of Avg	\$ 675,369	14.91%	1.2%	\$ 587,738	\$ 677,833	15.33%
Subtotal	\$ 4,296,823	8.8%	\$ 582,407	\$ 640,648		\$ 4,937,471	14.91%	8.9%	\$ 4,296,823	\$ 4,937,580	14.91%
Irrigation Service	\$ 2,032,472	4.2%	\$ 275,489	\$ 358,135	130% of Avg	\$ 2,390,608	17.62%	4.3%	\$ 2,032,472	\$ 2,384,674	17.33%
Irrigation Transportation	\$ 487,954	1.0%	\$ 66,139	\$ 85,981	130% of Avg	\$ 573,935	17.62%	1.0%	\$ 487,954	\$ 579,874	18.84%
Subtotal	\$ 2,520,427	5.2%	\$ 341,628	\$ 444,116		\$ 2,964,543	17.62%	5.4%	\$ 2,520,427	\$ 2,964,548	17.62%
Total Sales and Transportation	\$ 48,773,831	100.0%	\$ 6,610,982	\$ 6,610,982		\$55,384,813	13.55%	100.0%	\$48,773,831	\$ 55,384,633	13.55%

Current and Settlement Rates				
Customer Class	Current Rates		Proposed Rates	
	Customer Charge	Volumetric Charge	Customer Charge	Volumetric Charge
	(a)	(b)	(c)	(d)
Residential	\$ 16.94	\$ 0.16833	\$ 18.50	\$ 0.20251
Small Commercial - Sales	\$ 25.94	\$ 0.16833	\$ 28.00	\$ 0.20251
Small Commercial - Transportation	\$ 25.94	\$ 0.16833	\$ 28.00	\$ 0.20251
Small Volume Firm	\$ 52.97	\$ 0.14700	\$ 70.00	\$ 0.15606
Small Volume Transportation	\$ 52.97	\$ 0.14700	\$ 70.00	\$ 0.15606
Large Volume Firm	\$ 333.10	\$ 0.06800	\$ 355.00	\$ 0.07937
Large Volume Transportation	\$ 333.10	\$ 0.06800	\$ 355.00	\$ 0.07937
Large Volume Interruptible	\$ 333.10	\$ 0.06800	\$ 355.00	\$ 0.07937
Irrigation Service	\$ 28.45	\$ 0.05100	\$ 45.00	\$ 0.05378
Irrigation Transportation	\$ 28.45	\$ 0.05100	\$ 45.00	\$ 0.05378

Base Rate Revenue with Settlement Rates							
Customer Class	Adjusted Number of Bills	Adjusted Customer Usage (Therms)	Customer Charge	Volumetric Charge	Total Customer Charge	Total Volumetric Charge	Total Base Rate Revenue
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Residential	1,245,161	69,457,540	\$ 18.50	\$ 0.20251	\$23,035,479	\$14,065,847	\$ 37,101,325
Small Commercial - Sales	109,053	10,718,825	\$ 28.00	\$ 0.20251	\$ 3,053,484	\$ 2,170,669	\$ 5,224,153
Small Commercial - Transportation	2,313	574,457	\$ 28.00	\$ 0.20251	\$ 64,764	\$ 116,333	\$ 181,097
Subtotal	1,356,527	80,750,823			\$26,153,727	\$16,352,849	\$ 42,506,576
Small Volume Firm	18,282	14,077,711	\$ 70.00	\$ 0.15606	\$ 1,279,740	\$ 2,196,968	\$ 3,476,708
Small Volume Transportation	5,250	7,251,840	\$ 70.00	\$ 0.15606	\$ 367,500	\$ 1,131,722	\$ 1,499,222
Subtotal	23,532	21,329,551			1,647,240	3,328,690	4,975,930
Large Volume Firm	505	4,060,784	\$ 355.00	\$ 0.07937	\$ 179,275	\$ 322,304	\$ 501,579
Large Volume Transportation	1,552	40,408,308	\$ 355.00	\$ 0.07937	\$ 550,960	\$ 3,207,207	\$ 3,758,167
Large Volume Interruptible	242	7,457,768	\$ 355.00	\$ 0.07937	\$ 85,910	\$ 591,923	\$ 677,833
Subtotal	2,299	51,926,860			816,145	4,121,435	4,937,580
Irrigation Service	16,095	30,873,916	\$ 45.00	\$ 0.05378	\$ 724,275	\$ 1,660,399	\$ 2,384,674
Irrigation Transportation	4,355	7,138,321	\$ 45.00	\$ 0.05378	\$ 195,975	\$ 383,899	\$ 579,874
Subtotal	20,450	38,012,237			920,250	2,044,298	2,964,548
Total Sales and Transportation	1,402,808	192,019,471			29,537,362	25,847,272	55,384,633

Actual Minus Target	Class Target Revenue Allocation
\$ (347)	\$ 37,067,859
	\$ 5,261,127
	\$ 177,937
	\$ 42,506,922
\$ 52	\$ 3,449,578
	\$ 1,526,299
	\$ 4,975,877
\$ 109	\$ 510,600
	\$ 3,751,502
	\$ 675,369
	\$ 4,937,471
\$ 5	\$ 2,390,608
	\$ 573,935
	\$ 2,964,543
\$ (180)	\$ 55,384,813

Calculation of Volumetric Charges

Resid & Sm Comm:	
Vol Charge Rev Rqmt	\$ 16,353,196
Vol Rate	\$ 0.20251

Sm Vol Firm:	
Vol Charge Rev Rqmt	\$ 3,328,637
Vol Rate	\$ 0.15606

Lg Vol Firm, Transport, & Interrupt:	
Vol Charge Rev Rqmt	\$ 4,121,326
Vol Rate	\$ 0.07937

Irrigation	
Vol Charge Rev Rqmt	\$ 2,044,293
Vol Rate	\$ 0.05378

Settlement Tax Adjustment Rider Refund				
Customer Classes	Proposed Base Rate Revenue by Customer Class	Annual Rider TS Refund by Customer Class	Calculated Refund Percentage by Customer Class	Percentage Refund by Customer Class
	(A)	(B) = (A)/(55,384,813) *	(C) = (B)/(A)	(D) = (B)/3,024,415
		3,024,415		
Residential	37,101,325	(2,025,943)	0.054606	67%
Small Commercial	5,405,251	(295,157)	0.054606	10%
Small Volume	4,975,930	(271,714)	0.054606	9%
Large Volume	4,937,580	(269,620)	0.054606	9%
Irrigation	2,964,548	(161,881)	0.054606	5%
Total	55,384,633	(3,024,315)		100%