# BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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| **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 KENNETH L. CROUCH

Senior Manager of Tax

## ON BEHALF OF BLACK HILLS NEBRASKA GAS, LLC

Date: May 1, 2025

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## EXHIBITS

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| Direct Exhibit KLC-1 | Statement of Qualifications |

**TABLE OF ABBREVIATIONS AND ACRONYMS**

| | |
|---|---|
| ADIT | Accumulated Deferred Income Tax |
| ARAM | Average Rate Assumption Method |
| BHC | Black Hills Corporation |
| BH Kansas Gas | Black Hills/ Kansas Gas Utility Company, LLC |
| BH Nebraska Gas or Company | Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy |
| BHSC | Black Hills Service Company, LLC |
| IRC or Code | Internal Revenue Code of 1986 |
| COR | Cost of Removal |
| DDIT | Deficient Deferred Income Taxes |
| DTL | Deferred Tax Liabilities |
| DTA | Direct Tax Asset |
| EDIT | Excess Deferred Income Taxes |
| GAAP | Generally Accepted Accounting Principles |
| IRC or Code | Internal Revenue Code of 1986 |
| IRS | Internal Revenue Service |
| MACRS | Modified Accelerated Cost Recovery System |
| Commission | Nebraska Public Service Commission |
| NGPL | Natural Gas Pipeline Company of America |
| NGSH | Natural Gas Safe Harbor |
| NOL | Net Operating Loss |
| PLRs | Private Letter Ruling |
| Prior Proceeding | 2020 Rate Proceeding, Application No. NG-109 |

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|---|---|
| RRS | Revenue Requirement Study |

# DIRECT TESTIMONY OF KENNETH L. CROUCH

## I. INTRODUCTION

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Kenneth L. Crouch, and my business address is 7001 Mount Rushmore Road, P.O. Box 1400, Rapid City, SD 57702-8752.

**Q. IN WHAT CAPACITY ARE YOU EMPLOYED?**

A. I am a Senior Manager of Tax for Black Hills Service Company, LLC ("BHSC"), a wholly owned subsidiary of Black Hills Corporation ("BHC").

**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 provide regulatory support for tax-related matters for BHC utility subsidiaries, as well as tax planning and research for the consolidated group that comprises BHC.

**Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.**

A. My education and professional background are set forth on the Statement of Qualifications provided as Direct Exhibit KLC-1.

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

A. No.

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

A. Yes, I have testified before the Colorado Public Utilities Commission. In addition, I have filed written testimony with the Arkansas Public Utility Commission, the Kansas Corporation Commission, and the Federal Energy Regulatory Commission.

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

A. The purpose of my testimony is to discuss the following items:

1. Accumulated deferred income taxes ("ADIT") and net excess deferred income taxes ("EDIT");
2. The Company's implementation of LB 873 and LB 754 which reduced Nebraska's state income tax from 7.81% to 3.99%; and
3. Property taxes on stored gas.

**Q. DOES YOUR DIRECT TESTIMONY SUPPORT ANY SPECIFIC SCHEDULES THAT ARE PART OF THE COMPANY'S FILING IN THIS PROCEEDING?**

A. Yes. My testimony supports Statement K of Application Exhibit 1 (i.e., the Revenue Requirement Study – Direct Exhibit SKJ-2), which provides the calculation of federal and state income tax expense included in determining the cost of service. My Direct Testimony also supports Schedule C-1 and C-2 of the Revenue Requirement Study ("RRS"), which provides the calculation of ADIT and EDIT in the Test Period rate base, as well as the appropriate adjustments to ADIT and EDIT in determining rate base.

## III. ADIT and EDIT

**Q. WHAT IS ADIT?**

A. ADIT is the cumulative amount of deferred taxes resulting from differences in timing of recognizing income and expenses for regulatory book versus tax purposes. Those differences are tracked and recorded in a deferred tax asset or deferred tax liability and calculated in accordance with Generally Accepted Accounting Principles ("GAAP") based upon the tax rate in effect at the time it is recorded. ADIT represents a reserve on the utility's financial statements for the future tax obligations to federal and state governments.

**Q. WHAT GIVES RISE TO ADIT?**

A. In the computation of income taxes, Internal Revenue Code of 1986 ("IRC" or "Code") Section 167 provides a deduction for an allowance in the form of depreciation for the exhaustion, wear and tear of property used in a trade or business. Code Section 167 cross-references Code Section 168 for determining depreciation deductions for most property placed in service after 1980. Code Section 168 was added in 1981 as part of the Economic Recovery Tax Act (Pub. L. No. 97-34) to provide for more liberal methods and shorter useful lives than previously allowed under Code Section 167. As a result of the Tax Reform Act of 1986 (Pub. L. No. 99-514), Code Section 168 was amended in the form of the Modified Accelerated Cost Recovery System ("MACRS"), which was intended to provide consistent rules for taxpayers with respect to methods and useful lives assigned in depreciating assets. MACRS generally applies to tangible property placed in service after 1986. BH Nebraska Gas has computed tax depreciation based on MACRS for the plant balances included in the Revenue Requirement Study used in this proceeding. For both regulatory and financial reporting purposes, utilities generally use a straight-line method and longer useful life in determining depreciation expense. Different methods and useful lives will result in the creation of a temporary difference, whereby annual depreciation for tax and financial reporting/regulatory purposes will not be the same. These temporary differences, in turn, create book/tax timing differences between income tax expense computed for the year (i.e. under the accounting principal requiring "matching" of tax expense with the pre-tax earnings generated in the period) and the income taxes actually paid. Such a temporary difference generates deferred income taxes that are recorded, cumulatively, in an ADIT account, as prescribed by the inter-period tax allocation method of accounting and the applicable Treasury regulations that set forth the normalization rules.

**Q. WHAT ADIT IS INCLUDED IN RATE BASE SHOWN ON SCHEDULE C-1?**

A. Consistent with the Order Approving Stipulation and Settlement Agreement in Application No. NG-109 on page 11, only plant related ADIT and non-plant related ADIT that is not volatile in nature are included.

**Q. HAS THERE BEEN ANY CHANGES IN ACCOUNTING METHODS FOR TAX PURPOSES SINCE THE PRIOR RATE PROCEEDING?**

A. Yes. The Company will file a change in the method of accounting for tax repair deductions on its 2024 federal income tax return in October 2025.

**Q. PLEASE DESCRIBE THE CHANGE IN METHOD OF ACCOUNTING FOR TAX REPAIR DEDUCTIONS**.

A. In April 2024, the IRS released Revenue Procedure 2023-15 to provide a safe harbor method ("NGSH") that taxpayers may use to determine whether to deduct or capitalize expenditures to repair, maintain, replace, or improve natural gas transmission and distribution property. Notably the guidance provided a safe harbor for the tax repair deduction of linear distribution property. Generally, under this rule, if more than four miles of distribution mains are replaced, the cost of the replacement must be capitalized. However, if four miles or less of distribution mains are replaced, the cost of the replacement is not required to be capitalized. BH Nebraska Gas' previous tax repair method was very similar, also employing a four-mile test. The primary change includes specific per se capital rules and includes an aggregation test. The new tax repair method for linear distribution property results in a very similar amount of tax deductions compared to the old method. The adoption was made to streamline tax compliance using the safe harbor provisions. The Company will provide the Nebraska Public Service Commission ("Commission") with a copy of the method change filed with the Internal Revenue Service once the tax return is completed later this year.

**Q. HOW ARE THE NORMALIZATION RULES APPLIED IN THE CONTEXT OF UTILITY RATEMAKING?**

A. The normalization method spreads out, or normalizes, the tax benefit associated with depreciation expense to match the depreciation being used in setting rates. Treasury Regulations Section 1.167(l)-1(h) provides that the amount of federal income tax liability deferred as a result of the use of different depreciation methods for tax and ratemaking purposes is the excess (computed without regard to credits) of the amount the tax liability would have been had the depreciation method for ratemaking purposes been used over the actual tax liability. In other words, if the regulatory agency uses straight-line depreciation in setting rates, a utility that uses accelerated depreciation for tax purposes must use the straight-line method of depreciation (i.e., the straight-line method and estimated useful life used in calculating annual book depreciation expense) in computing its income tax expense for purposes of determining the cost of service for ratemaking purposes. The Treasury Regulations further require the utility to calculate the annual tax effect of this book/tax temporary difference and record the increase or decrease on its books and records in an ADIT account.

Under this method, the utility recovers in its rates more in income taxes than it actually incurs during the early years of an asset's useful life resulting in an increase in deferred tax liabilities ("DTLs"). DTLs are a subset of ADIT and represent a future cash tax obligation. DTLs decrease in the later years of an asset's life when the utility will pay higher taxes than it is permitted to recover from its customers in rates. Collecting the normalized amount of taxes results in inter-generational equity so that rate payers early in an asset's life pay the same amount of tax expense compared to rate payers later in an asset's life.

Additionally, the regulations require that the DTL balance be used as a reduction to the utility's rate base and must be determined by reference to the same historical period as used for determining ratemaking tax expense. The rate base reduction represents the notion that DTLs, which represents taxes incurred but not yet paid to the government, is a source of capital for the utility. Specifically, the capital is the pre-tax cash flow that is allowed to be retained and reinvested in the utility instead of being remitted to the government in the form of tax payments. Because the government does not charge interest on future tax liabilities, the capital is cost-free (sometimes referred to as an interest-free loan from the government). By reducing rate base, only the portion of rate base financed with debt and equity, rather than ADIT, is subject to the return on investment equation in setting rates.

**Q. WHAT IS A NET OPERATING LOSS?**

A. If a utility has more tax deductions than taxable income in a given tax year, it results in a net operating loss ("NOL"). For BH Nebraska Gas, the effect of accelerated depreciation, including bonus depreciation in prior years, has resulted in an NOL. These tax losses are carried forward to future tax years and are recorded as a deferred tax asset ("DTA"). DTAs represent a future reduction in cash taxes. The DTA attributable to accelerated tax depreciation is added to rate base to the extent that it offsets the ADIT related to the book/tax depreciation temporary difference. In other words, the excess losses attributable to accelerated tax depreciation has not yet reduced cash taxes and the interest free loan has not been funded. As NOL carryforwards reduce cash taxes in subsequent years, the resulting NOL-DTA unwinds and the offset to ADIT will be reduced and the corresponding rate base reduction will be restored.

**Q. HAS THE COMPANY INCLUDED AN NOL DEFERRED TAX ASSET IN THE RATE BASE IN ACCORDANCE WITH TAX NORMALIZATION RULES?**

A. Yes. Failure to include the portion of an NOL carryforward that is attributable to accelerated depreciation in calculating the amount of ADIT in rate base would be inconsistent with the normalization requirements under the Internal Revenue Code. Further, the method for determining the portion of NOL carryforward attributable to accelerated depreciation should be determined using the "with and without" method. The "with and without" methodology compares taxable income or losses with tax depreciation and without tax depreciation. If an NOL is generated in both scenarios, the difference in the two scenarios is the amount of NOL that is the result of accelerated tax depreciation. Specific guidance previously issued by the Internal Revenue Service ("IRS") in the form of Private Letter Rulings ("PLRs") prescribe the "with and without" methodology with respect to determining the NOL DTA[1]. Furthermore, three recent PLRs issued by the IRS in 2024 further state the NOL DTA to include in rate base must be computed on a separate return method and must not be reduced by tax sharing payments by other members of a consolidated group.[2]

**Q. WHAT IS THE AMOUNT OF NOL DTA IN THE PER BOOK BASE YEAR AND THE ADJUSTED TEST YEAR?**

A The $6.8 million NOL-DTA in the Per Book period ending December 31, 2023, was fully utilized in 2023, so the beginning balance of the NOL-DTA to include in rate base is for the Per Book Base Year is zero. The NOL-DTA generated in the Per Book Base Year is calculated in on Schedule C-2, columns (d) through (f) and is $844,155. There is sufficient taxable income in the Adjusted Test Year ending December 31, 2025 shown on Schedule C-2, columns (j) through (l) that the entire NOL-DTA generated of $1,086,903 in the Per Book Base year is fully utilized.

[1] PLRs 8818040, 201436037, 201436038 and 201438003.
[2] PLRs 202426002 through 202426004.

Therefore, there is no pro forma adjustment to include an NOL- DTA on Schedule C-1. The NOL calculation on Schedule C-2 is in compliance with these PLRs. Statement K on lines 58 and 64 show NOLs reducing current income tax expense. These NOLs are not related to accelerated tax depreciation, they are the result of goodwill amortization and purchased gas costs associated with Winter Storm Uri. As a result, there is no associated NOL-DTA in rate base on Schedule C-1.

**Q. WHAT IS THE IMPACT IF A COMPANY DOES NOT CONFORM TO THE NORMALIZATION REQUIREMENTS?**

A. Failure to comply with the normalization requirements results in the utility becoming ineligible to deduct accelerated depreciation for federal income tax purposes and instead may only deduct the depreciation expense for regulatory reporting purposes. The loss of accelerated tax depreciation results in the loss of the interest free loan and would negatively impact customers through the loss of the depreciation related DTL as a rate base reduction.

**Q. WHAT IS NET EXCESS DEFERRED INCOME TAXES ("EDIT")?**

A. Since ADIT for a utility is usually in a net DTL position, net EDIT is the result of a reduction in the corporate income tax rate and is a regulatory liability to refund to customers. The future cash tax obligation has been reduced so the excess deferred taxes must be returned to customers. The net EDIT includes EDIT less deficient deferred income taxes ("DDIT"). In a corporate income tax rate reduction, the repricing of a DTA results in DDIT to be collected from customers. This is because the future cash deductions are now worth less than before the rate reduction. Additionally, there are two classes of net EDIT, Protected and Non-Protected EDIT.

**Q. WHAT IS THE DIFFERENCE BETWEEN PROTECTED AND NON-PROTECTED EDIT?**

A. Protected EDIT is the regulatory liability relating to tax rate changes for federal book and tax ADIT for federal tax deprecation in Internal Revenue Code Section 168. The normalization rules require that the Protected EDIT must not be returned more rapidly than amortization over Average Rate Assumption Method (“ARAM”). Non-Protected EDIT is the regulatory liability relating to tax rate changes related to any other ADIT and may be returned to customers in any manner the Commission deems appropriate.

**Q. WHAT AMOUNTS OF EDIT HAVE BEEN REFUNDED TO CUSTOMERS THROUGH THE TAX ADJUSTMENT RIDER SINCE THE 2020 RATE PROCEEDING?**

A. Non-Protected EDIT in the amount of $2,948,208 was refunded to customers on June 3, 2021, when the interim true up rate refund was made. These refunds were part of the Settlement Agreement approved by the Commission in the 2020 Rate Proceeding, Application No. NG-109 (“Prior Proceeding”).

**Q. PLEASE DISCUSS THE NET EDIT THE COMPANY IS CURRENTLY RETURNING TO CUSTOMERS THROUGH CURRENT BASE RATES.**

A. Protected EDIT is currently being refunded through base rates over ARAM, as approved in the Prior Proceeding and can be found as a reduction to income tax expense to collect from customers on Statement K, col, f, line 80. In addition, the Company is continuing to amortize Non-Protected Non-Plant DDIT which is amortized over 20 years as approved in the Prior Proceeding and is found on

Statement K, col. f, line 82. A Pro Forma adjustment has been made to remove the regulatory asset for Non-Protected Non-Plant DDIT as shown on Schedule C-1.

**Q. HAS THERE BEEN CHANGES TO THE NET EDIT SINCE THE LAST RATE PROCEEDING?**

A. Yes, there have been two changes since the last rate proceeding. The first is the reclassification of cost of removal ("COR") from Protected Plant to Non-Protected Plant and the second is the creation of state EDIT due to a reduction in the Nebraska corporate state income rate discussed below.

**Q. IF COR DDIT IS NON-PROTECTED PLANT RELATED EDIT, SHOULD IT HAVE BEEN NETTED AGAINST THE NON-PROTECTED PLANT RELATED EDIT REFUNDS APPROVED IN THE LAST RATE CASE?**

A. No. When the Prior Proceeding was filed, it was not certain whether COR was protected or non-protected by the normalization rules, so the COR DDIT was netted in the Protected EDIT amount of $20.03 million on Schedule C-1, Line 17in Exhibit No. 1 – Final Revenue Requirement submitted as part of the compliance filing for Application No. NG-109. In July 2022, the IRS released PLR 202230005 confirming the normalization rules did not apply to cost of removal. This ruling was after the Order Approving Unanimous Settlement in Application No. NG-109 was issued on January 26, 2021.

**Q. WHAT IS COR?**

A. COR refers to expenses incurred when dismantling or removing utility property. Many regulated utilities establish book depreciation rates that include both a life component and a COR component. For book purposes, COR depreciation expense is recognized over the asset's life (as a debit), accumulating a reserve for depreciation (as a credit balance). The COR portion of this reserve reverses when COR expenditures occur at the end of the asset's life. According to GAAP, the COR accumulated reserve must be classified as a regulatory liability. BH Nebraska Gas tracks the COR accumulated reserve separately within PowerPlan, [3] a fixed asset system for book purposes.

For tax purposes, COR is deductible when paid. As stated in the PLR referenced above, "While COR may be part of the calculation for book depreciation, it is a deduction under § 162 and is unrelated to actual accelerated tax depreciation." Many utilities overstated the amount of book depreciation used to calculate ARAM since the default treatment was that COR was not separately tracked in PowerTax.[4] This resulted in over-refunding protected EDIT.

**Q. HOW DOES BH NEBRASKA GAS TRACK COR IN POWERTAX?**

A. In 2018, BH Nebraska Gas hired a consultant specializing in PowerPlan products to separate COR in PowerTax since at the time it was not known whether COR was protected or not. This resulted in the protected ARAM to be computed separately from the COR ARAM. As a result, BH Nebraska Gas did not have the normalization issue as the utility in PLR 202230005.

**Q. HOW DOES BH NEBRASKA GAS PROPOSE TO COLLECT THE $759,233 IN COR DDIT?**

A. BH Nebraska Gas proposes to net the COR DDIT with the refund of state EDIT discussed below.

[3] PowerPlan is the fixed asset system for book purposes and is a product of PowerPlan.
[4] PowerTax is the fixed asset system for tax purposes and is a product of PowerPlan.

## IV. NEBRASKA CORPORATE INCOME TAX RATE

**Q. PLEASE DESCRIBE THE CHANGES IN THE NEBRASKA CORPORATE INCOME TAX RATE.**

A. On May 21, 2021, Nebraska Legislative Bill ("LB") 432 became law reducing the top marginal corporate income tax rate from 7.81% to 7.5% in 2022 and to 7.25% in 2023. Subsequently LB 873, signed into law on April 13, 2022, further reduced Nebraska's top marginal corporate income tax rate to: 7.25% in 2023, 6.64% in 2025, 6.24% in 2026, and 5.84% in 2027. Lastly, LB 754 signed into law on May 31, 2023, modified the state's top marginal corporate income tax rate as follows: 5.84% in 2024, 5.20% in 2025, 4.55% in 2026, and 3.99% in 2027.

**Q. WHAT IS THE IMPACT TO BH NEBRASKA GAS' REVENUE REQUIREMENT FOR THE CHANGES IN THE STATE INCOME TAX?**

A. The impact is a lower combined tax rate used in the calculation of tax expense reflected on Statement K, which is a component of BH Nebraska Gas' test year revenue requirement. There are two different state tax rates used to calculated state income tax expense. The current income tax for the Adjusted Test Year is 5.20% as shown on line 59. Deferred taxes are measured at the rate they are expected to become current taxes in subsequent years. The deferred taxes are 3.99% as shown on line 78 of Statement K. This lower combined tax rate is also used in the calculation of ADIT and the tax gross-up factor used to calculate the overall revenue deficiency.

**Q. WHAT ADDITIONAL BENEFITS DOES THE REDUCTION IN THE STATE INCOME TAX RATE PROVIDE?**

The re-measurement of state ADIT results in EDIT to be returned to customers. The re-measurement of ADIT and the calculation of EDIT are made in the books and records of BH Nebraska Gas when the bills are signed into law. The result of LBs 432, 873 and 754 resulted in state EDIT to be returned to customers in the amount of $7,365,162 as referenced in Direct Exhibit SKJ-2, Schedule C-1, Line 20. As discussed in the Direct Testimony of Ms. Brooke N. Bassell-Herman, BH Nebraska Gas proposes to refund this amount through the State Regulatory Assessment Charge over thirty-six (36) months subject to final true up and tax rate change pending state legislative changes.

## V. STORED GAS PROPERTY TAX

**Q. IS BH NEBRASKA GAS SEEKING RECOVERY OF PROPERTY TAXES ON STORED GAS FOR THE TEST YEAR?**

A. Yes. Some of the natural gas used to serve BH Nebraska Gas customers is cycled through the Sayre Storage Field located in the State of Oklahoma. The storage field is owned by the Natural Gas Pipeline Company of America ("NGPL"). BH Nebraska Gas is entitled to use this stored natural gas to serve its Nebraska customers.[5] Please refer to the Direct Testimony of Mr. Kevin M. Jarosz for a discussion on the benefits of storage gas. Accordingly, the property tax associated with the stored natural gas is a prudent and necessary operating expense of BH Nebraska Gas in providing safe and reliable gas to its Nebraska customers.

[5] The natural gas stored in the Sayre Storage Field is allocated between Iowa (approximately 48%) and Nebraska (approximately 52%).

The current year's property tax on stored gas from this NGPL storage field for BH Nebraska Gas is $33,937 which is related to the Sayre Storage Field gas supplies and included in determining the cost of service.

**Q. IS BH NEBRASKA GAS INCLUDING PRIOR YEARS PROPERTY TAX ON STORED GAS IN THIS REVENUE REQUIREMENT STUDY?**

A. Yes. Since 2008, invoices for property tax expense on natural gas supply used by BH Nebraska Gas customers cycled through a natural gas storage field located in Oklahoma have been inadvertently misallocated and then included for recovery in the annual Kansas *ad valorem* surcharge filing submitted to the Kansas Corporation Commission by Black Hills/ Kansas Gas Utility Company, LLC ("BH Kansas Gas"). While preparing 2023's Kansas *ad valorem* surcharge filing, BHSC's Tax Department representatives performed a property tax review pertaining to gas storage inventory used by BH Kansas Gas. The property tax review of stored gas then led to additional internal review of the property tax expense accounting. As part of that tax review, BHSC discovered that the property tax invoices for the annual Kansas *ad valorem* surcharge filing included property tax for gas storage that was not physically delivered and used by BH Kansas Gas customers. BHSC then tracked natural gas stored in the Sayre Storage Field to the location of actual natural gas supply consumption. During verification of the consumption of the stored natural gas, BHSC Tax Department representatives discovered that almost half of the natural gas stored in the Sayre Storage Field by NGPL has historically been and will continue to be used by BH Nebraska Gas. The other half of the stored gas is used by Black Hills/Iowa Gas Utility Company, LLC customers.

As the storage gas property tax was inadvertently misallocated and not readily detected, BH Nebraska Gas is seeking recovery of the past property taxes paid in the amount of $116,664. Property tax amount of $528,494 should have been paid by BH Nebraska Gas customers from 2008 to 2023; however, the statute of limitations in Nebraska prevents recovery of more than five years. The disallowed amount covering 2008 to 2019 is $411,830 as shown in Schedule L-2, Direct Exhibit SKJ-2.

BH Nebraska Gas customers received the benefits of the storage of this gas during that period. The property tax is levied by governmental entities and could not be avoided by BHSC. As this tax is a prudent and legitimate expense in providing safe and reliable natural gas to BH Nebraska Gas customers, BH Nebraska Gas has determined that the prior property tax paid by BH Kansas Gas on stored gas used to serve BH Nebraska Gas' customers should be recovered from BH Nebraska Gas customers as part of this proceeding.

**Q. HOW DOES BH NEBRASKA GAS PROPOSE TO RECOVER THE CURRENT AND PAST DUE PROPERTY TAX AMOUNTS IDENTIFIED IN YOUR TESTIMONY?**

A. BH Nebraska Gas proposes the current year Sayre Storage Field property tax expense is included as expense in base rates and recovered through normal means. The Company proposes the prior year expense be recovered through a three-year amortization in base rates at an annual rate of $38,888.

## VI. CONCLUSION

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

A. Yes, it does.

STATE OF SOUTH DAKOTA )
) SS
COUNTY OF PENNINGTON )

I, Kenneth Crouch, 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.

Kenneth Crouch

Subscribed and sworn to before me this 11 day of April, 2025.

BECKY PURINGTON NOTARY PUBLIC STATE OF SOUTH DAKOTA

Notary Public

My Commission Expires: