

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF BLACK HILLS NEBRASKA GAS, LLC,)	
D/B/A BLACK HILLS ENERGY, RAPID)	APPLICATION NO. NG-124
CITY, SOUTH DAKOTA, SEEKING)	
APPROVAL OF A GENERAL RATE)	
INCREASE)	

DIRECT TESTIMONY OF BROOKE N. BASSELL-HERMAN

Director of Regulatory

ON BEHALF OF BLACK HILLS NEBRASKA GAS, LLC

Date: May 1, 2025

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EXHIBITS

Direct Exhibit BNB-1	Statement of Qualifications
Direct Exhibit BNB-2	Map of BH Nebraska Rate and Service Areas

TABLE OF ABBREVIATIONS AND ACRONYMS

ADIT	Accumulated Deferred Income Taxes
Aquila Acquisition	Acquisition of gas utility assets previously owned by Aquila, Inc.
Base Year	The twelve (12) months ended December 31, 2024
BH Arkansas	Black Hills Energy Arkansas, Inc.
BH Gas Distribution	Black Hills Gas Distribution, LLC
BH Gas Utility	Black Hills/Nebraska Gas Utility Company, LLC d/b/a Black Hills Energy
BH Iowa Gas	Black Hills/Iowa Gas Utility Company, LLC
BH Kansas	Black Hills/Kansas Gas Utility Company, LLC
BH Nebraska Gas or Company	Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
BHC	Black Hills Corporation
BHSC	Black Hills Service Company, LLC
BHUH	Black Hills Utility Holdings, Inc.
CES	Customer Effort Score
CCOSS	Class Cost of Service Study
CSAT	Customer Satisfaction
DIIP	Date Integrity Improvement Program
GCA	Gas Cost Adjustment
HEAT	High Efficiency Assistance Tool
MGP	Manufactured Gas Plant
NDEE	Nebraska Department of Energy and Environment
PRP	Potentially Responsible Parties
ROE	Return on Equity

RRS	Revenue Requirement Study
Site	Former Citizens Gas MGP site located in McCook, Nebraska.
SourceGas Acquisition	BHUH Acquisition of SourceGas Distribution, LLC
SSIR	System Safety Integrity Rider
Suppliers	Third-Party Certified Natural Gas Providers
Test Year	The twelve (12) months ending on December 31, 2025 adjusted for known and measurable changes
WACC	Weighted Average Cost of Capital
VCP	Voluntary Cleanup Program
WNA	Weather Normalization Adjustment Rider

DIRECT TESTIMONY OF BROOKE N. BASSELL-HERMAN

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Brooke N. Bassell-Herman. My business address is 1205 SW 37th Street, Grimes, IA 50111.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Black Hills Services Company, LLC (“BHSC”), a wholly owned subsidiary of Black Hills Corporation (“BHC”). My position is Director of Regulatory for the states of Iowa and Nebraska.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy (“BH Nebraska Gas” or the “Company”).

II. STATEMENT OF QUALIFICATIONS

Q. WHAT ARE THE DUTIES AND RESPONSIBILITIES IN YOUR CURRENT POSITION?

A. I am responsible for all regulatory planning matters for the Company’s regulated natural gas utilities located in the states of Iowa and Nebraska. In this role, my team handles regulatory compliance, internal support, external relations, Commission application filings, corporate and business operations planning, strategic planning, and various other matters that arise from time to time.

1 **Q. WOULD YOU PLEASE OUTLINE YOUR EDUCATIONAL AND**
2 **PROFESSIONAL BACKGROUND?**

3 A. My education, employment history and professional experience is provided in Direct
4 Exhibit BNB-1.

5 **III. PURPOSE OF TESTIMONY**

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to support the following topics:

8 1. Background of BH Nebraska Gas: My testimony will provide a
9 summary of the history of BH Nebraska Gas leading up to this rate application.

10 2. BH Nebraska Gas Application: My testimony will provide a summary
11 and brief discussion in support of the BH Nebraska Gas general Rate Review
12 Application that was prepared in accordance with the State Natural Gas Regulation and
13 the Commission's Rules and Regulations;

14 3. Summary of Witnesses: My testimony identifies and provides a
15 summary of the topics each witness testifying in support of BH Nebraska Gas will
16 address and support through the testimony and exhibits;

17 4. Application Drivers: My testimony discusses the primary drivers
18 requiring BH Nebraska Gas to file this general rate increase Application; and

19 5. Other Regulatory Mechanisms and Proposals: My testimony provides
20 support for the different regulatory mechanisms and other proposals included within
21 the Company's Application.

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

23 A. No.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE OTHER REGULATORY**
2 **BODIES?**

3 A. Yes, I have testified before the Iowa Utilities Commission.

4 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

5 A. Yes. I am sponsoring the following Exhibits:

6 • **Direct Exhibit BNB-1** provides my education, employment history, and
7 professional experience.

8 • **Direct Exhibit BNB-2** is a map of BH Nebraska Gas Rate Areas.

9 **Q. HAVE THE TESTIMONY AND EXHIBITS THAT YOU ARE SPONSORING**
10 **BEEN PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

11 A. Yes.

12 **IV. BACKGROUND OF BH NEBRASKA GAS**

13 **Q. PLEASE DESCRIBE THE CORPORATE OWNERSHIP AND**
14 **ORGANIZATION HISTORY OF BH NEBRASKA GAS.**

15 A. A summary of significant corporate transactions and regulatory proceedings leading up
16 to this rate application is provided below.

17 **A. BHC**

18 BHC is a diversified energy company with headquarters in Rapid City, South Dakota.
19 Through its electric and gas utility subsidiaries, BHC serves over 1.35 million electric
20 and natural gas customers in over 800 communities in eight states – Arkansas,
21 Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota, and Wyoming.

22

23

1 **B. Aquila Acquisition**

2
3 BHC began providing natural gas utility services to customers in Nebraska in 2008
4 with the acquisition of the gas utility assets previously owned by Aquila, Inc. (“Aquila
5 Acquisition”). BHC formed Black Hills/Nebraska Gas Utility Company, LLC d/b/a
6 Black Hills Energy (i.e., BH Gas Utility) to assume ownership and control of, and
7 commence operating, the gas utility assets in Nebraska. All regulatory issues related to
8 the acquisition of BH Gas Utility were addressed in Commission Application Nos. NG-
9 0044 (Aquila Acquisition) and NG-0061 (BH Gas Utility 2009 Rate Review). Those
10 issues are not a part of this rate Application.

11 **C. SourceGas Acquisition**

12 In 2016, BHC expanded its gas utility operations in Nebraska with Black Hills Utility
13 Holdings’ (“BHUH”) acquisition of SourceGas Distribution LLC (“SourceGas
14 Acquisition”). As a result of the SourceGas Acquisition, SourceGas Distribution,
15 which provided retail gas sales and transportation services in Colorado, Nebraska, and
16 Wyoming, was acquired by BHUH, and its name was changed to Black Hills Gas
17 Distribution, LLC (“BH Gas Distribution”). BHUH also acquired the assets of
18 SourceGas Energy Services Arkansas. The Arkansas utility was renamed Black Hills
19 Energy Arkansas, LLC. The Commission addressed SourceGas Acquisition issues in
20 Commission Application No. NG-0084.

21 **D. Consolidation of BH Gas Distribution and BH Gas Utility**

22 On March 29, 2019, BH Gas Distribution, BH Gas Utility, and BH Nebraska Gas filed
23 a Joint Application in Commission Application No. NG-100 seeking approval of
24 certain internal transfers for the purpose of consolidating BH Gas Distribution and BH

1 Gas Utility into the newly named public utility entity, BH Nebraska Gas. The
2 Commission issued an Order Granting Application on October 29, 2019, in
3 Commission Application No. NG-100.

4 **E. Consolidated BH Nebraska Gas Tariff**

5
6 In Commission Application No. NG-100, the Commission also approved a single tariff
7 for BH Nebraska Gas. This tariff consists of one set of consolidated Rules and
8 Regulations and tariffs for BH Nebraska Gas. Although the tariffs of BH Gas Utility
9 and BH Gas Distribution were consolidated into a single tariff for BH Nebraska Gas,
10 the Commission Application No. NG-100 proceeding did not address changes to rates
11 or fee schedules of former BH Gas Utility and BH Gas Distribution. Those rate
12 schedule and utility fee issues were addressed in Commission Application No. NG-109
13 filed on June 1, 2020, for an Application Seeking General Rate Increase. The
14 Commission issued an Order Approving Stipulation and Settlement Agreement in
15 Commission Application No. NG-109 on January 26, 2021.

16 **F. Profile of Customers Count, Communities, and Rate Areas**

17
18 **Q. PLEASE PROVIDE A GENERAL PROFILE OF BH NEBRASKA GAS AND**
19 **THE RATE AREAS SERVED.**

20 A. As of December 31, 2024, BH Nebraska Gas provided retail gas sales and
21 transportation service to approximately 304,429 natural gas customers in over 300
22 communities located across Nebraska.

23 1. Current and Proposed Rate Areas

24 The BH Nebraska Gas service area is divided into five rate areas and base rates were
25 previously consolidated across rate areas. Exhibit BNB-2 is a copy of the existing rate

1 areas included within the Tariff of BH Nebraska Gas. The Company is proposing a change
2 to reclassify the Town of Western, Nebraska, from Rate Area 5 to Rate Area 3 as discussed
3 by Ms. Tatyana V. Bannan.

4 2. GCA

5 The Company procures natural gas to serve Rate Areas One, Two, and Three through
6 its Gas Supply and Transport Services department and recovers the gas cost through
7 a single Gas Cost Adjustment (“GCA”) mechanism. BH Nebraska’s Application Gas
8 does not propose changes to the GCA mechanism.

9 3. Choice Gas

10 Customers in Rate Area Five obtain natural gas commodity via third-party Certified
11 Natural Gas Providers (“Suppliers”) as part of the Choice Gas Program. BH Nebraska
12 Gas’s Application does not propose structural changes to the Choice Gas Program.

13 4. Rate Area Four

14 Rate Area Four is comprised of Agricultural, Interruptible, and High-Volume
15 Customers located throughout Rate Areas One, Two, Three, and Five. Rate Area Four
16 service is primarily non-jurisdictional and is subject to Neb. Rev. Stat. § 66-1810.

17 **V. BH NEBRASKA GAS RATE REVIEW APPLICATION**

18 **Q. PLEASE SUMMARIZE THE BH NEBRASKA GAS RATE REVIEW**
19 **APPLICATION.**

20 A. BH Nebraska Gas filed its last rate Application on June 1, 2020, under Commission
21 Application NG-109.¹ Over the past five years several drivers have caused BH

¹ *In Re Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy seeking approval of a general rate increase Application NG-109 (2020).*

1 Nebraska Gas to seek a general rate increase pursuant to the requirements of the State
2 Natural Gas Regulation Act and the Commission Rules and Regulations. Those drivers
3 are presented and discussed in more detail within my testimony below.

4 **Q. WHAT ARE THE BASE AND TEST YEARS FOR THIS RATE REVIEW?**

5 A. The Base Year for this Rate Review Application is the twelve months ending on
6 December 31, 2024 (“Base Year”), reflecting actual financial performance as recorded
7 in the Company’s financial records. The Test Year for this Rate Review proceeding is
8 derived by taking the Base Year and adjusting it for known and measurable changes,
9 as well as applying normalization adjustments, as required by the Act, and an
10 annualized adjustment to correct for out-of-period billing entries. The Company is
11 proposing to include in rate base capital projects that went into service after the end of
12 the Base Year and through December 31, 2025 (“Test Year”).

13 **A. Rate Application Drivers**

14 **Q. WHAT ARE THE PRIMARY DRIVERS FOR BH NEBRASKA GAS TO FILE**
15 **THIS RATE REVIEW APPLICATION?**

16 A. The primary drivers for the BH Nebraska Gas general Rate Review Application focus
17 on four (4) key areas:

- 18 1. Recovery of investments made by BH Nebraska Gas in capital
19 infrastructure since the 2020 rate review that are not System Safety
20 Integrity Rider (“SSIR”) eligible as well as including in base rates the
21 SSIR investments made since 2020;
- 22 2. SSIR Renewal;

3. Impacts of inflation leading to increased operating and maintenance expenses, material costs, insurance costs, and labor; and
4. Increased cost of debt due to higher interest rates.

Q. HOW IS THE BH NEBRASKA GAS APPLICATION ORGANIZED?

A. Table BNB-1 below demonstrates that the Company organized its rate Application in accordance with the Commission's Rules and Regulations.² BH Nebraska Gas understands that the Commission has proposed new rules and regulations that will impact the organization of future rate applications, the Rate Review Application filed in this proceeding follows the existing Commission Rules and Regulations effective July 23, 2013, last issued April 2, 2012.

Table BNB-1 – Rate Review Application

Application Exhibit Sections	Description	Rule Reference
Section 1	General Information	004.02 004.02A through 004.02G
Section 2	Rate Base Schedules	004.03 004.03A through 004.03C
Section 3	Expense Schedules	004.04 004.04A through 004.04G
Section 4	Rate of Return and Cost of Capital Schedules	004.05 A through 004.05B
Section 5	Revenue Schedules	004.06A through 004.06B2
Section 6	Cost of Service Study	004.07
Section 7	Pre-Filed Direct Testimony and Exhibits	004.08
Section 8	Tariffs – Redlined and Clean	NA
Section 9	Workpapers	004.01C

² *Neb. Admin. Code, Title 291, Chapter 9 Pipeline Common Carriers Rules and Regulations.*

B. Table BNB-2 –Proposed Deficiency, Capital Structure, Return on Equity (“ROE”), Debt and Weighted Average Cost of Capital (“WACC”)

As shown on Table BNB-2 below, BH Nebraska Gas is seeking an increase in base rate revenues of \$34,923,246 million based on a **Base Year** of the twelve months ended December 31, 2024, and adjusted for known and measurable changes through the **Test Year** ending December 31, 2025.³

**Table BNB-2 – Proposed Deficiency, Capital Structure,
ROE, Debt and Weighted Cost of Capital**

Revenue Deficiency	Capital Structure	ROE	Cost of Debt	Weighted Average Cost of Capital
\$34.9 million	50.52% Equity 49.48% Debt	10.5%	4.71%	7.63%

The Application is based on an overall weighted average cost of capital (WACC”) of 7.63%, including a 10.5% ROE, a 4.71% cost of debt, and a capital structure of 50.52% equity and 49.48% debt, as supported by the testimonies of Mr. Adrien McKenzie and Mr. Thomas Stevens.

The revenue deficiency is supported by a comprehensive Revenue Requirement Study (“RRS”), including financial and accounting statements, schedules, testimony, and other information in compliance with the requirements set forth in the

³ The requested base rate revenue increase of \$34,923,246 represents the jurisdictional portion of revenue and is based upon the cost of service calculated for jurisdictional customers only. This information is summarized in Direct Exhibit SKJ-2, Statement B Page 2.

Commission's filing requirements for rate review applications as supported by the testimonies of Ms. Samantha K. Johnson and Ms. Lori J. Mack.

C. Rate Design Overview

Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED RATE DESIGN FOR ITS RATE AREAS.

A. The allocation of costs, rate design, and billing determinants are supported by a comprehensive Class Cost of Service Study ("CCOSS"), schedules, testimony, and other information in compliance with industry standards, the requirements set forth in the Commissions filing requirements and past precedent for rate review applications as supported by the testimonies of Mr. Douglas N. Hyatt and Mr. Ethan J. Fritel.

The Company's proposed rate design will have slight change to the existing rate structure with respect to the Commercial customer class. As explained in the testimony of Mr. Hyatt, BH Nebraska Gas proposes to split the commercial class (i.e., small volume commercial sales and transportation customers) into small and large customer classes. BH Nebraska Gas proposed the rates set forth below.

Table BNB-3 – BH Nebraska Gas Proposed Rate Design

	Customer Charge	Volumetric Charge Tier 1	Volumetric Charge Tier 2
Residential	\$31 per Month	First 10 Therms \$.42242/Therm	Over 10 Therms \$.15000/Therm
Small Commercial Service	\$48 per Month	First 20 Therms \$.95940/Therm	Over 20 Therms \$.15000/Therm
Large Commercial Service	\$121 per Month	First 500 Therms \$.22484/Therm	Over 500 Therms \$.15000/Therm

1 **Q. HOW WILL THESE PROPOSED RATES IMPACT BH NEBRASKA GAS**
2 **CUSTOMERS?**

3 A. The impact of proposed rates for each customer class is set forth below and is also
4 shown within Exhibit EJF-12.

5 **Table BNB-4 - Average Monthly Bill Impacts**

Customer Class	Average Month	
	Amt	%
Residential	\$6.27	9.4%
Small Commercial	\$6.29	4.4%
Large Commercial	\$100.52	8.8%

6

7 **D. Regulatory Mechanisms and Proposals**

8 The BH Nebraska Gas rate application also includes other items related to the recovery
9 of prudently incurred costs by the Company that are not in base rates. Those
10 Application items are identified and summarized below.

11 **1. Regulatory Mechanisms**

12 BH Nebraska Gas is seeking approval for several regulatory mechanisms, some of
13 which require renewal and continuation of previously approved mechanisms while
14 others are new but common within the utility industry. The regulatory mechanisms
15 included within the Application and further supported by testimony and exhibits,
16 include the following:

- 17 • SSIR - renewal of the SSIR as well as approval of the proposed 2026
18 SSIR projects.
- 19 • High Efficiency Assistance Tool (“HEAT”) – inclusion of third-party
20 administrative costs in the annual spending cap; and

- Weather Normalization Adjustment Rider (“WNA”) - a new proposed Weather Normalization Adjustment Rider.

2. Deferred Accounting Treatment

In addition to approval of regulatory mechanisms, BH Nebraska Gas requests that the Commission authorize Deferred Accounting Treatment for each of the following expense categories:

- Manufactured Gas Plant (“MGP”). One of the Deferred Accounting Treatments would authorize BH Nebraska Gas to establish a regulatory asset to record and track costs for future recovery of BH Nebraska Gas costs for MGP research, testing, environmental cleanup and monitoring, and other appropriate or necessary remediation costs.

- Insurance Premiums. The other Deferred Accounting Treatment would authorize BH Nebraska Gas to establish a regulatory asset to record and track costs for future recovery of insurance premium costs.

3. Other Application Items

The BH Nebraska Gas Rate Application also includes the following proposals:

- EDIT - refund of Excess Deferred Income Taxes due to state of Nebraska tax changes;
- Rate Area Adjustment - reclassify the Town of Western, NE from Rate Area Five to Rate Area Three;
- Rate Case Expenses - recover rate case expenses to be incurred throughout this proceeding; and
- Tariff Changes - implement tariff changes.

1 **4. Commission or Statutory Compliance Items**

2 BH Nebraska Application complies with the established Commission Requirements as
3 follows:

4 • Low Use Commercial Customer Analysis - includes and incorporates a
5 requirement approved in the Commission's Order in Commission Application No. NG-
6 109 for BH Nebraska Gas to research and incorporate changes related to low gas use
7 Commercial customers;

8 • Interim Rates - implement Interim Rates on August 1, 2025
9 (i.e., approximately 90-days after filing) in compliance with Neb. Rev. Stat. § 66-
10 1838(10).

11 **5. Miscellaneous Application Issues**

12 Two additional clarifications related to the BH Nebraska Gas Application relate
13 to Customer Service Improvements and Choice Gas.

14 • Customer Service Improvement – My testimony notes that BH
15 Nebraska Gas has taken several actions to monitor and improve its customer service
16 experience since the last rate proceeding;

17 • Choice Gas Program - My testimony also notes that the BH Nebraska
18 Gas Application does not propose changes to the Choice Gas program. Any significant
19 structural changes to the Choice Gas program would be addressed within Commission
20 Application No. NG-102 or any other proceeding established by the Commission to
21 address those proposed changes to Choice Gas.

VI. INTRODUCTION OF WITNESSES

Q. WHO ARE THE COMPANY WITNESSES PROVIDING SUPPORTING TESTIMONY IN THIS PROCEEDING?

A. Thirteen (13) witnesses support the Application filed by BH Nebraska Gas in this proceeding. As summarized below, eleven (11) witnesses supporting the BH Nebraska Gas Application are employed by either (a) Black Hills Service Company or (b) BH Nebraska Gas. The two (2) other BH Nebraska Gas witnesses are expert witnesses needed to support cost of capital, depreciation studies and recommendations proposed by BH Nebraska Gas. A summary table of each witness is also provided within the Application as required by the Commission's rules and regulations. The identification and subject matter expertise of each BH Nebraska Gas witness is provided in alphabetical order below.

1. Ms. Tatyana V. Bannan, Manager – Regulatory

Ms. Bannan addresses (a) the request for the renewal of the SSIR, (b) submits the 2026 SSIR application, (c) supports third-party administrative costs within the HEAT program, (d) explains the rate review expense recovery and (e) supports proposed tariff changes to the BH Nebraska Gas Tariff.

2. Ms. Brooke N. Bassell-Herman, Director - Regulatory

The purpose of my testimony is set forth above.

3. Ms. Jennifer C. Bingaman, Manager – Asset Risk

Ms. Bingaman supports the programmatic capital investment and the safety and risk ranking of the Capital Infrastructure Projects developed for BH Nebraska Gas and discusses the approach to assessing and prioritizing efforts to improve the overall safety

1 of the gas distribution system. Ms. Bingaman describes the federal and state
2 regulations governing pipeline safety including the recent additional requirements of
3 the Mega Rule. Ms. Bingaman also discusses BH Nebraska Gas's Distribution and
4 Integrity Management Plan ("DIMP"), Transmission Integrity Management Plan
5 ("TIMP"), Data infrastructure Improvement Program ("DIIP") and provides support
6 for SSIR projects.

7 **4. Mr. Kenneth L. Crouch, Senior Manager – Tax**

8 Mr. Crouch supports the calculation of income tax expense and related Accumulated
9 Deferred Income Taxes ("ADIT") in the RRS. He also discusses the accounting for
10 excess deferred income tax, the reduction of state income tax, the EDIT tax refund and
11 the recovery of property tax expense associated with gas storage.

12 **5. Mr. Ethan J. Fritel, Senior Regulatory Analyst – Regulatory**

13 Mr. Fritel discusses the billing determinants and revenue under current rates, the
14 Company's Weather Normalization Adjustment, including customer growth and
15 adjustments, the Company's current Test Year billing, revenues under current and
16 proposed rates, as well as the revenue proof and bill impacts.

17 **6. Mr. Douglas N. Hyatt, Manager – Regulatory**

18 Mr. Hyatt discusses (a) the Class Cost of Service Study and the weighting factors
19 studies used for the functionalization and allocation of costs, (b) changes to the rate
20 design for Residential and Commercial customers including the proposed Small
21 Commercial Service and Large Commercial Service classes and (c) discusses the
22 proposed Weather Normalization Adjustment Rider.

1 **7. Mr. Kevin M. Jarosz, Vice President - Operations**

2 Mr. Jarosz provides a general overview of the Company's Nebraska gas system and
3 service territory, staffing, customer service, community involvement and performance.
4 Mr. Jarosz discusses the Company's existing practices to maintain the safety and
5 integrity of the Nebraska pipeline system. Mr. Jarosz describes the specific projects BH
6 Nebraska Gas is proposing to include in the SSIR mechanism as well as support for the
7 proposed renewal of the SSIR. Mr. Jarosz supports the capital additions between
8 January 1, 2025 and December 31, 2025, the Capital Plan for the next five years and
9 highlights the actions taken to control cost and increase efficiency in a time where higher
10 inflation is impacting the Company's cost of service. Mr. Jarosz also provides the
11 environmental background of the McCook MGP site and supports the expansion of the
12 Company's current Public Awareness Program.

13 **8. Ms. Samantha K. Johnson, Director – Regulatory**

14 Ms. Johnson sponsors the RRS. She supports the requested revenue increase by
15 describing the Test Year, revenues, and operating expenses. Ms. Johnson also applies
16 known and measurable changes and certain other adjustments, to reflect the revenue
17 needed to recover the costs to provide service to the BH Nebraska Gas customers and
18 for the Company to have the opportunity to earn a fair return. Ms. Johnson also
19 discusses changes to the Cost Allocation Manual resulting from the corporate changes,
20 including the allocation impacts related to consolidation of support services now
21 provided by BHSC. Ms. Johnson supports adjustments related to merit increases,
22 BHSC employee additions, and others. Finally, Ms. Johnson addresses Affiliate
23 Transactions.

9. Ms. Lori J. Mack, Manager – Regulatory

Ms. Mack sponsors the RRS relating to rate base, adjustments for per-book investments, and expenses relating to capital investments, the Lead Lag Study and the Cash Working Capital allowance. Ms. Mack also incorporates and applies depreciation rates recommended by Mr. John Spanos under a recent depreciation study prepared by Mr. Spanos for BH Nebraska Gas and a prior depreciation study prepared by Mr. Spanos in 2018 for BHSC.

10. Mr. Adrien M. McKenzie, President - Financial Concepts and Applications

Mr. McKenzie supports the proposed cost of common equity used in the capital structure to determine the WACC incorporated in the RRS. Mr. McKenzie discusses current capital markets and provides an expert assessment of the range of reasonable rates of ROE for BH Nebraska Gas of 10.0% to 11.0%. Mr. McKenzie's testimony supports the 10.5% ROE requested by BH Nebraska Gas.

11. Mr. Kris J. Pontious, Senior Manager – Compensation

Mr. Pontious supports the employee benefit and compensation costs included in the revenue requirements for the Test Year and the compensation-related adjustments that are included in this filing. Mr. Pontious describes the overall benefit and compensation programs for BHC employees, including employees of BH Nebraska Gas as well as the steps undertaken by BHC to evaluate its overall compensation programs. Further, Mr. Pontious addresses the Commissions policy as it applies to the incentive compensation included in the rate Application submitted by BH Nebraska Gas in this proceeding.

1 **12. Mr. John J. Spanos - President, Gannett Fleming Valuation and**
2 **Rate Consultants, LLC – Depreciation Studies**

3 Mr. Spanos supports the depreciation study for BH Nebraska Gas and sets forth the
4 calculated annual depreciation accrual rates by account as of September 30, 2024. Mr.
5 Spanos discusses the proposed rates for the Company's assets to be depreciated over
6 their useful lives which are based on the most commonly used methods and procedures.
7 Mr. Spanos also supports the depreciation study previously prepared for BHSC, which
8 was completed as of 2018. The BHSC depreciation study is relied upon by BH
9 Nebraska Gas in developing the rates proposed in this application. The BHSC 2018
10 depreciation study is provided as an exhibit to the Direct Testimony of Ms. Mack. The
11 BH Nebraska depreciation study is provided as Exhibit JJS-2 and included along with
12 the Direct Testimony of Mr. Spanos.

13 **13. Mr. Thomas D. Stevens, Vice President - Treasury**

14 Mr. Stevens provides support for BH Nebraska Gas's proposed capital structure and
15 cost of debt and discusses recent debt and financing activity. Additionally, Mr. Stevens
16 also discusses and supports the levels of expenses included in the RRS for pension and
17 retiree healthcare expenses.

18 **VII. RATE APPLICATION DRIVERS**

19 **Q. PLEASE SUMMARIZE THE OVERALL OBJECTIVE OF BH NEBRASKA**
20 **GAS UNDER THIS RATE REVIEW APPLICATION.**

21 **A. This BH Nebraska Gas rate Application will propose the appropriate rate base, annual**
22 **revenue requirement, rate and regulatory mechanisms, and new base rates for BH**
23 **Nebraska Gas.**

1 **Q. WHAT FACTORS ARE DRIVING BH NEBRASKA GAS TO FILE THIS**
2 **GENERAL RATE REVIEW?**

3 A. As noted above, the primary drivers for the BH Nebraska Gas general Rate Review
4 Application focus on four (4) key areas:

- 5 • Recovery of investments made by BH Nebraska Gas in capital infrastructure
6 since the 2020 rate review that are not SSIR eligible as well as including in base
7 rates the SSIR investments made since 2020;
- 8 • SSIR Renewal;
- 9 • Impacts of inflation leading to increased operating and maintenance
10 expenses, material costs, insurance costs, and labor; and
- 11 • Increased cost of debt due to a higher interest rate environment.

12 As noted above, the revenue deficiency included within the Application is driven by
13 capital investments and inflationary pressures affecting capital since the 2020 rate
14 review. The deficiency is supported by a comprehensive RRS, including financial and
15 accounting statements, schedules, testimony and other information in compliance with
16 the requirements set forth in the Commissions filing requirements for rate applications.
17 Each of the rate Application primary drivers is addressed directly below.

18 **A. Recovery of Infrastructure and Capital Additions Investment**

19
20 **Q. PLEASE EXPLAIN HOW BH NEBRASKA GAS ADDRESSES SYSTEM**
21 **INFRASTRUCTURE INVESTMENT AND CAPITAL ADDITIONS THAT**
22 **DRIVE THIS RATE APPLICATION.**

23 A. BH Nebraska Gas has made a significant investment in its natural gas distribution
24 system infrastructure since the 2020 rate review. That capital investment was made in

growth, integrity, reliability, and safety projects to improve the gas system of BH Nebraska Gas. A portion of the gas system investment in safety infrastructure made by BH Nebraska Gas in the past has been recovered through the existing SSIR rider and will be incorporated into base rates within this case. Other gas distribution system investment by BH Nebraska Gas in growth, integrity, and reliability will be incorporated into base rates with this Rate Review Application.

The Company has invested approximately \$331 million (jurisdictional and non-jurisdictional investments) in gross capital additions since the last rate review, \$186 million of that amount is related to the SSIR projects. BH Nebraska Gas anticipates that rate base will continue to grow annually and expects to invest another \$122.7 million within the Test Year period through December 31, 2025, as shown in the table below.

Table BNB-5 – Total Company Capital Investments (in Millions)

2021 – 2024 Capital Additions	Test Year Period Capital Investment Through December 31, 2025	Total Capital Investment since last filing
\$331M	\$122.7M	\$453.7M

That capital investment was made to improve the gas system of BH Nebraska Gas. The total Company rate base at the end of the Base Year (12/31/2024) is approximately \$809.4 million, which will increase to \$899 million by the end of this proceeding, an increase of \$312.9 million from the last rate case.⁴

⁴ The jurisdictional rate base adjusted amounts are \$708.8 million and \$785.2 million respectively. (Statement B, page 2 of Direct Exhibit SKJ-2).

1 As discussed in the testimony of Mr. Jarosz, the Company currently plans to
2 invest an additional \$520 million (i.e., approximately \$104 million average per/year)
3 in capital infrastructure investment over the next five years in BH Nebraska Gas.⁵ Of
4 that \$104 million, BH Nebraska Gas will invest approximately \$45-\$50 million per
5 year in programmatic system safety infrastructure improvements through the SSIR
6 program.

7 In support of its gas system investments, a dedicated team of employees (i.e.,
8 Engineering, Finance, Operations, and Regulatory departments) assess all
9 BH Nebraska Gas system assets. Based on the collaborative analysis of that team, BH
10 Nebraska Gas then adopts a Capital Plan designed to (i) replace higher risk gas
11 distribution infrastructure on an accelerated timeline, (ii) increase reliability of the gas
12 system, (iii) enhance the integrity of the gas system, or (iv) provide infrastructure for
13 customer growth and customer demand for additional system capacity as discussed
14 within the testimony of Mr. Jarosz. The Company's prudent investment in system
15 infrastructure requires significant capital investment. The capital infrastructure
16 investment in this Rate Review Application is critical to system safety, reliability,
17 resilience, and growth.

⁵ Capital Plan includes investment in all types of gas distribution system infrastructure projects: Growth, Integrity, Reliability, and General Plant.

1 **Q. DO NEBRASKA STATUTES AND COMMISSION REGULATIONS PERMIT**
2 **BH NEBRASKA GAS TO RECOVER ITS INFRASTRUCTURE AND**
3 **CAPITAL INVESTMENTS?**

4 A. Yes. The State Natural Gas Regulation Act,⁶ Rules 004 and 005 of the Commission
5 Rules, and the SSIR of the BH Nebraska Gas Tariff permit BH Nebraska Gas the ability
6 to recover its investment in the natural gas distribution system. As noted above,
7 BH Nebraska Gas plans to invest approximately \$104 million each year for the next
8 five years into its natural gas infrastructure. The Capital Plan includes projects for
9 growth, reliability, integrity and general plant. The prior investment in system
10 infrastructure along with the anticipated capital infrastructure investment drives the
11 need for this Rate Review Application.

12 As discussed above, BH Nebraska Gas makes gas system infrastructure
13 investment in safety, integrity, reliability, and growth projects. The system
14 infrastructure investments made during 2025 are defined as “capital additions.” Rule
15 005 of the Commission Rules permits BH Nebraska Gas to include in its rate base all
16 capital additions that are used and useful in providing service to the public.

17 Rule 005.06D states that capital projects that are commenced and completed
18 within one year or less from the end of the Test Year may also be included in the Rate
19 Base of BH Nebraska Gas. Accordingly, capital addition investments made or to be
20 made by BH Nebraska Gas during 2025 are included in the RRS; the details of the 2025
21 capital addition investments are provided in the testimony of Mr. Kevin M. Jarosz.

⁶ Neb. Rev. Stats. §§ 66-1825, 66-1838, 66-1865, 66-1866, and 66-1867.

1 **B. SSIR Renewal**

2 **Q. PLEASE EXPLAIN HOW INVESTMENT THROUGH THE SSIR**
3 **MECHANISM DRIVES THIS RATE APPLICATION.**

4 A. Another driver of the BH Nebraska Gas rate Application is the renewal of the SSIR
5 Charge with the continued inclusion of the DIIP costs recovered through the SSIR
6 Charge as discussed within the testimony of Ms. Bannan.

7 BH Nebraska Gas must continue making significant investment in the safety
8 and reliability of its gas distribution system in Nebraska. Commission approval and
9 renewal of the Company's safety infrastructure mechanism provides BH Nebraska Gas
10 timely recovery of that significant investment.

11 This Rate Review Application will restart the sixty-month period established
12 for recovery of prudent investment in qualified safety projects through the SSIR
13 Charge.⁷ BH Nebraska Gas anticipates that the investment in safety projects occurring
14 in the future will flow through the SSIR mechanism. As discussed in more detail in
15 Ms. Bannan's testimony, BH Nebraska Gas is including the 2026 SSIR Application in
16 this Rate Review Application.

17 **Q. DOES THE COMMISSION PERMIT RECOVERY OF INVESTMENTS IN**
18 **SAFETY INFRASTRUCTURE THROUGH THE SSIR CHARGE?**

19 A. Yes. The Commission also provides for recovery of investment in eligible safety
20 integrity projects to be recovered through an SSIR mechanism. Projects included for
21 recovery under the forward-looking SSIR mechanism must occur within sixty months

⁷ Pursuant to *Neb. Rev. Stat. §66-1865* this Rate Review Application permits new eligible SSIR projects to be recovered through the safety infrastructure mechanism.

1 of a Commission-approved rate proceeding. Accordingly, as the sixty-month period
2 since the last rate review for BH Nebraska Gas has passed, this Rate Review
3 Application is necessary for BH Nebraska Gas to qualify any new SSIR projects under
4 the SSIR mechanism for recovery through the SSIR charge. Details of the SSIR
5 renewal are provided in the direct testimony of Ms. Bannan.

6 **Q. WHAT RETURN ON EQUITY WILL BE APPLIED TO SSIR PROJECTS**
7 **AFTER THIS RATE APPLICATION?**

8 A. BH Nebraska Gas will apply the ROE authorized by the Commission in this rate
9 Application proceeding in future SSIR filings.

10 **Q. WHEN WILL THE 2026 SSIR CHARGE GO INTO EFFECT?**

11 A. Previously, BH Nebraska Gas filed its new SSIR Charge application by August 1 to
12 become effective on January 1 of the following year. Given that the SSIR mechanism
13 and SSIR Charge are subject to renewal under this Rate Review Application, BH
14 Nebraska Gas is including its 2026 SSIR to become effective contemporaneously with
15 Final Rates as part of this Rate Review Application. *See* Direct Exhibit TVB-2 attached
16 to the testimony of Ms. Bannan.

17 **C. Impact of Inflation as a Rate Review Application Driver**

18 Another primary driver for the revenue deficiency is the inflationary impact associated
19 with the cost to serve and the increase in capital since the Company's last rate review
20 in 2020. Company witness Mr. Jarosz addresses these items in more detail. BH
21 Nebraska Gas has worked diligently to manage capital infrastructure investments over
22 the past decade and has delayed filing a rate review application in these challenging
23 and changing market and operating conditions. While BH Nebraska Gas has prudently

1 managed its expenses since that time the Company has not been immune to the same
2 cost increases our customers have faced. According to the Consumer Price Index,
3 prices for all goods and services have risen approximately 21% since the Company's
4 base rates were effective from the 2020 rate review.⁸

5 **D. Increased Cost of Debt as a Result of Interest Rates**

6 Due to the higher interest rate environment, the Company experienced an increased
7 cost of debt and equity capital and must maintain financial integrity by recovering such
8 cost increases as it relates to the Company in this proceeding. The cost of debt has risen
9 since the Company's 2020 Rate Review due to inflation and higher interest rates, rising
10 bond yields and refinancing activities as discussed by Mr. Stevens and Mr. McKenzie.
11 Customers have benefited since BH Nebraska Gas's 2020 rate review proceeding by
12 paying a lower cost of debt than what the company is incurring.

13 The current cost of debt has increased from the authorized 3.91% to a projected
14 4.71% at the end of the *Pro Forma* period. BH Nebraska Gas is requesting a Return on
15 Equity of 10.5%. The direct testimony of Mr. Stevens and Mr. McKenzie discuss these
16 issues in greater detail. Capital Structure has also changed since the 2020 rate review
17 from 50% equity and 50% long-term debt to 50.52% equity and 49.48% long-term debt.
18 Mr. Stevens addresses the company's capital structure as it relates to common industry
19 practices for the capitalization of its regulated operating units and Mr. McKenzie
20 supports nationwide decisions that reflect this practice in the allowed common equity
21 percentage.

⁸ [CPI Inflation Calculator https://www.bls.gov/data/inflation_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm) January 2021 through December 2024.

1 **VIII. OTHER REGULATORY MECHANISMS AND PROPOSALS**

2 **Q. WHAT TYPES OF REGULATORY MECHANISMS ARE INCLUDED**
3 **WITHIN THE BH NEBRASKA GAS APPLICATION?**

4 A. BH Nebraska Gas is proposing a new Weather Normalization Adjustment
5 rider and is requesting continuation of previously approved regulatory mechanisms for
6 the SSIR Charge and the HEAT program. The WNA rider is explained and supported
7 in the Direct Testimony of Mr. Hyatt. The SSIR Charge is explained and supported in
8 the Direct Testimony of Ms. Bannan. The HEAT Charge is also explained and
9 supported in the Direct Testimony of Ms. Bannan. My testimony below provides
10 additional support for those Regulatory Mechanisms and specifically addresses the
11 need of BH Nebraska Gas for a WNA rider.

12 **A. WNA Rider Proposal**

13 **Q. PLEASE DESCRIBE THE CONCEPT OF A WNA MECHANISM.**

14 A. As discussed by Mr. Hyatt, a WNA mechanism is a tool that can help offset the impact
15 of unusually warm or unusually cold weather on a gas company's operating revenues
16 and earnings and customer bills. The WNA works by utilizing an adjustment factor
17 that essentially increases or decreases the volumetric portion of base rates to
18 compensate for deviations from normal weather. The objective of the WNA is to reduce
19 the variability of gas utility bills due to weather.

20 **Q. HOW IS A WNA RIDER BENEFICIAL TO BH NEBRASKA CUSTOMERS?**

21 A. There are several benefits to customers. The primary benefit for customers is bill
22 stability throughout the year. The second benefit is that it helps moderate winter bills

1 in colder than normal periods and provides customers protection from spikes in bills
2 resulting from higher usage that would occur during colder than normal weather.

3 **Q. WHY IS THE COMPANY PROPOSING A WNA FOR BH NEBRASKA GAS?**

4 A. As discussed by Mr. Hyatt, the Company currently has two long-standing WNA riders
5 approved for natural gas utility affiliates of BH Nebraska Gas in other states.⁹ BH
6 Nebraska Gas seeks to minimize the impact of weather by providing benefits to both
7 its customers and to the Company. Weather normalized natural gas sales are used to set
8 rates during a rate review and actual weather is seldom at the normalized level, resulting
9 in revenue volatility for both customers and the Company. Avoiding revenue shortfall
10 in warmer than normal weather benefits the Company and its shareholders, while
11 avoiding a revenue windfall for the Company in colder than normal weather benefits
12 customers. The WNA provides a balance between the Company and customers. The
13 WNA rider benefits BH Nebraska Gas by stabilizing revenues so that they match the
14 relatively stable cost of providing distribution services while providing customers with
15 bill stability throughout the year. Additionally, the program will help stabilize earnings
16 which results in lower debt costs reducing costs to customers.

17 Simply put, the WNA rider benefits all stakeholders and presents a proper balance
18 because it is designed to provide certainty and stability to volatile weather and resulting
19 revenue streams and bill impacts to customers. BH Nebraska Gas seeks to follow the
20 successful implementation and administration of WNA riders approved by state

⁹ Black Hills Energy Arkansas, Inc. d/b/a Black Hills Energy ("BH Arkansas") and Black Hills/Kansas Gas Utility Company, LLC ("BH Kansas").

1 commissions for natural gas utilities in other states. The WNA rider is a benefit to all
2 stakeholders and should therefore be approved in Nebraska.

3 **B. Deferred Accounting Treatment Proposals**

4 **Q. PLEASE DISCUSS THE REGULATORY ACCOUNTING TREATMENT**
5 **REQUESTS INCLUDED IN THE APPLICATION OF BH NEBRASKA GAS.**

6 A. As noted above, BH Nebraska Gas requests the Commission to approve the
7 establishment of two separate Deferred Accounting Treatments to track extraordinary
8 costs that may be incurred by BH Nebraska Gas in the future. Those costs would be
9 deferred and tracked through a regulated asset account. Approval of this treatment
10 through an order issued by the Commission would permit BH Nebraska Gas to capture
11 those expenses when incurred over the next few years and would then request to
12 recover and amortize those costs over a period of time within a future rate proceeding.
13 My testimony discusses those anticipated extraordinary costs below.

14 **C. Deferred Accounting Treatment Request – Manufactured Gas Plant**
15 **(“MGP”) Research and Remediation Costs**

16 **Q. CAN YOU EXPLAIN WHY BH NEBRASKA GAS HAS COSTS RELATED TO**
17 **MGP REMEDIATION?**

18 A. Current environmental laws and regulations today often require utilities to investigate
19 and clean up contaminated MGP sites. The costs of resolving these environmental
20 claims are necessary costs of doing business today. It is also in the public interest to
21 remediate MGP sites to ensure protection of human health and the environment. Mr.
22 Jarosz describes the background of the Former Citizens Gas MGP site located in
23 McCook, Nebraska. (“the Site”). The Site is currently enrolled in the Nebraska

1 Department of Energy and Environment (“NDEE”) Voluntary Cleanup Program
2 (“VCP”) which requires site investigation to satisfy NDEE requirements. Part of that
3 investigation includes soil and groundwater sampling and analysis which allows the
4 Company to prepare a work remediation plan. The Company is also actively exploring
5 options to identify Potentially Responsible Parties (“PRP”) who may have
6 responsibility for the site.

7 **Q. IS THE COMPANY PROPOSING TO RECOVER ANY TESTING AND/OR**
8 **REMEDATION COSTS ASSOCIATED WITH THIS SITE IN THIS RATE**
9 **REVIEW APPLICATION?**

10 A. Yes. The Company is proposing to include \$138,821 for soil sample testing expense as
11 the base level as discussed within the testimony of Ms. Samantha Johnson.

12 **Q. PLEASE EXPLAIN THE RELIEF BH NEBRASKA GAS IS REQUESTING IN**
13 **THIS RATE REVIEW APPLICATION?**

14 A. Anticipated future expenses associated with Site planning and remediation have the
15 potential to be material and beyond the reasonable control of management. This Rate
16 Review Application requests an accounting order to allow BH Nebraska Gas to defer
17 the environmental costs related to research and remediation in a regulatory asset
18 account until a future rate proceeding when all actual environmental research and
19 remediation costs are known.

20

21

1 **Q. WHAT IS YOUR EXPERIENCE WITH COMMISSIONS GENERALLY**
2 **REGARDING ACCOUNTING TREATMENT OF ENVIRONMENTAL**
3 **REMEDATION COSTS?**

4 A. In Iowa, the Iowa Utilities Commission has traditionally maintained a policy that
5 provides regulated utilities recovery of their prudently incurred MGP remediation costs
6 through base rates. In support of this precedent, the Iowa Utilities Commission has
7 found that MGP remediation costs are legitimate cost of doing business as a utility.
8 Black Hills/Iowa Gas Utility Company, LLC (“BH Iowa Gas”) recently received
9 approval to continue to defer the costs and expenses in a regulated asset account
10 associated with the MGP in Council Bluffs, Iowa with the understanding that BH Iowa
11 Gas will seek recovery of those expenses in a future rate proceeding.¹⁰

12 **Q. WHAT IS YOUR UNDERSTANDING OF HOW THE COMMISSION IN**
13 **NEBRASKA HAS ADDRESSED MGP ENVIRONMENTAL COSTS?**

14 A. My understanding is that the Nebraska Public Service Commission has not expressly
15 ruled on the recovery of MGP monitoring, remediation, or clean-up costs. However, I
16 also understand that Aquila, Black Hills and SourceGas (prior to the acquisition) have
17 included representative levels of environmental compliance costs within its then-
18 existing base rates in past general rate applications that were incurred by those
19 respective companies for environmental or legal costs related to monitoring, minor
20 remediation, and other similar expenses relating to MGPs.

21

¹⁰ *In Re: Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy Application for Revision of Rates*, Docket No. RPU-2024-0001.

1 As I am not an attorney, I do not testify as to whether the past recovery MGP costs
2 permitted under the Municipal Natural Gas Regulations Act (now repealed) or prior
3 general rate filings controls the Commission in this proceeding. My understanding is
4 that the past MGP-related environmental costs have not been significant. However,
5 with more recent action by the NDEE and Environment, BH Nebraska Gas does believe
6 that it is appropriate to establish an Accounting Order to preserve any government
7 mandated environmental clean-up costs that could be assigned to BH Nebraska Gas.

8 **D. Deferred Accounting Treatment Request – Insurance Costs**

9 **Q. PLEASE DESCRIBE THE NEED FOR DEFERRED ACCOUNTING**
10 **TREATMENT OF INSURANCE COSTS.**

11 A. BH Nebraska Gas is requesting to set a new level of insurance costs to be included in
12 base rates within this Application. Additionally, the Company is requesting a deferred
13 accounting treatment to allow BH Nebraska Gas to defer and track future changes in
14 insurance costs in a regulatory asset account as compared to the base level of
15 \$3,589,329 as established in this case and discussed by Ms. Johnson.

16 **Q. PLEASE EXPLAIN THE RELIEF BH NEBRASKA GAS IS REQUESTING IN**
17 **THIS RATE REVIEW APPLICATION?**

18 A. Anticipated future expenses associated with future insurance costs have the potential
19 to be material and beyond the reasonable control of management. This Rate Review
20 Application requests an accounting order to allow BH Nebraska Gas to capture those
21 expenses when incurred over the next few years and would then request to recover and
22 amortize those costs over a period of time within a future rate proceeding.

23

1 **E. Refund of EDIT**

2 **Q. PLEASE DESCRIBE THIS REFUND.**

3
4 A. As further described in the testimony of Mr. Kenneth L. Crouch, this refund is the
5 result of changes in the state corporate income tax rate which results in the need for
6 state EDIT to be returned to customers in the amount of \$7,365,162.

7 **Q. HOW DOES THE COMPANY PROPOSE TREATMENT OF THIS REFUND?**

8 A. BH Nebraska Gas proposes to refund the \$7,365,162¹¹ through the existing State
9 Regulatory Assessment charge over thirty-six (36) months subject to final true up and
10 tax rate change pending state legislative changes. This is the same mechanism that
11 accounts for Commission expenses and rate review expenses which is based on a flat
12 monthly surcharge. If approved, customers would receive a monthly credit of \$0.68.¹²

13 **F. Rate Area Change Affecting Western, NE Customers**

14 **Q. WHAT CHANGES TO BH NEBRASKA GAS RATE AREAS ARE INCLUDED**
15 **WITHIN THE APPLICATION?**

16 A. The Company is proposing a change to reclassify the Town of Western, Nebraska, from
17 Rate Area 5 to Rate Area 3 as discussed by Ms. Bannan.

18 **G. Rate Review Proceeding Expenses**

19 **Q. PLEASE DISCUSS HOW RATE REVIEW PROCEEDING EXPENSES ARE**
20 **ADDRESSED IN THIS RATE REVIEW APPLICATION?**

21 A. BH Nebraska Gas proposes that rate review expense incurred by all parties should be
22 passed on to customers through a customer surcharge amortized over a three-year

¹¹ As referenced in Direct Exhibit SKJ-2, Schedule C-1, Line 20.

¹² Based on (\$7,365,162) divided by 3 years (\$2,455,054) per year divided by approximately 300,597 jurisdictional residential and commercial customers divided by 12 months.

1 period. The amount of rate review proceeding expenses incurred by the Company along
2 with the recovery method is discussed in the testimony of Ms. Bannan.

3 **H. Proposed Tariff Changes**

4 **Q. IS THE COMPANY PROPOSING TO REVISE CHARGES UNDER ITS**
5 **TARIFF?**

6 A. Yes. As discussed by Ms. Bannan, the Company is proposing to standardize a variety
7 of charges and fees. Ms. Bannan identifies and discusses each of these items.

8 **I. Low Gas Use Commercial Customers**

9 **Q. DID THE COMMISSION’S ORDER IN NG-109 REQUIRE BH NEBRASKA**
10 **GAS TO INCLUDE CERTAIN ITEMS AT THE TIME IT FILES A RATE**
11 **REVIEW APPLICATION?**

12 A. Yes. On pages 5 and 6 of the Commission’s January 26, 2021, Order in Commission
13 Application No. NG-109, the Commission approved a Stipulation and Settlement
14 Agreement requiring BH Nebraska Gas to conduct research regarding low use
15 customers and to share those results with the Public Advocate and the Commission
16 while incorporating that analysis into its rate design within the next rate review
17 proceeding. The impact of the proposed rate design upon “low-use” customers was
18 studied by Mr. Hyatt and taken into consideration when designing new rates.

19 **J. Interim Rates**

20 **Q. WHAT ARE “INTERIM RATES?”**

21 A. Interim Rates are the rates and charges proposed to be collected by the Company in its
22 Rate Review Application. The Interim Rates are also called “Proposed Rates.”
23

1 **Q. WHAT IS AN “INTERIM RATE PERIOD?”**

2 A. The Interim Rate Period is the time between the 90th day after the Company files its
3 Rate Review Application and the effective date of Final Rates.

4 **Q. DOES BH NEBRASKA GAS INTEND ON IMPLEMENTING INTERIM**
5 **RATES IN THIS PROCEEDING?**

6 A. Yes. As permitted in Neb. Rev. Stat. § 66-1838(10)(b), BH Nebraska Gas will place
7 its Interim Rates (i.e., Proposed Rates set forth in its Application) into effect on August
8 1, 2025 (i.e., ninety (90) or more days after filing its Application on May 1, 2025).

9 **K. Customer Service Improvement**

10 **Q. WHAT ACTIONS HAS BH NEBRASKA TAKEN TO IMPROVE CUSTOMER**
11 **SERVICE?**

12 A. The testimony of Mr. Jarosz provides several different examples of how BH Nebraska
13 Gas seeks to improve its customer service. One of the primary customer satisfaction
14 measuring tools noted by Mr. Jarosz is the Qualtrics Survey results per region including
15 Customer Satisfaction (“CSAT”) and Customer Effort Score (“CES”). The Company
16 has dedicated Customer Care representatives to address formal and informal
17 complaints lodged with the Company, the Commission, or the Attorney General. In
18 addition, the Company is continually investing in customer information systems,
19 encouraging electronic billing, installing improved data management systems,
20 improving its safety data, and making other changes that will benefit the customers.

21

22

23

1 **L. Choice Gas and Energy Options**

2 **Q. DOES THE RATE REVIEW APPLICATION PROPOSE CHANGES TO THE**
3 **RATE AREA FIVE CHOICE GAS PROGRAM?**

4 A. No. The Company does not propose to change the Choice Gas Program offered by
5 BH Nebraska Gas. Other than the rate increases affecting Choice Gas customers and
6 Suppliers, the Choice Gas Program structure and other tariff change issues related to
7 the Choice Gas Program will be reserved for other Commission proceedings.

8 The Company is not proposing to either expand or contract the Choice Gas
9 Program as part of this Rate Review Application. Thus, any issues related to such
10 actions would not be appropriate or relevant to this Rate Review Application.

11 **Q. DOES THE RATE REVIEW APPLICATION PROPOSE CHANGES TO THE**
12 **RATE AREAS ONE, TWO, AND THREE ENERGY OPTIONS- FIRM?**

13 A. No. Other than the rate increase affecting Energy Option transporters, the Energy
14 Options – Firm service structure and other tariff change issues related to the Energy
15 Options - Firm will be reserved for other proceedings. The Company does not propose
16 changing the Energy Options - Firm services offered by BH Nebraska Gas, except to
17 alter the Commission regulated transportation rates. Issues regarding the current
18 Energy Options-Firm service can be addressed in Commission Proceeding No. NG-
19 102 or other separate Commission proceedings.

20 The Company is not proposing to either expand or contract the Energy Options-
21 Firm service as part of this Rate Review Application. Thus, any issues related to such
22 actions would not be appropriate or relevant to this Rate Review Application.

1

IX. CONCLUSION

2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 **A. Yes.**

4

STATE OF Iowa)

) SS

COUNTY OF Polk)

I, Brooke N. Bassell-Herman, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing prepared testimony, and I am familiar with its contents, and that the facts set forth are true to the best of my knowledge, information and belief.



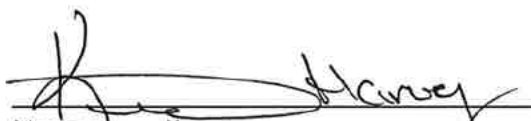
Brooke N. Bassell-Herman

Subscribed and sworn to before me this 24th day of April, 2025.

My Commission Expires:

(SEAL)





Notary Public