

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION ]  
OF BLACK HILLS/KANSAS GAS UTILITY] KCC DOCKET NO. 25-BHCG-298-RTS  
COMPANY, LLC, d/b/a BLACK HILLS ]  
ENERGY, FOR APPROVAL OF THE ]  
COMMISSION TO MAKE CERTAIN ]  
CHANGES IN ITS RATES FOR NATURAL ]  
GAS SERVICE. ]

TESTIMONY OF  
AUDREY BENHAM  
IN SUPPORT OF SETTLEMENT AGREEMENT  
ON BEHALF OF  
THE CITIZENS' UTILITY RATEPAYER BOARD

June 16, 2025

1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Please state your name, employer, and business address.**

3 A. My name is Audrey Benham. I am employed by the Citizens' Utility Ratepayer Board  
4 ("CURB"). My business address is 1500 S.W. Arrowhead Road, Topeka, KS 66614.  
5

6 **Q. Please provide a brief summary of this proceeding.**

7 A. On February 3, 2025, Black Hills Energy ("Black Hills" or "Company") filed an Application  
8 with the Kansas Corporation Commission ("KCC" or "Commission") requesting a base  
9 revenue increase of \$21,593,881 for its natural gas operations in Kansas. The Company's  
10 filing includes specific costs which are currently collected through the Gas System Reliability  
11 Surcharge ("GSRS"). The GSRS recovered \$4,386,129 from ratepayers at the time of filing.  
12 With the roll-in of the GSRS costs into base rates, which resets the GSRS to \$0, the net revenue  
13 increase is \$17,207,752.

14 The Company's proposal included a capital structure of 49.56% long-term debt, 50.44%  
15 common equity and a return on equity of 10.50%. This results in an overall rate of return of  
16 7.63%.

17 In addition to the revenue increase, Black Hills requests the approval for an abbreviated  
18 rate case to include plant-in service through December 31, 2025, and to establish a deferred  
19 accounting tracker for insurance costs. Black Hills also seeks to continue the Ad Valorem Tax  
20 Surcharge Rider and the Pension and Retiree Healthcare ("OPEB") Trackers.  
21

22 **Q. Did you previously file testimony in this proceeding?**

23 A. Yes. On May 9, 2025, I filed direct testimony, on behalf of CURB, addressing CURB's

1 revenue requirement. Also, on behalf of CURB, Dr. J. Randall Woolridge filed direct  
2 testimony regarding cost of capital and capital structure issues; Josh Frantz filed direct  
3 testimony regarding tariff modifications; and Glenn A. Watkins filed direct testimony  
4 regarding class cost of service and rate design.

5  
6 **Q. Please summarize CURB's recommendations in this case.**

7 A. Dr. Woolridge recommended a capital structure of 50% long-term debt, 50% common equity,  
8 and a return on equity of 9.50%. This resulted in an overall rate of return of 7.11%.

9 With regard to revenue requirement, Black Hills included the GSRS revenues within their  
10 revenue requirement study which resulted in the revenue requirement being calculated based  
11 on a net revenue increase instead of a base revenue increase. My revenue requirement  
12 recommendation was also calculated on a net revenue increase basis. I recommended a net  
13 revenue increase of \$13,690,444 for Black Hills. However, before settlement discussions  
14 commenced, it was brought to my attention that there was a signage error with my depreciation  
15 expense recommendation. The correction of this error resulted in a net revenue increase of  
16 \$12,442,210 for Black Hills.

17 I also recommended the Commission approve the Company's request for an abbreviated  
18 rate case but limited to plant-in service additions and updates to items associated with plant-in  
19 service through December 31, 2025, and the re-examination of the deferred accounting tracker  
20 for insurance costs.

21 Mr. Watkins conducted his own CCOS study. He recommended the Residential customer  
22 class be allocated 58.31% of the base revenue increase and the Small Commercial customer  
23 class be allocated 10.62% of the base revenue increase. Regarding Residential and Small

1 Commercial rate design, Mr. Watkins recommended maintaining the current customer charge  
2 of \$18.50 per month for the Residential customer class and \$28.00 per month for the Small  
3 Commercial customer class.

4 Mr. Frantz recommended that relevant customer-specific information may be disclosed by  
5 the Company if requested by CURB or other intervenors in KCC proceedings. He also  
6 recommended that the Company provide notice of the tariff revisions to any third-party  
7 vendors who already received customer-specific information from the Company, directing the  
8 vendors to securely discard all such information. Lastly, he recommended that the Company  
9 file a status update notifying the Commission which vendors had received customer-specific  
10 information and confirming those vendors had been provided notice of the tariff change.

11  
12 **Q. How did CURB's revised revenue requirement recommendations compare with KCC**  
13 **Staff's original recommendations and Black Hills' original request?**

14 A. KCC Staff calculated their revenue requirement recommendation by removing the GSRS  
15 revenues from the revenue requirement to arrive at their base revenue increase of \$13,561,650.  
16 However, KCC Staff reduced the base revenue increase by the updated GSRS which resulted  
17 in a net revenue increase of \$9,184,235. The below table shows a comparison between the  
18 Company's request, CURB's recommendation, and KCC Staff's recommendation.

Description	Black Hills Energy	CURB	KCC Staff
Pro Forma Rate Base	\$ 305,947,330	\$300,475,962	\$294,261,415
Required Cost of Capital	7.63%	7.11%	6.94%
Required Return	\$ 23,343,781	\$21,348,817	\$20,421,742
Operating Income @ Present Rates	\$ 9,749,657	\$11,597,342	\$9,710,930
Operating Income Deficiency	\$ 13,594,125	\$9,751,475	\$10,710,812
Revenue Multiplier	1.2658	1.2739	1.2662
Pro Forma Revenue Increase	\$ 17,207,752	\$12,422,210	\$13,561,650
GSRS Adjustment	0	0	4,377,415
Required Net Revenue Increase	\$ 17,207,752	\$12,422,210	\$9,184,235

## II. DESCRIPTION OF THE SETTLEMENT AGREEMENT

**Q. Since your Direct Testimony was filed, have the parties engaged in settlement discussions?**

A. Yes. On June 5, 2025, CURB, along with the Company, KCC Staff, Kansas Municipal Gas Agency, Symmetry Energy Solutions, LLC, Woodriver Energy, LLC, Freedom Pipeline, LLC, and Seaboard Energy Kansas, LLC (collectively “the Signatories”), engaged in settlement discussions.

**Q. Has a Settlement Agreement been reached?**

A. The Signatories have submitted a Unanimous Settlement Agreement for the Commission’s

consideration pursuant to K.A.R. 82-1-230a(2).<sup>1</sup>

**Q. Please summarize the terms of the Settlement Agreement relevant to CURB's interests.**

A. The Settlement Agreement includes a base revenue increase of \$15,200,000. With the recovery of the updated GSRS revenues in the amount of \$4,377,415, this results in a net revenue increase of \$10,822,585. While the Settlement Agreement does not specify a capital structure or cost of capital, the Signatories agreed to use an 8.37% pre-tax rate of return for future GSRS annual filings until the Company's next general rate case.

The Signatories have agreed to the following accounting matters:

- The continuation of the Ad Valorem Tax Surcharge Rider and to include \$7,815,966 in base rates;
- Amortize Black Hills' total rate case expense over five years;
- Amortize Black Hills' pension tracker balance of \$717,948 and amortize the OPEB tracker balance of \$95,444 over three years;
- Black Hills reserving the right to recover any unamortized amount from the pension and OPEB deferrals; and
- Inclusion of \$262,612 in pension expense and \$167,600 in OPEB expense into base rates.

The Signatories agreed to Black Hills' request to establish a deferred accounting insurance tracker. If the Commission approves the insurance tracker, the insurance expense amount included in base rates will be \$1,128,696. The Signatories agreed to KCC Staff's proposal to

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<sup>1</sup> "Unanimous settlement agreement" means an agreement that is entered into by all parties to the proceeding or an agreement that is not opposed by any party that did not enter into the agreement.

1 include a sunset provision for the insurance tracker as part of Black Hills' next general rate  
2 case, and for Black Hills to support the cost recovery of the deferred balance in its next general  
3 rate case filing.<sup>2</sup>

4 The Signatories agreed to Black Hills refunding approximately \$2,950,909 to customers  
5 through the Tax Adjustment Rider.

6 The Settlement Agreement includes the approval for an abbreviated rate case as proposed  
7 by KCC Staff. The abbreviated rate case would be limited to the true-up of construction work  
8 in process balance through September 30, 2025, and to update plant-in service, accumulated  
9 depreciation, accumulated deferred income taxes, and depreciation expense through December  
10 31, 2025. The Signatories have agreed to a total adjusted rate base of \$294,824,431 as of  
11 February 28, 2025.

12 The Signatories agreed to a Residential customer charge of \$21.00 per month and a Small  
13 Commercial customer charge of \$32.00 per month.

14 Finally, the Signatories agreed to the tariff revisions included in Nicholas W. Smith's direct  
15 testimony and subsequent revisions accepted in his rebuttal testimony. Regarding customer-  
16 specific data and based on CURB's recommendation, the Signatories agreed that Black Hills  
17 shall notify currently contracted third-party vendors to request the deletion of customer data.<sup>3</sup>

18 The Company shall also supply KCC Staff and CURB with a list of the third-party vendors  
19 who were sent a notification.  
20

### 21 **III. ANALYSIS OF THE SETTLEMENT AGREEMENT**

#### 22 **Q. Has the Commission adopted standards to evaluate unanimous settlement agreements?**

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<sup>2</sup> Direct testimony of Chad Unrein on Behalf of Kansas Corporation Commission, pg. 52, lines 11-13 (May 9, 2025).

<sup>3</sup> Unanimous Settlement Agreement, pg. 7-8, paragraph 11b (June 13, 2025)

1 A. Yes. For unanimous settlement agreements, the Commission has adopted a three-factor test.

2 The three factors include: 1) Is the agreement supported by substantial competent evidence?

3 2) Does the agreement result in just and reasonable rates? 3) Is the agreement in the public  
4 interest?

5  
6 **Q. Is the Settlement Agreement supported by substantial competent evidence within the**  
7 **record?**

8 A. Yes, it is. The Settlement Agreement is supported by the Company's Application, direct  
9 testimony and exhibits, and rebuttal testimony and exhibits. It is also supported by CURB's,  
10 KCC Staff's, and other intervenors' direct testimony, schedules, workpapers, and exhibits that  
11 offer diverse recommendations. CURB utilized this information during settlement discussions  
12 to reach an agreement with the Signatories.

13 As stated above, CURB's corrected net revenue increase resulted in an increase of  
14 \$12,422,210. During settlement discussions, CURB agreed to KCC Staff's recommendation  
15 of the Weather Normalization Adjustment ("WNA"). With CURB's corrected net revenue  
16 increase and the inclusion of KCC Staff's WNA, this resulted in a net revenue increase of  
17 \$10,164,914 or a base revenue increase of \$14,542,329. While the settled base revenue  
18 increase is slightly higher than CURB's adjusted base revenue increase, it is still significantly  
19 less than the Company's original base revenue increase request of \$21,593,881.

20  
21 **Q. Does the Settlement Agreement result in just and reasonable rates?**

22 A. Yes, it does. As stated above, while the base revenue increase agreed to in the Settlement  
23 Agreement is slightly higher than CURB's updated position, it represents approximately a 30%



1 reduction from the Company's original request. I believe the base revenue increase is just and  
2 reasonable for the Company's customers.

3  
4 **Q. For purposes of the GSRS, how does the stated pre-tax rate of return of 8.37% compare**  
5 **with the cost of capital recommendation of Dr. Woolridge?**

6 A. Since the Settlement Agreement is a "black box" settlement, there is no defined capital  
7 structure, return on equity, or overall rate of return included in the settlement. However, based  
8 on Dr. Woolridge's capital structure and cost of capital recommendations, he determined an  
9 after-tax rate of return of 7.11%, which calculates to a pre-tax rate of return of 8.37%. The  
10 Company's original pre-tax rate of return was 9.04% and KCC Staff's recommended pre-tax  
11 rate of return was 8.12%. Not only have the Signatories agreed to a pre-tax rate of return that  
12 is the same as CURB's recommendation, the pre-tax rate of return of 8.37% falls in between  
13 the range of between the Company and KCC Staff. Thus, making the pre-tax rate of return  
14 reasonable for future GSRS filings.

15  
16 **Q. How does Mr. Watkins' recommended Residential customer charge and Small**  
17 **Commercial customer charge compare with KCC Staff's recommendation and Black**  
18 **Hills' request?**

19 A. Mr. Watkins had recommended the customer charge for the Residential class and Small  
20 Commercial class remain unchanged in this proceeding. Meanwhile, Staff recommended an  
21 increase that reflects what customers pay today with the customer charge and GSRS rider on  
22 bills. The Settlement Agreement includes an increase in the customer charge for the  
23 Residential class from \$18.50 to \$21.00 per month and the Small Commercial class from

1       \$28.00 to \$32.00 per month. However, the Company's original proposal would have raised  
2       the Residential customer charge to \$31.50 per month or approximately a 70% increase and the  
3       Small Commercial customer charge to \$49.50 per month or approximately a 76%. Under the  
4       Settlement Agreement, the fixed charge will change only slightly compared to bills today up  
5       until the Company requests recovery for future projects through the GSRS. This shows that  
6       the agreed upon Residential and Small Commercial customer charges are reasonable based on  
7       the record.

8  
9       **Q. Is the Settlement Agreement in the public interest?**

10      A. Yes, it is. The Company's original base revenue increase request is approximately 30% higher  
11      than the settled base revenue increase. The Company's original pre-tax rate of return was  
12      9.04% which contrasts with the settled pre-tax rate of return of 8.37% which is applied to the  
13      GSRS. This will result in reduced costs attributable to future GSRS filings, which lessens bill  
14      impacts for customers. The Settlement Agreement results in a higher Residential and Small  
15      Commercial customer charge to enhance cost recovery for the Company but still provides relief  
16      for customers when compared to the Company's initial position. Further, the Settlement  
17      Agreement was reached through negotiations where all positions were thoroughly discussed  
18      and considered. Various provisions set forth the parameters of future proceedings that will  
19      examine additional investments needed to maintain the quality of gas distribution services in  
20      the Company's territory. These tentative plans represent a commitment to a course of action  
21      to resolve outstanding and future issues identified through this docket. This kind of proactive  
22      attention to activities between rate cases help maintain focus and continuity of work on large  
23      and evolving situations. Therefore, the Settlement Agreement is in the public interest.

1    **Q. What do you recommend?**

2    A. As shown above, the Settlement Agreement is supported by substantial competent evidence;  
3       the Settlement Agreement results in just and reasonable rates; and the Settlement Agreement  
4       is in the public interest. Therefore, I recommend that the Commission approve the Settlement  
5       Agreement as filed.

6


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

8    A. Yes, it does.

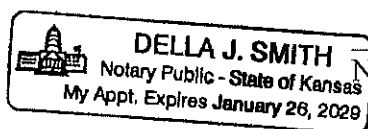
**VERIFICATION**

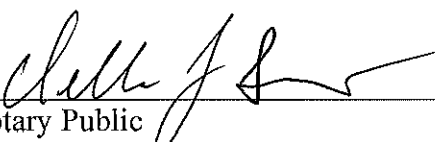
STATE OF KANSAS                     )  
  )  
COUNTY OF SHAWNEE            )       ss:

I, Audrey Benham, of lawful age and being first duly sworn upon my oath, state that I am a Regulatory Analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.

  
Audrey Benham

SUBSCRIBED AND SWORN to before me this 12<sup>th</sup> day of June, 2025.



  
Notary Public

My Commission expires: 01-26-2029.

## **CERTIFICATE OF SERVICE**

25-BHCG-298-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 16<sup>th</sup> day of June, 2025, to the following:

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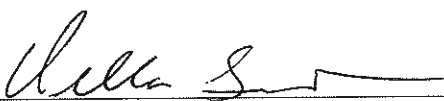
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