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**Senate Utilities Committee
Written Testimony
SB 396 - Opposed
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Thank you Chairman Olson and members of the committee for the opportunity to provide comments today on SB 396 which concerns the implementation of the Tax Cuts and Jobs Act of 2017 and regulated utilities.

Black Hills Energy is a natural gas utility proudly serving approximately 113,000 customers in 65 Kansas communities. All together the Black Hills family serves 1.2 million natural gas and electric customers in eight states.

One of the well-documented components of the new tax law, and the focus of SB 396, is the reduction of the corporate income tax rate from 35% to 21%. Black Hills is currently reviewing the new tax law and we are committed to working with utility regulators to develop a plan to provide customers the benefit of the corporate tax rate reduction, which was effective January 1, 2018.

Black Hills was among the first Kansas entities to begin discussions with staff from the Kansas Corporation Commission (KCC) prior to passage of the Act, so we are committed to a timely resolution. Just as other regulated utilities do, Black Hills utilizes deductions and credits within the tax code, the benefits of which then are passed along to our customers in their rates.

Anticipating these changes, the KCC opened a docket providing for the general investigation regarding the impact on rates and how to best determine a fair and consistent path forward for all Kansas natural gas customers. Black Hills is a committed participant in this docket.

In the event the Kansas Legislature determines that SB 396 should be the policy of the state, there are two items of SB 396 we would like to address. First, the interest rate should reflect the KCC approved rate for interest on security deposits. In December 2017 the KCC set the minimum interest rate paid on security deposits pursuant to K.S.A. 12-822 at 1.62% for calendar year 2018. Second, Black Hills has concerns about the one-size fits all approach of the 150-day timeframe. Our intent is to provide the benefits to customers as quickly as practical, however, each utility will approach this in a unique manner and any legislative backstop should recognize efforts made by the utility. We are willing to work with policymakers and other stakeholders on these matters.

Thank you for the opportunity to address the committee today.