

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Andrew J. French, Chairperson
Dwight D. Keen
Susan K. Duffy

In the Matter of the Application of the Black)
Hills/Kansas Gas Utility Company, LLC, d/b/a) Docket No. 21-BHCG-418-RTS
Black Hills Energy, for Approval of the)
Commission to Make Certain Changes in its Rates)
for Natural Gas Service.)

ORDER APPROVING UNANIMOUS SETTLEMENT AGREEMENT

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, the Commission finds:

1. On May 7, 2021, Black Hills/Kansas Gas Utility Company d/b/a/ Black Hills Energy (Black Hills) filed an Application to continue use of the Gas System Reliability Surcharge (GSRS) as required by K.S.A. 66-2201 *et. seq.* and to reflect changes to revenue expense and other rate base changes incurred since its last rate case filed in 2014.¹ Black Hills requested a \$10.2 million increase in base rate revenues and to reset the GSRS rate to zero.²
2. Under Black Hills' application, the GSRS of \$4.9 million would be rolled into base rates, resetting the current GSRS to zero.³ Net Revenue would increase by \$5.3 million annually. Additionally \$2.8 million per year for three years would be returned to ratepayers under the Tax Adjustment (TA) Rider.⁴ Black Hills states that after these adjustments its overall rate of return

¹ Application, pg. 4 (May 7, 2021).

² *Id.*

³ *Id.*

⁴ *Id.*

would be 7.05%.⁵ Black Hills additionally requested an increase in its customer charge from \$16.95 to \$20.00 per month.

3. In support of its Application, Black Hills submitted the testimony of 10 witnesses and the schedules as required by K.A.R. 82-1-231.

4. On May 11, 2021, the Citizens' Utility Ratepayer Board (CURB) filed its petition to intervene.⁶ On May 27, 2021, the Commission granted CURB's petition.

5. On June 2, 2021, Freedom Pipeline, LLC filed a petition to intervene which was granted on June 23, 2021.⁷

7. On September 10, 2021, Commission Staff (Staff) filed its Direct Testimony, including schedules and exhibits supporting a recommended base rate revenue requirement increase of \$2,917,886. Staff also recommended against the Company's requested Tax Adjustment Rider. After rebasing the GSRS, the overall impact of Staff's recommendations resulted in a net revenue requirement decrease of \$3,693,096.⁸

8. Also on September 10, 2021, Andrea Crane, Glenn A. Watkins, and J. Randall Woolridge filed Direct Testimony of behalf of CURB. Crane recommended: (1) a revenue increase of \$5,827,211; (2) adoption of a pro forma capital structure of 50% Debt at a cost of 3.91% and 50% Equity at a cost of 8.71%; (3) a reset of the GSRS to \$0 resulting in an overall net revenue decrease of \$783,711; and (3) a TA rider credit of \$2,807,966 resulting in a net revenue reduction of \$3,591,736.⁹ Watkins recommended allocations to the residential and small commercial class that

⁵ *Id.*

⁶ Petition to Intervene and Motion for Protective Order and Discovery Order (May 11, 2021).

⁷ Petition to Intervene of Freedom Pipeline, LLC (June 2, 2021).

⁸ Grady Testimony in Support of Settlement, pg. 3 (October 13, 2021).

⁹ Crane Testimony in Support of Settlement, pg. 2 (October 13, 2021).

were lower than those proposed by Black Hills.¹⁰ He also recommended that all customer classes be allocated some portion of the revenue increase, while Black Hills recommended no increases to the Large Volume Firm and Large Volume Interruptible classes. Mr. Watkins also recommended a residential customer charge of no greater than \$18.35 per month.¹¹ Woolridge testified on issues of capital structure, rate of return and cost of capital. Woolridge recommended a 50/50 capital structure with a Return on Equity (ROE) of 8.75% and a weighted average cost of capital of 6.33%.¹²

9. On October 1, 2021, Black Hills filed Rebuttal Testimony from Justin W. Klapperich, Douglas N. Hyatt, Kristi L. Johnson, Andrew M. McKenzie, Robert W. Daniel, Kenneth L. Crouch, Rachel Schuldt, John J. Spanos, and Jerry A. Watkins.

The Settlement Agreement

10. On October 5, 2021, Black Hills, Staff, CURB and Freedom Pipeline met to discuss the possible settlement of the issues in this matter. The Parties 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. (Attachment A) Freedom Pipeline has not signed the Agreement but has indicated to the Parties that it is not opposed to the Agreement.

11. The following is a non-exhaustive summary of the terms of the Agreement:

- The Parties agree that Staff’s recommended depreciation rates are adopted for purposes of settlement, as reflected in Appendix A to the Agreement.
- 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

¹⁰ *Id.* at 3.

¹¹ *Id.*

¹² Woolridge Direct Testimony, pg. 102 (September 10, 2021).

contained in Mr. Grady's testimony regarding Black Hills' 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, Black Hills is withdrawing proposed revisions to Index No. 7 and Index No. 8.

- Amortization periods and/or expenses are established as follows:

Black Hills' actual rate case expense amortized over five years;

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

- With respect to the Pension and OPEB deferrals above, Black Hills shall have the right to recover any over-amortized amount relating to Pension and OPEB deferrals, and with respect to item rate case expense deferrals, Black Hills reserves the right to seek recovery of any unamortized amount, with the understanding that Staff and CURB reserve their right to object to the recovery of any unamortized amount relating to rate case expense.
- The revenue requirement set in this case includes a reduction to cost of service or amortization of federal protected plant excess deferred income taxes determined using the average rate assumption method.
- The Parties agree to the amounts included in base rates for pension and OPEB expense of \$184,471 and \$201,614, respectively.
- 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.

- For allocating costs among customer classes in a GSRS filing, such costs shall be allocated among Black Hills' classes of customers based on the rate allocation approved in this case
- For purposes of filing Black Hills' Ad Valorem Surcharge Rider (all subsequent years until rebased in Black Hills' next rate case), the Parties agree that the ad valorem tax expense embedded in base rates shall be \$5,293,400.¹³
- 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.

12. On October 27, 2021, Staff, Black Hills, and CURB filed a Joint Motion to Approve Addendum to Settlement Agreement. The addendum includes a list of coefficients for the classes to be used in the Weather Normalization Adjustment Rider. (Attachment B)

13. On October 13, 2021, Justin Grady filed testimony on behalf of Staff in support of the settlement agreement. Mr. Grady explained the provisions of the settlement agreement as well as applying the three factor test that the Commission uses to evaluate unanimous settlements.¹⁴

14. On October 13, 2021, Andrea Crane filed testimony in support of the settlement on behalf of CURB. Ms. Crane, too, described the terms of the settlement as a "black box" settlement

¹³ Rob Daniel Testimony in Support of Settlement, pg. 7 (October 13, 2021).

¹⁴ Not all parties signed the settlement; however, under K.A.R. 82-1-230a(2) the settlement is considered unanimous because none of the parties oppose it.

“where [a] few components of the revenue requirement” are specifically identified, but the parties are not agreeing to certain policies underlying the rates.¹⁵ The settlement resets the GSRS to \$0 and grants a base revenue increase equal to the previous amount for the GSRS, resulting in no net increase to consumer rates. Additionally, tax savings from the Tax Cuts and Jobs Act will be passed along to consumers for a net reduction of approximately 3 million per year for three years.¹⁶ The settlement also increases the customer charge from \$16.94 to \$18.50 per month.¹⁷ The settlement does not specifically identify rate base value, rate of return, or expense levels, except as specified by the terms of the settlement.

15. On October 13, 2021, Robert W. Daniel filed Testimony in Support of the Settlement Agreement on behalf of Black Hills. Daniel explained the settlement and applied the Commission’s five factor test, concluding that the settlement met the relevant factors.¹⁸ Daniels also explained that the Agreement would result in a rate reduction for customers for three years due to the TA rider.

16. Kansas favors compromise and the settlement of disputes when the agreement is entered into intelligently and in good faith.¹⁹

17. The Agreement is a unanimous settlement agreement as defined by K.A.R. 82-1-230a. Therefore, there is no need to apply the five-factor test.²⁰

18. When approving a unanimous settlement, a three-factor test is used, the Commission must make an independent finding as to whether the settlement: (1) is supported by substantial

¹⁵ Crane Testimony in Support of Settlement, pg. 4 (October 13, 2021).

¹⁶ *Id.* at 5.

¹⁷ *Id.*

¹⁸ Daniel Testimony in Support of Settlement, pg. 9 (October 13, 2021).

¹⁹ See *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

²⁰ See, *Order on KCP&L's Application for Rate Change*, Docket No. 15-KCPE-116-RTS, Sept. 10, 2015. The five factor test was developed for non-unanimous settlements. Because this settlement is unanimous, the commission will only apply the three factor test.

competent evidence in the record as a whole, (2) will establish just and reasonable rates, and (3) is in the public interest.

The Settlement is supported by substantial competent evidence in the record as a whole.

19. All items agreed to and included within the Settlement Agreement are supported by substantial competent evidence in the record as a whole. Specifically, testimony in support of the settlement was filed by Justin Grady on behalf of Staff, Andrea Crane on behalf of CURB, and Robert Daniel on behalf of Black Hills.

20. The Commission reviewed the record consisting of testimony from 24 witnesses, including 11 on behalf of Black Hills, 10 on behalf of Staff, and 3 on behalf of CURB.

21. Substantial competent evidence possesses something of substance and relevant consequence, which furnishes a substantial basis of fact to reasonably resolve the issues.²¹ Whether another trier of fact could have reached a different conclusion given the same facts is irrelevant; a Commission decision lacks substantial competent evidence when the Commission's determination "is so wide of the mark as to be outside the realm of fair debate."²²

22. Having reviewed the record as a whole, the Commission finds the Settlement Agreement is supported by substantial competent evidence.

The Settlement will result in just and reasonable rates.

23. Every natural gas utility in Kansas is required to provide reasonably efficient and sufficient service and establish just and reasonable rates.²³ The parties represent a variety of

²¹ *Farmland Indus., Inc. v. Kansas Corp. Comm'n.*, 25 Kan.App.2d 849, 852 (1999).

²² *Id.* at 851, 856.

²³ K.S.A. 66-1,202.

interests, including investors, small commercial customers, residential customers and the public generally. The terms of the Agreement are fair and reasonable, and were fully and fairly negotiated by the parties in conjunction with the acknowledgement that it is unlikely the Commission would accept wholesale any party's prefiled position.

24. After the settlement goes into effect, customers' overall bills will be largely unchanged, with the amount previously collected as the GSRS charge instead being put into base rates. Additionally, customers will receive a rate credit from the TA rider for three years, and the customer charge will increase by \$1.56 per month. The result is a net rate reduction for Black Hills' customers over the next three years. The record supports a finding that these rate levels will allow Black Hills to provide sufficient service to its customers.²⁴ Given these factors, the Commission determines that the Settlement Agreement will result in just and reasonable rates.

The results of the Settlement are in the public interest.

25. The Commission notes that each party has a duty to protect the interests it represents. Black Hills has a duty to both their customers and shareholders. CURB represents the interests of residential and small commercial customers. Staff represents the public interest, generally, placing Staff in the unique position of being required to weigh and balance the interests of Black Hills, all classes of Black Hills' customers, and any other interests impacted by the Commission's Order that may not be party to the proceeding.

26. The GSRS is an important tool that supports Black Hills' Accelerated Pipeline Replacement Program and ongoing system integrity and reliability investments necessary to safely

²⁴ Grady Testimony in Support of Settlement, pg. 12 (October 13, 2021).

and reliably provide service to its customers.²⁵ Resetting the GSRS will allow Black Hills to continue to invest in projects that enhance the safety and reliability of the system.²⁶ The Commission finds the Agreement represents an equitable balancing of the interests of all parties. Therefore, the Commission finds the Settlement Agreement is in the public interest.

26. Based on the above, the Commission finds the attached Agreement, as modified by the Addendum, is supported by substantial competent evidence in the record as a whole, results in just and reasonable rates, and is in the public interest. The Commission approves the Settlement Agreement.

THEREFORE, THE COMMISSION ORDERS:

A. The October 8, 2021 Joint Motion to Approve Settlement Agreement as amended on October 27, 2021, is granted.

B. The October 27, 2021 Joint Motion to Approve Addendum to Settlement Agreement is granted.


C. Any party may file for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).²⁷

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Duffy, Commissioner; Keen, Commissioner.

Dated: 12/30/2021 _____.

DGC



Lynn M. Retz
Executive Director

²⁵ *Id.* at. 2.

²⁶ See K.S.A. 66-2203.

²⁷ K.S.A. 77-529(a)(1).

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

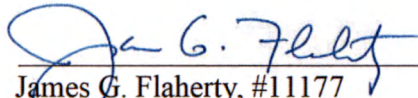
27. The provisions of this Agreement have resulted from negotiations among the Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this

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.



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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								Actual Minus Target	Class Target Revenue Allocation	Calculation of Volumetric Charges
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	\$	(347)	\$ 37,067,859
Small Commercial - Sales	109,053	10,718,825	\$ 28.00	\$ 0.20251	\$ 3,053,484	\$ 2,170,669	\$ 5,224,153	\$		\$ 5,261,127
Small Commercial - Transportation	2,313	574,457	\$ 28.00	\$ 0.20251	\$ 64,764	\$ 116,333	\$ 181,097	\$		\$ 177,937
Subtotal	1,356,527	80,750,823			\$26,153,727	\$16,352,849	\$ 42,506,576			\$ 42,506,922
Small Volume Firm	18,282	14,077,711	\$ 70.00	\$ 0.15606	\$ 1,279,740	\$ 2,196,968	\$ 3,476,708	\$	52	\$ 3,449,578
Small Volume Transportation	5,250	7,251,840	\$ 70.00	\$ 0.15606	\$ 367,500	\$ 1,131,722	\$ 1,499,222	\$		\$ 1,526,299
Subtotal	23,532	21,329,551			1,647,240	3,328,690	4,975,930			\$ 4,975,877
Large Volume Firm	505	4,060,784	\$ 355.00	\$ 0.07937	\$ 179,275	\$ 322,304	\$ 501,579	\$	109	\$ 510,600
Large Volume Transportation	1,552	40,408,308	\$ 355.00	\$ 0.07937	\$ 550,960	\$ 3,207,207	\$ 3,758,167	\$		\$ 3,751,502
Large Volume Interruptible	242	7,457,768	\$ 355.00	\$ 0.07937	\$ 85,910	\$ 591,923	\$ 677,833	\$		\$ 675,369
Subtotal	2,299	51,926,860			816,145	4,121,435	4,937,580			\$ 4,937,471
Irrigation Service	16,095	30,873,916	\$ 45.00	\$ 0.05378	\$ 724,275	\$ 1,660,399	\$ 2,384,674	\$	5	\$ 2,390,608
Irrigation Transportation	4,355	7,138,321	\$ 45.00	\$ 0.05378	\$ 195,975	\$ 383,899	\$ 579,874	\$		\$ 573,935
Subtotal	20,450	38,012,237			920,250	2,044,298	2,964,548			\$ 2,964,543
Total Sales and Transportation	1,402,808	192,019,471			29,537,362	25,847,272	55,384,633	\$	(180)	\$ 55,384,813

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) * 3,024,415	(C) = (B)/(A)	(D) = (B)/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%

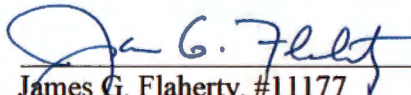
BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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.)	

ADDENDUM TO 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, the "Parties") filed a Joint Motion to Approve Settlement Agreement ("Joint Motion") in the above captioned matter on October 8, 2021 requesting the Commission issue an Order approving the Settlement Agreement attached to the Joint Motion.

On page 7, paragraph 21 of the Settlement Agreement, the Parties indicated they would confer to determine the coefficients for the classes to be used in the Weather Normalization Adjustment ("WNA") Rider.¹ The Parties have had an opportunity to confer and have reached agreement on the coefficients to be used to calculate the 2022-2023 (and subsequent) WNA factors that are set forth in Attachment 1 to this Addendum.



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¹Joint Motion to Approve Settlement Agreement filed October 8, 2021, page 7, paragraph 21 of Exhibit A attached thereto.

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Heating Sensitivity Coefficients for the Weather Normalization Adjustment Rider		
Customer Classes and Weather Stations	Current Month Heating Sensitivity Coefficients	Previous Month Heating Sensitivity Coefficients
Residential		
Concordia	0.000000	0.110122
Dodge City	0.039595	0.076392
Goodland	0.020545	0.108501
Topeka	0.025475	0.093022
Wichita	0.036118	0.094655
Small Commercial		
Concordia	0.005153	0.196288
Dodge City	0.073302	0.195816
Goodland	0.035787	0.247064
Topeka	0.086799	0.319669
Wichita	0.183011	0.368279
Small Volume Firm		
Concordia	0.005153	0.196288
Dodge City	0.448153	1.001738
Goodland	0.314527	0.745034
Topeka	0.086799	0.319669
Wichita	0.183011	0.368279
Large Volume Firm		
Concordia	0.005153	0.196288
Dodge City	0.000000	0.000000
Goodland	0.000000	0.000000
Topeka	0.000000	23.701770
Wichita	1.289764	11.849075

CERTIFICATE OF SERVICE

21-BHCG-418-RTS

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 12/30/2021.

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21-BHCG-418-RTS

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