Direct Testimony and Exhibits
Jason S. Keil

Before the South Dakota Public Utilities Commission
of the State of South Dakota

In the Matter of the Application of
Black Hills Power, Inc. d/b/a Black Hills Energy

for Authority to Increase Rates for Electric Service in South Dakota

Docket No. EL26-_____

February 19, 2026

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Exhibit JSK-4	Spare Turbine Agreements
Exhibit JSK-5	Horizon Point Facility Agreement
Exhibit JSK-6	SD Residential Prescriptive Rebate Form
Exhibit JSK-7	SD Commercial Prescriptive Rebate Form

TABLE OF ACRONYMS AND ABBREVIATIONS

BA	Balancing Authority
BHC	Black Hills Corporation
BHSC	Black Hills Service Company, LLC
Black Hills Power	Black Hills Power, Inc. d/b/a Black Hills Energy
Black Hills Wyoming	Black Hills Wyoming, LLC
CAM	Cost Allocation Manual
Cheyenne Light	Cheyenne Light, Fuel and Power Company
COGS	Cost of Goods Sold
Colorado IPP	Black Hills Colorado IPP, LLC
Company	Black Hills Power, Inc. d/b/a Black Hills Energy
COSS	Cost of Service Study
ECA	Energy Cost Adjustment
FPP	Fuel and Purchased Power Cost
FPPA	Fuel and Purchased Power Adjustment
LIHEAP	Low Income Energy Assistance Program
NBV	Net Book Value
PMOI	Power Marketing Operating Income
ROR	Rate of Return
Spare Turbines	Critical Spare GE LM6000 Engines
STAR	Spare Turbine Adjustment Rider
TCA	Transmission Cost Adjustment
WEIM	Western Energy Imbalance Market
WEIS	Western Energy Imbalance Service

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jason S. Keil. My business address is 7001 Mount Rushmore Road, Rapid City, South Dakota 57702.

Q. PLEASE DESCRIBE YOUR EMPLOYMENT.

A. I am employed by Black Hills Service Company ("BHSC"), a wholly-owned subsidiary of Black Hills Corporation ("BHC"). I am currently employed as a Manager of Regulatory.

Q. PLEASE DESCRIBE YOUR EDUCATION AND BUSINESS BACKGROUND.

A. I attended Bellevue University, where I received a Bachelor of Science degree in Accounting and a Master of Business Administration with an emphasis in Finance. I joined BHC in 2013 as a Regulatory Analyst and accepted my current capacity of Manager of Regulatory in January of 2016. Prior to joining BHC, I provided credit risk management leadership for ConAgra Energy Services (as Manager - Credit Risk), Minnesota Power, Inc. (as Credit Manager), IDACORP, Inc. (as Manager - Credit Risk), Black Hills Corporation (as Sr. Finance Manager / Credit Manager), and NRG Energy, Inc. (as Manager - Credit Risk). In these roles, I managed credit and market risk in relation to long-term strategic goals to ensure each respective company was taking proper precautions to mitigate credit and market risk, and to ensure each met regulatory and compliance requirements.

Q. FOR WHOM ARE YOU TESTIFYING?

A. I am testifying on behalf of Black Hills Power, Inc. d/b/a Black Hills Energy ("Black Hills Power" or "Company").

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide an explanation of the proposed tariff revisions and explain the proposed changes in the recovery of fuel and transmission costs through the Energy Cost Adjustment ("ECA"). I will also discuss various Company proposals including the treatment of certain operating expenses, inclusion of major maintenance for generating units and costs associated with affiliate agreements.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes. I am sponsoring the following exhibits:

Exhibit JSK-1	Summary of Tariff Changes
Exhibit JSK-2	Cost Allocation Manual 2024
Exhibit JSK-3	Cost Allocation Manual 2025
Exhibit JSK-4	Spare Turbine Agreements
Exhibit JSK-5	Horizon Point Facility Agreement
Exhibit JSK-6	SD Residential Prescriptive Rebate Form
Exhibit JSK-7	SD Commercial Prescriptive Rebate Form

III. PROPOSED TARIFF / RATE SCHEDULE CHANGES

Q. PLEASE DESCRIBE THE PROPOSED CHANGES TO BLACK HILLS POWER'S TARIFF SCHEDULES.

A. Volume 1 – Section 2 of the Application contain non-legislative and legislative versions of the proposed tariff changes. Exhibit JSK-1 to my direct testimony is a summary of all the proposed changes reflected in the non-legislative and legislative versions in Volume 1 – Section 2 of the Application.

Q. WHAT RATE SCHEDULES ARE BLACK HILLS POWER REQUESTING TO REMOVE FROM ITS TARIFF?

A. Black Hills Power is proposing to remove the following rate schedules from the tariff:

- The Utility Controlled Residential Service Rate Schedule
- The Small Interruptible General Service Rate Schedule
- The Utility Controlled General Service Rate Schedule

Q. PLEASE EXPLAIN WHY BLACK HILLS POWER IS PROPOSING TO REMOVE THESE RATE SCHEDULES FROM THE TARIFF?

A. The proposed rate schedules to be removed have been closed to new customers for many years and only serve a small number of customers. Currently, the Small Interruptible General Service Rate Schedule and the Utility Controlled Residential Service Rate Schedule only have one customer each, and the Utility Controlled General Service Rate Schedule has an average of twelve customers per month taking service. Removing these outdated rate schedules simplifies the tariff structure and improves efficiency, while impacting only a handful of customers who will transition to more appropriate rate schedules.

Q. ONCE THE THREE RATE SCHEDULES ARE REMOVED, WHAT RATE SCHEDULES WILL THE IMPACTED CUSTOMERS BE MOVED TO?

A. The Utility Controlled Residential Service customer will be moved to the Residential Service Rate Schedule. The Small Interruptible General Service Rate Schedule customer will be moved to the General Service Rate Schedule. The Utility Controlled General Service Rate Schedule customers (monthly average of twelve customers), will move to either the Small General Service Rate Schedule or the General Service Rate

Schedule depending upon each customer's peak demand during the Test Period. Customers with a peak demand of below 25kW will be moved to the Small General Service Rate Schedule and customers with 25kW or above will be moved to the General Service Rate Schedule.

Q. IS BLACK HILLS POWER PROPOSING ANY NEW TARIFF SCHEDULES OR RIDERS?

A. Yes. Black Hills Power is proposing the creation of a Small General Service rate schedule discussed further in the Direct Testimony of Douglas N. Hyatt. Black Hills Power is also proposing a new rider to pass along net income (Spare Turbine Revenue – Spare Turbine O&M Costs) from Black Hills Power's spare turbine agreements. The proposed rider is called the Spare Turbine Adjustment Rider ("STAR") discussed later in my direct testimony.

IV. PROPOSED ENERGY COST ADJUSTMENT CHANGES

Q. PLEASE DESCRIBE THE CURRENT ECA.

A. Black Hills Power's ECA consists of four parts the base Fuel and Purchased Power Costs ("Base FPP"), the Fuel and Purchased Power Adjustment ("FPPA"), the base Transmission Costs ("Base Transmission Costs"), and the Transmission Cost Adjustment ("TCA"). The FPPA recovers the difference between the Base FPP costs and actual Fuel and Purchased Power Costs. The TCA recovers the difference between the Base Transmission Costs and the actual Transmission Costs. The annual ECA filing covers the costs for the twelve months of April through March. The annual ECA filing is filed no later than May 10 of each year, with an effective date of June 1. The ECA includes a minimum $1,000,000 Power Marketing Operating Income Credit, a base

$19,288,845 wholesale revenue guarantee where anything over is shared with customers and anything under is trued up and charged in the annual ECA filing. Property taxes are also trued up through the ECA where anything under or over the base $4,049,818 is trued up as a charge or credit to the ECA.

Q. PLEASE EXPLAIN BLACK HILLS POWER'S PROPOSED CHANGES TO THE ECA.

A. Black Hills Power proposes the following changes to the ECA:

- Reset the Base FPP Costs / kWh (line 4 of the Fuel and Purchased Power Adjustment Calculation in the ECA Tariff) from $0.0146/kWh to $0.03324/kWh. See Cost of Service Study, Statement P, page 1.
- Base property tax will be reset from $4,049,818 to $6,261,174. See Cost of Service Study, Statement P, page 1.
- Base South Dakota Contract Sales will be reset from $19,288,845 to $11,185,746. Cost of Service Study, Statement P, page 1.
- Eliminate the minimum $1,000,000 Power Marketing Operating Income Credit stated in the Sharing of Power Marketing Operating Income section of the ECA.
- Change the annual calculation period from April through March to January through December.
- Change the filing date from May 10, with an effective date of June 1, to an annual filing date of March 1, with an effective date of April 1.

Q. PLEASE EXPLAIN THE COMPANY'S CURRENT POWER MARKETING STRUCTURE.

A. To incentivize Black Hills Power to provide lower costs to customers, power marketing revenues and costs are included in the annual ECA calculation. In the annual ECA calculation, Black Hills Power brings in power marketing revenue or off-system sales, defined as short-term energy or capacity sales to wholesale customers with a duration of generally less than one year. The Cost of Goods Sold ("COGS") and other power marketing specific expenses are then netted from the revenue to come up with the pre-tax Power Marketing Operating Income ("PMOI"). The PMOI is then shared 70% to customers in the form of a credit to the ECA ("PMOI Credit") and 30% to Black Hills Power. The current minimum credit is $1,000,000.

Q. PLEASE DISCUSS BLACK HILLS POWER'S HISTORICAL POWER MARKETING PERFORMANCE.

A. The power marketing incentive has created significant customer and Company benefit. For example, the 2022 through 2025 PMOI Credits to the ECA were as follows:

Table JSK-1- Power Marketing Operating Income ECA Credits

	Annual Credit
2022	$7,003,753
2023	$12,414,211
2024	$8,354,038
2025	$4,061,644

Q. DO YOU EXPECT SIMILAR POWER MARKETING PERFORMANCE IN THE FUTURE?

A. No. The strong historical power marketing performance by Black Hills Power is due to a bilateral market that is liquid and the lack of an organized western energy market that

makes Black Hills Power's historical performance not repeatable in the future. As more participants of the western energy markets become members of regional and enhanced markets such as Southwest Power Pool's Western Energy Imbalance Service ("WEIS") and California Independent System Operator's Western Energy Imbalance Market ("WEIM"), the opportunity to enter into short-term bilateral activities will decrease. Another factor contributing to the lack of future power marketing opportunity is that, starting in 2026, Black Hills Power will be standing up its own Balancing Authority ("BA"). This decision, while saving customers money compared to the other options, as discussed in the Direct Testimony of Eric M. Egge, will change the way Black Hills Power can operate its generation fleet, eliminating Black Hills Power's power marketing opportunity. Because of these factors Black Hills Power is proposing to eliminate the $1,000,000 Power Marketing Operating Income Credit and continue to share any Power Marketing Operating Income 70% to the customer and 30% to Black Hills Power.

Q. PLEASE DESCRIBE THE TCA.

A. The TCA calculates the difference between the base transmission costs and actual transmission costs for the twelve months April through March. The TCA is filed no later than May 10 of each year, with an effective date of June 1. Transmission costs contain all costs included in FERC account 565, which include charges under Black Hills Power's Joint Open Access Transmission Tariff, and charges billed to Black Hills Power by any other transmission provider(s). Transmission services include all Network Integrated Transmission Service, all Point-to-Point transmission service,

ancillary service charges, and regulation expenses, required to support Black Hills Power's system energy sales.

Q. PLEASE EXPLAIN THE PROPOSED CHANGE IN FILING TO THE TCA.

A. Like the ECA, Black Hills Power is proposing to change the annual calculation period from April through March to January through December. This will change the filing date from May 10 to an annual filing on March 1, with an effective date of April 1.

Q. **WHAT OTHER CHANGES TO THE TCA IS BLACK HILLS POWER PROPOSING?**

A. As further discussed in Mr. Egge's direct testimony, beginning April 1, 2026, Black Hills Power will operate its own BA. The creation of a Black Hills Power operated BA will require new FERC tariffs. Black Hills Power filed proposed tariff changes in FERC Docket No. ER26-750 on December 12, 2025. The rates for the new FERC tariffs are calculated using assets and costs that are also included in the base rates in this Application. To avoid the potential for over recovery of these costs and assets, Black Hills Power is proposing to bring all revenue associated with the BA FERC tariffs as a credit to the annual TCA calculation.

V. PROPOSED TARIFF RULES AND REGULATIONS CHANGES

Q. IS BLACK HILLS POWER PROPOSING ANY CHANGES TO ITS GENERAL RULES AND REGULATIONS SECTION OF THE TARIFF?

A. Yes. Black Hills Power is proposing changes to its General Rules and Regulations section of its tariff.

Q. PLEASE IDENTIFY THE PROPOSED TARIFF CHANGES TO THE GENERAL RULES AND REGULATIONS SECTION.

A. Black Hills Power is proposing the following changes to its General Rules and Regulations section of its tariff:

- Section 402 - Power Quality Characteristics are being added to the General Rules and Regulations.
- Black Hills Power is adding a detailed description of its meter testing program at the end of its General Rules and Regulations section labeled Appendix A – Black Hills Energy Electric Meter Testing Program.

VI. MAJOR MAINTENANCE REGULATORY LIABILITY

Q. PLEASE DESCRIBE MAJOR MAINTENANCE.

A. Major maintenance expenses generally include periodic outage maintenance that is concentrated within annual outages, minor and major outages, as well as unplanned outages for power generation facilities. Each year there is a designated time when more routine maintenance work is performed, generally over a week or ten days. More extensive maintenance is performed every fourth year. Finally, every eighth year, comprehensive maintenance of the generating facility occurs. The cost associated with the work of each of these levels of maintenance varies widely. For this reason, Black Hills Power has a mechanism for each generating facility to distribute these costs over a defined period of years. This mechanism is a major maintenance liability.

Q. PLEASE DESCRIBE THE EXISTING MAJOR MAINTENANCE REGULATORY LIABILITY.

A. In Black Hills Power's 2009 rate review (Docket EL09-018), the Commission approved the establishment of a regulatory liability (referred to as a "Major Maintenance Accrual"). By establishing this regulatory liability for major maintenance, the income statement is normalized for larger maintenance expenses and better reflects the ongoing operations of Black Hills Power. Each year an established amount of expense is accrued and recorded in the regulatory liability and when a plant has a major maintenance event, the actual costs will first be applied to the regulatory liability and then to expense.

Q. WHAT IS BLACK HILLS POWER PROPOSING FOR THE MAJOR MAINTENANCE REGULATORY LIABILITY IN THIS APPLICATION?

A. Black Hills Power is proposing an adjustment to the total annual expense to be placed in the major maintenance regulatory liability. Utilizing current cost estimates and actual data from recent outages, Black Hills Power is proposing an increase to the major maintenance regulatory liability for Neil Simpson II, Wygen II, and the Wyodak generating units. Black Hills Power is also proposing to include the Neil Simpson CT1, Lange CT, and the CPGS Combined Cycle unit to the major maintenance regulatory liability.

Q. IS BLACK HILLS POWER PROPOSING TO INCLUDE THE LANGE II PROJECT IN THE MAJOR MAINTENANCE REGULATORY LIABILITY?

A. No. Black Hills Power is not proposing to include any annual expense in the major maintenance regulatory liability for the Lange II Project. Major maintenance for the

Lange II Project is covered under the manufacturer service agreement for the first 10 years.

Q. WHAT IS THE REQUESTED MAJOR MAINTENANCE REGULATORY LIABILITY EXPENSE REQUESTED IN THIS APPLICATION?

A. Black Hills Power had approximately $4.6 million in major maintenance expense during the Test Period. Black Hills Power is requesting in this Application to increase the major maintenance regulatory liability yearly expense to approximately $6.8 million to account for increased costs and the inclusion of Neil Simpson CT1, Lange CT, and the CPGS Combined Cycle unit costs.

VII. SHARED SERVICE COSTS

Q. WHAT AFFILIATE AGREEMENTS IS BLACK HILLS POWER A PARTY TO?

A. Black Hills Power has a shared facilities agreement at the Gillette Energy Complex, a coal supply agreement, two spare turbine agreements, and a shared service agreement between BHSC and the BHC subsidiaries.

Q. PLEASE DESCRIBE THE SHARED SERVICE AGREEMENT BETWEEN BHSC AND THE BHC SUBSIDIARIES.

A. The shared service agreement between BHSC and the various BHC subsidiaries including Black Hills Power is in place to allocate costs incurred for centralized services. These centralized services include, but are not limited to, accounting, customer service, information technology, engineering, finance, human resources, legal, tax, and regulatory. The allocation of costs is governed by the BHSC Cost Allocation Manual ("CAM") which allocates direct costs, those specifically associated with an identified subsidiary or a collection of subsidiaries, and indirect costs, costs that are not

associated with an identified subsidiary. Both direct costs and indirect costs are allocated using one of several pre-defined allocation ratios. Each BHSC department has been assigned an allocation ratio based on the specific cost driver for that department. Departments that don't have a specific cost driver or support all aspects of BHC will use the blended ratio allocator. The blended ratio allocator is a common allocator in the CAM and is a three-factor general allocation ratio. The blended ratio equally weights three different general ratios: gross margin, net plant, and payroll dollars. The various allocation ratios are updated on an annual basis based on the financial information ending September 30 with an effective date of January 1. The BHSC CAMs in place for 2024 and 2025 are provided as Exhibit JSK-2 and Exhibit JSK-3 attached to my direct testimony

Q. PLEASE DESCRIBE THE GILLETTE ENERGY COMPLEX SHARED FACILITIES AGREEMENT.

A. The Shared Facilities Agreement for the allocation of common costs at the Gillette Energy Complex, is an agreement between the entity-owning generation at the Gillette Energy Complex, which includes Black Hills Power, Black Hills Wyoming, LLC ("Black Hills Wyoming") and Cheyenne Light, Fuel and Power Company ("Cheyenne Light"). The Shared Facilities Agreement allows shared capital assets to be used to support the operations of the generating plants at the Gillette Energy Complex. Black Hills Power receives revenue from participants for use of Black Hills Power assets and pays a fee for the use of assets owned by Black Hills Wyoming and Cheyenne Light. The coal silo that serves the Wygen coal units is an example of a shared capital asset between Black Hills Power, Cheyenne Light, and Black Hills Wyoming. Black Hills

Power is the operator and largest owner of shared capital assets at the Gillette Energy Complex, therefore the revenue received by Black Hills Power for its ownership of shared capital assets exceeds the expense for the Shared Facility Agreement. In the Application, Black Hills Power includes a revenue credit of $7,659,163 as shown on Schedule I-12 and expenses of $3,240,437 on Schedule H-19 and $1,612,394 on Schedule H-20.

Q. PLEASE DESCRIBE THE SPARE TURBINE AGREEMENTS.

A. Black Hills Power owns two Critical Spare GE LM6000 Engines ("Spare Turbines"). Both Spare Turbines are covered by a Spare Turbine Agreement with Cheyenne Light and one of the Spare Turbines is covered by a Spare Turbine Agreement with Black Hills Colorado IPP, LLC ("Colorado IPP"). Black Hills Power receives revenue as a Spare Turbine Fee from Cheyenne Light and Colorado IPP for the availability, benefit, and use of the Spare Turbine.

Q. HOW IS THE SPARE TURBINE FEE CALCULATED?

A. The Spare Turbine Fee is calculated in a similar manner to a rate of return calculation. On an annual basis the Spare Turbine Fee is updated. In the annual update the net book value ("NBV") of the Spare Turbine is multiplied by the weighted average authorized rate of return ("ROR") of Black Hills Power Wyoming and Cheyenne Light, the participating regulated utilities, to determine the return portion of the fee. The annual straight-line depreciation expense is then added to the return to determine the annual Spare Turbine Fee:

$$(NBV * ROR) + (Depreciation) = Spare\ Turbine\ Fee$$

The Spare Turbine Fee is an annual charge that is allocated monthly to the participants of the agreement.

Q. WHAT IS THE BENEFIT OF THE SPARE TURBINE AGREEMENTS TO BLACK HILLS POWER CUSTOMERS?

A. The Spare Turbines allow Black Hills Power to support the operations of its natural gas generating units in the event of an outage. Both Spare Turbines are a component of Black Hills Power's rate base. The Spare Turbine Agreements allow for partial recovery of these investments through Cheyenne Light and Colorado IPP, reducing the revenue that needs to be recovered from Black Hills Power customers.

Q. HOW IS BLACK HILLS POWER PROPOSING TO TREAT THE SPARE TURBINE REVENUE AND COST IN THIS APPLICATION?

A. Black Hills Power is proposing to remove all Spare Turbine operating costs and revenue from the Cost of Service Study ("COSS"), as shown on Schedules H-21 and I-10 of the application and create the new STAR. The STAR will be filed annually utilizing a calendar year collection period and will contain all revenue and expenses related to the Spare Turbines.[1] The net of the revenues and expenses related to the Spare Turbines should usually result in a credit that will be passed on to customers through the STAR.

Q. WHY IS BLACK HILLS POWER PROPOSING THE STAR RATHER THAN KEEPING THE COSTS AND REVENUES IN BASE RATES?

A. The amount of revenue Black Hills Power receives for the use of the Spare Turbines will vary from year to year depending on the operational needs of Cheyenne Light and

[1] Revenue is removed from base rates on Schedule I-10, and expenses are removed from base rates on Schedule H-21 of the COSS.

Colorado IPP. Because of this revenue variability Black Hills Power is proposing to update the cost and revenue on a yearly basis.

VIII. HORIZON POINT

Q. PLEASE DISCUSS THE TREATMENT OF BHC'S HEADQUARTERS, HORIZON POINT, DUE TO BLACK HILLS POWER'S OWNERSHIP OF HORIZON POINT.

A. In November 2017, BHC completed and occupied its new corporate headquarters in Rapid City, South Dakota, called Horizon Point. Prior to Horizon Point, BHC employees occupied space in five separate buildings in Rapid City which have since been sold or leases terminated. In addition to consolidating office buildings in Rapid City, BHC also consolidated several other positions from other states to Horizon Point, promoting efficiency and cross-training opportunities.

Horizon Point is owned by Black Hills Power. The rent revenue Black Hills Power receives from BHC affiliate companies is made via an affiliate transaction under a Shared Facility Agreement. The decision for Black Hills Power to own Horizon Point was driven by the tax advantages of having a South Dakota corporation owning the corporate headquarters. The Shared Facility Agreement provisions are modeled as a revenue requirement computation consisting of: (a return on equity) + (recovery of interest on debt financing) + (depreciation expense) + (property tax expense) + (income tax) + (O&M reimbursement) as shown on Schedule I-11 of the COSS.

IX. PROPOSED ENERGY EFFICIENCY ADJUSTMENT

Q. PLEASE GIVE AN OVERVIEW OF BLACK HILLS POWER'S EFFICIENCY COSTS.

A. Prior to 2020 Black Hills Power had a formal Energy Efficiency Plan ("EE Plan") with full recovery of program expenditures. In 2020, Black Hills Power filed an application to terminate the plan in Docket No. EL20-027. Since the termination of the formal EE Plan in 2020, Black Hills Power has continued to offer customers Energy Efficiency rebates with a total budget of $200,000 a year. This budget has been at the cost of Black Hills Power with no recovery mechanism in which to collect these costs from customers.

Q. WHAT ENERGY EFFICIENCY OFFERINGS DID BLACK HILLS POWER OFFER TO CUSTOMERS IN 2025?

A. In 2025, Black Hills Power provided residential rebates for Energy Star – Rated Products like smart thermostats, air purifiers, dehumidifiers, smart power strips, and heat pump water heaters, and high efficiency cooling and heating like central air conditioners, air source heat pumps, and heat pump ductless mini splits. Please see Exhibit JSK-6 for details. Black Hills Power also provided commercial rebates as incentive for the installation of energy efficient measures. Please see Exhibit JSK-7 for details. Black Hills Power also supported a school-based education program designed to teach students and school staff about energy conservation, impacting savers at a young age to help contribute to sustainability goals and a cleaner environment. The students at the end of the lessons receive a kit that they take home and share what they have learned with their entire family, along with easily installable measures. This

allows students to take an active role in saving energy and increasing their home's comfort.

Q. WHAT ADJUSTMENT IS BLACK HILLS POWER PROPOSING FOR ENERGY EFFICIENCY IN THIS APPLICATION?

A. Black Hills Power is proposing to increase its total Energy Efficiency costs in base rates to $500,000. These costs will allow Black Hills Power to provide customers with Energy Efficiency solutions. With an increased budget, Black Hills Power would be able to increase participation in its current programs as well as include low-income weatherization and residential home audit programs.

Q. HOW IS BLACK HILLS POWER PROPOSING TO TRACK THE ENERGY EFFICIENCY BUDGET?

A. Black Hills Power is proposing an annual filing similar to its Economic Development Report and Economic Development Plan, filed on March 1 of each year. The annual Energy Efficiency filing will include an Energy Efficiency Report and Energy Efficiency Plan for the following year. The annual Energy Efficiency Report will detail the previous year's Energy Efficiency spend compared to the $500,000 budget. The annual Energy Efficiency Plan will provide details on what energy efficiency measures will be supported for the next calendar year along with rebate amounts.

X. PROPOSED ECONOMIC DEVELOPMENT ADJUSTMENT

Q. PLEASE DESCRIBE BLACK HILLS POWER'S CURRENT ECONOMIC DEVELOPMENT COSTS.

A. In Docket EL14-026 the Commission established an economic development cost recovery requirement. Black Hills Power agreed that economic development expenses up to $100,000 shall be equally shared by shareholders and customers.

Q. PLEASE EXPLAIN THE INCREASE IN ECONOMIC DEVELOPMENT COSTS BLACK HILLS POWER IS REQUESTING IN THIS APPLICATION.

A. Black Hills Power is proposing to increase the economic development expenses to $200,000 shared equally between shareholders and customers. For the past five years, Black Hills Power has spent approximately $150,000 on economic development activities, with $50,000 being allocated to customers and approximately $100,000 being allocated to shareholders.

Q. WHAT IS BLACK HILLS POWER'S PLAN FOR THE INCREASE IN ECONOMIC DEVELOPMENT EXPENSES PROPOSED IN THE APPLICATION?

A. The proposed increase will enable Black Hills Power to more effectively fund high-impact activities like site readiness, workforce development, community marketing, industrial park planning, feasibility studies, quality-of-life planning, and local government development process improvements.

XI. PROPOSED DEFERRED ACCOUNTING FOR THE DECOMMISSIONING OF THE BEN FRENCH UNITS

Q. DOES BLACK HILLS POWER PLAN TO DECOMMISSION ITS BEN FRENCH GENERATING UNITS?

A. Yes. The Ben French generating units are forecasted to be decommissioned, demolished, and remediated in 2027. Please see the Direct Testimony of Mark L. Lux for details of Black Hills Power's decommissioning plan and estimated costs for the Ben French generating units.

Q. HAVE THE FACILITIES BEEN REMOVED FROM PLANT-IN-SERVICE IN THE COSS?

A. No. Black Hills Power has not removed the Ben French generating units from the plant-in-service in the COSS as the planned decommissioning will occur outside the *Pro Forma* Period.

Q. WHAT IS BLACK HILLS POWER REQUESTING RELATED TO THE DECOMMISSIONING OF THE BEN FRENCH GENERATING UNITS?

A. Black Hills Power is requesting deferred accounting treatment for the decommissioning costs associated with the Ben French generating units, with disposition to be determined in a future docket. Black Hills Power will record and preserve the decommissioning costs in a regulatory asset. Black Hills Power acknowledges that approval of deferred accounting treatment does not constitute approval of prudency or recovery of costs. Black Hills Power will maintain proper documentation for costs recorded in the requested regulatory asset and costs will be subject to review by the Commission prior to inclusion in rates charged to customers.

XII. PROPOSED CUSTOMER EDUCATION EXPENSE ADJUSTMENT

Q. PLEASE EXPLAIN BLACK HILLS POWER'S PROPOSED CUSTOMER EDUCATION EXPENSE ADJUSTMENT.

A. As shown on Schedule H-27 of the COSS, Black Hills Power includes an adjustment of $125,000. These dollars will be spent on customer education for the federal Low-Income Home Assistance Program ("LIHEAP").

Q. PLEASE EXPLAIN LIHEAP.

A. LIHEAP is the largest and most notable assistance program that aids customers during the heating season. The heating season operates from October through May to assist residential income qualified customers by paying a portion of their utility balance. During the 2024-2025 LIHEAP season, Black Hills Power had 2,680 South Dakota customers that received LIHEAP payments totaling $1,343,175.

Q. HOW MANY SOUTH DAKOTA CUSTOMERS HAVE RECEIVED LIHEAP ASSISTANCE OVER THE PAST THREE YEARS?

A. Black Hills Power South Dakota customers receiving assistance under the LIHEAP program over the past three years are displayed in Table JSK-2 below. Years 2022 and 2023 reflect record setting federal funding for LIHEAP from covid-era funding which have since expired, and funding has returned to historical levels.

Table JSK-2 – Black Hills Power Customer Receiving LIHEAP Assistance

Heating Season	Black Hills Power Households Receiving LIHEAP	Amount of LIHEAP
2022-2023	1170	$1,170,279.98
2023-2024	1169	$1,003,042.13
2024-2025	2680	$1,343,175.17

Q. IS THERE MORE THAT CAN BE DONE TO EDUCATE AND PROVIDE OUTREACH TO CUSTOMERS WHO MIGHT BE ELIGIBLE FOR LIHEAP?

A. Yes. The census data reflects that 22,195 South Dakota households have an income at or below the federal poverty level in the communities served by Black Hills Power. While not all 22,195 households are Black Hills Power customers, it reflects the magnitude of customers in need. LIHEAP income qualifications are set on the state median income rather than the federal poverty level allowing households with higher incomes to qualify for assistance. The State of South Dakota has allocated approximately $14.7 million for the current heating season from October 2025 to May 2026 with approximately $3.8 million for year-round crisis assistance. The percentage of Black Hills Power's approximately 62,000 residential customers receiving assistance is only 7.7%, which is substantially lower than other BHC states that also receive LIHEAP payments on behalf of their customers. Lack of awareness about assistance programs is a main barrier to customer participation in programs and receiving federal funds. Black Hills Power is committed to increasing customer awareness and participation in assistance programs through outreach directed to the subset of the residential customer base that may be eligible for these benefits.

Q. PLEASE DISCUSS HOW THE EDUCATION DOLLARS WILL BE SPENT.

A. The proposed additional $125,000 will be spent annually on targeted advertising, communications, and content that will feature energy assistance education and connect eligible customers to LIHEAP assistance. A dedicated team is in place to understand the needs of low-income customers and connect them with programs and resources to help. Through this group of employees, Black Hills Power has a goal of growing the

number of assistance recipients by 15% each year. To accomplish this goal, it is necessary to understand who is eligible for assistance. Black Hills Power will analyze data to learn about the customer base and their needs and will use that information to provide targeted events and communication to these customers. The use of targeted education materials that Black Hills Power will create, compile, and distribute through the appropriate communication channels will be key to connecting eligible customers to assistance funding that will help lower their utility bills.

Q. HOW WILL THE INCREASE IN SPENDING ON CUSTOMER EDUCATION MATERIALS AND CONTENT BENEFIT CUSTOMERS?

A. As previously described, Black Hills Power needs to complement its current communication materials with data analysis, targeted marketing and education materials, and advertising that is focused on energy assistance programs, processes, and connecting customers in need of assistance with LIHEAP funding. By providing targeted communications about resources available and customer support for completing applications, participation in programs will increase.

XIII. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. In summary, my testimony supports Black Hills Power's proposed tariff revisions, adjustment mechanisms, and accounting treatments included in this Application. These proposals are reasonable, reflect current operating and market conditions, and are designed to ensure appropriate recovery of prudently incurred costs while maintaining protections for customers. Approval of these proposals will support the continued

provision of safe, reliable, and cost-effective electric service to Black Hills Power's South Dakota customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

VERIFICATION

This Direct Testimony and Exhibits of Jason S. Keil is true and accurate to the best of my knowledge, information, and belief.

/s/ *Jason S. Keil*
Jason S. Keil