

**STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES DIVISION**

BEFORE THE UTILITIES BOARD

IN RE: BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC d/b/a BLACK HILLS ENERGY	DOCKET NO. RPU-2021-0002
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APPLICATION FOR REVISION OF RATES

COMES NOW, Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy (“BH Iowa Gas” or “Company”) and, pursuant to Iowa Code 476.6 and 199 IAC Chapter 26, requests authority to revise its natural gas rates, charges, and tariffs. In support of its Rate Review Application, BH Iowa Gas states as follows:

1. BH Iowa Gas is a rate-regulated public utility as defined in Iowa Code 476.1 and provides natural gas service to approximately 161,000 customers in the State of Iowa. BH Iowa Gas is principally engaged in the business of distributing, selling, and transporting natural gas. BH Iowa Gas distributes natural gas at retail throughout Iowa, with a territory covering 133 communities. As a rate-regulated public utility, BH Iowa Gas’ rates and charges for natural gas service are subject to the jurisdiction of the Iowa Utilities Board (“Board”).

2. BH Iowa Gas has not had a general rate increase under Iowa Code 476.6 in Iowa since 2010.¹ Thus, over the past decade, BH Iowa Gas preserved existing base tariff rates by controlling costs while continuing to invest in infrastructure improvements needed to maintain the safety and reliability of BH Iowa Gas' Iowa gas distribution and transmission systems. As set forth herein, several events have occurred to render BH Iowa Gas' current rates inadequate and its revenue requirements deficient.
3. This Rate Review Application is necessary to permit BH Iowa Gas to recover its reasonable operating expenses and to provide the Company a reasonable opportunity to earn a fair return on its investment in utility plant used and useful in providing service to its customers. In the eleven-year period since BH Iowa Gas' last rate increase, the Company will have invested approximately \$257 million in its Iowa natural gas distribution and transmission systems. Of this amount, only \$19.6 million has been included in its investment tracker mechanism to date. Recovery of these costs, the Company's operating costs and a fair return on the Company's investment in property used and useful to its customers will allow BH Iowa Gas to continue to attract the capital necessary to not just provide basic services to its customers but to continue to upgrade its natural gas systems to provide even better service. The most important drivers to this Rate Review Application for BH Iowa Gas are: (a) Board approval of the recovery of previously unrecovered gas system investment; and (b) Board

¹ In the matter of Black Hills/Iowa Gas Utility Company, LLC d/b/a/ Black Hills Energy, Docket No. RPU-2010-0002

approval of the Company's proposed rate mechanisms to improve the safety and reliability of its gas distribution and transmission systems.

4. Pursuant to applicable Iowa law and Board rules, BH Iowa Gas requests authority to increase its retail gas service rates by \$10,544,007 or 17% annually. BH Iowa Gas is proposing a total gas revenue requirement of \$76,915,091, necessitating the requested revenue increase of \$10,544,007. The revenue requirement and proposed revenue increase are supported by the testimony of Ms. Samantha K. Johnson and included as BHIAG Johnson Direct Exhibit 3 (the "Revenue Requirement Study"). The Revenue Requirement Study utilizes a test year ending December 31, 2020 (the "Test Year"), with adjustments for known and measurable changes through December 31, 2021 (the "Pro Forma Period"). BH Iowa Gas is seeking, and the revenue requirement reflects, a 10.15% return on common equity, equating to a 7.03% overall return on rate base. BH Iowa Gas requests that a change in rates be approved in order to permit earnings at the requested rate of return, as detailed in the testimony and exhibits accompanying this Rate Review Application.
5. In support of this Rate Review Application, BH Iowa Gas submits herewith the proposed revision to its Tariff to implement its proposed rate increases and other changes. BH Iowa Gas requests Board approval of its proposed tariffs to become effective at the conclusion of this proceeding. Included among BH Iowa Gas' proposed Tariff revisions are items necessary to address continuing investment in the Company's natural gas system and declining usage. BH Iowa Gas believes that the proposals are reasonable and that they should be approved

by the Board so that BH Iowa Gas has a reasonable opportunity to earn its authorized rate of return and for it to continue to accelerate its infrastructure replacement efforts. These proposals include:

- a. Establishment of a new **System Safety and Integrity Rider (“SSIR”)** for the timely recovery of safety and integrity investments of BH Iowa Gas; and
 - b. Establishment of a new **High Efficiency Assistance Tool (“HEAT”)** to respond to competition from electric providers in Iowa.
6. BH Iowa Gas is simultaneously filing with this request a notice stating its intention to place interim rates into effect on or after 10 days following this filing, or June 11, 2021. The basis for the interim rates is found in the body of evidence filed in support of the rate increase and as is appropriately distinguished and will be supplemented as necessary.
 7. BH Iowa Gas’ direct testimony in support of this Rate Review Application is filed herewith. The testimony of the witnesses supporting BH Iowa Gas’ Rate Review Application is identified below. Among other things, the testimony explains in detail the form of rate design, rate recovery mechanisms, and other items accompanying BH Iowa Gas’ request herein:

COMPANY WITNESS	PURPOSE OF TESTIMONY
Robert J. Amdor Director, Regulatory & Finance	Application Overview, Case Drivers, Witness Introduction, Company Policy, Employee Compensation, Cost of Capital, and Interim Rates
Brooke Bassell-Herman Principal Analyst, Regulatory & Finance	Farm Tap Replacement Program, Rate Review Expenses, Credit Card Fees, Tariff Sheets
Steven Coleman Director, Asset Risk Management, Engineering & Standards	Safety Investment and Risk Ranking
Tyler E. Frost Manager, Regulatory & Finance	High Efficiency Assistance Tool (“HEAT”) and System Safety Integrity Rider (“SSIR”)
Douglas N. Hyatt Principal Analyst, Regulatory & Finance	Rate Design & Billing Determinants
Samantha Johnson Senior Manager, Regulatory & Finance	Revenue Requirement Study, CAMS, and Adjustments
Justin W. Klapperich Finance Director III, Tax	ADIT and Taxes
Shirley Welte Vice President Iowa Operations	Operations, Customer Service, Capital Spend, and Capital Infrastructure Investment Projects

EXPERT WITNESS	PURPOSE OF TESTIMONY
Adrien M. McKenzie FinCap	Return on Equity
Dr. David Rosenbaum Rosenbaum Consulting	Customer Growth & HEAT Program

8. Pursuant to Iowa Code 476.6(2) and 199 IAC 26.4(1)(a)(1), prior to filing this Rate Review Application, but not more than 62 days prior to the filing, BH Iowa Gas caused to be delivered to all its retail customers a Board-approved Notice of Rate Increase. Copies of the customer notice for each class and the proof of mailing have been filed contemporaneously herewith. Customers who request

service from BH Iowa Gas prior to final resolution of this proceeding will be sent the Notice of Rate Increase consistent with 199 IAC 26.4(1)(d)(4).

9. Pursuant to Iowa Code 476.6 and 199 IAC 26.4(4), BH Iowa Gas has filed all required evidence, statements, and factual support for its request, including affidavits and testimony of witnesses as well as supporting exhibits, schedules, and workpapers. BH Iowa Gas' Rate Review Application is based on the historical test year ending December 31, 2020, consistent with Iowa Code 476.33(4).
10. BH Iowa Gas has filed simultaneously herewith other pleadings including: (a) a notice of intent to implement interim rates under Iowa Code 476.6(9)(a), (b) a motion for approval of corporate undertaking in lieu of a bond, pursuant to Iowa code 476.6(9)(a), (c) tariffs to implement its interim and final rates, (d) an application for confidential treatment, (e) an index of its complete filing, pursuant to 199 IAC 26.4(2)(a), and (f) a Request for Waiver of certain filing requirements.
11. BH Iowa Gas proposes a procedural schedule for this docket, attached as Exhibit A. BH Iowa Gas provides this proposed schedule in an effort to aid the Board and potential intervenors in reaching a timely resolution of this matter.
12. While BH Iowa Gas believes this Rate Review Application to be in full accord with applicable law, BH Iowa Gas respectfully requests the granting of such waivers as necessary for the acceptance and approval of this Rate Review Application pursuant to 199 IAC 1.3.

WHEREFORE, BH Iowa Gas respectfully requests that the Board issue an order approving BH Iowa Gas' Rate Review Application for Revision of Rates, as supported by the accompanying testimony, evidence, exhibits, schedules and workpapers.

Dated: June 1, 2021

Respectfully submitted,

/s/ Adam Buhrman

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ATTORNEY FOR BLACK HILLS/IOWA
GAS UTILITY COMPANY, LLC d/b/a
BLACK HILLS ENERGY

**PROPOSED PROCEDURAL SCHEDULE
DOCKET NO. RPU-2021-0002**

Filing/Activity	Date (on or about)
Application Filed	June 1, 2021
OCA & Intervenor Direct Testimony Due	October 1, 2021
OCA & Intervenor Rebuttal Testimony to Each Other Due	October 15, 2021
BH Iowa Gas Rebuttal Testimony Due	October 29, 2021
OCA & Intervenor Rebuttal Testimony Due	November 12, 2021
Joint Statement of Issues Due	November 19, 2021
Notify Board of Desire for Prehearing Conference	November 19, 2021
Prehearing Briefs Due	November 19, 2021
Settlement Due	December 4, 2021
Hearing	December 14-16, 2021
Simultaneous Initial Briefs Due	January 7, 2022
Reply Briefs Due	January 21, 2022