

**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, SOUND DAKOTA, SEEKING         )  
APPROVAL OF A GENERAL RATE         )  
INCREASE                                     )**

**DIRECT TESTIMONY OF KEVIN M. JAROSZ**

Vice President of Nebraska Gas Operations

**ON BEHALF OF BLACK HILLS NEBRASKA GAS, LLC**

Date: May 1, 2025

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**EXHIBITS**

Direct Exhibit KMJ-1	Statement of Qualifications
Direct Exhibit KMJ-2	BH Nebraska Gas Organization Chart
Direct Exhibit KMJ-3	2025 Capital Additions Projects
Direct Exhibit KMJ-4	2024 Operations Metrics Report
Direct Exhibit KMJ-5	Map of BH Nebraska Gas Operations Offices

**TABLE OF ABBREVIATIONS AND ACRONYMS**

Alliant	Alliant Energy
BHC	Black Hills Corporation
BHC Foundation	Black Hills Corporation Foundation
BH Nebraska Gas or Company	Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
BHSC	Black Hills Service Company, LLC
BHUH	Black Hills Utility Holdings, Inc.
CES	Customer Effort Score
Commission	Nebraska Public Service Commission
CSAT	Customer Satisfaction
CWA	Communications Workers of America
CWIP	Construction Work in Progress
DIIP	Data Infrastructure Improvement Program
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
GIS	Geographic Information System
IBEW	International Brotherhood of Electrical Workers
IPL	Interstate Power and Light Company
MGPs	Manufactured Gas Plants
NGPL	Natural Gas Pipeline of America
NDEE	Nebraska Department of Energy and Environment
PE	Polyethylene
PHMSA	Pipeline and Hazardous Materials Safety Administration

PRPs	Potentially Responsible Parties
PVC	Polyvinyl Chloride
ROE	Return on Equity
SourceGas	SourceGas, Inc.
SME	Subject Matter Expert
SSIR	System Safety and Integrity Rider
TBS	Town Border Station
TIMP	Transmission Integrity Management Program
VCP	Voluntary Cleanup Program

**DIRECT TESTIMONY OF KEVIN M. JAROSZ**

**I. INTRODUCTION**

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

A. My name is Kevin M. Jarosz. My business address is 1731 Windhoek Drive, P.O. Box 83008, Lincoln, NE 68501-3008.

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

A. I am employed by Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy ("BH Nebraska Gas" or the "Company"). I am Vice President of Nebraska and Iowa Gas Operations.

BH Nebraska Gas is a wholly owned subsidiary of Black Hills Utility Holdings, Inc. ("BHUH"). BHUH is a wholly owned subsidiary of Black Hills Corporation ("BHC").

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

A. I am testifying on behalf of BH Nebraska Gas.

**II. STATEMENT OF QUALIFICATIONS**

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

A. I am currently employed by BH Nebraska Gas as Vice President of Nebraska Gas Operations. I am responsible for the operational and financial performance of BH Nebraska Gas.

1   **Q.   PLEASE DESCRIBE YOUR RESPONSIBILITIES RELATED TO**  
2   **BH NEBRASKA GAS OPERATIONS.**

3   A.   I directly oversee state operating functions, including gas distribution and  
4       transmission network operations, system safety, maintenance, construction,  
5       customer service, customer relations and community relations for BH Nebraska  
6       Gas and for Black Hills/Iowa Gas Utility Company, LLC. I am indirectly involved  
7       in the oversight of certain other centralized functions within Black Hills Service  
8       Company, LLC ("BHSC") that provide support to BH Nebraska Gas.

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

11  A.   My education, employment history and professional experience is provided in  
12       Direct Exhibit KMJ-1.

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

14  A.   Yes.

15                                   **III.   PURPOSE OF TESTIMONY**

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

17  A.   The purpose of my direct testimony is to provide an overview of the BH Nebraska  
18       Gas distribution system. This testimony supports infrastructure projects needed to  
19       improve system safety and reliability and explains why those projects are  
20       necessary. My testimony also discusses various efforts taken by the Company to  
21       improve customer service and network operations of BH Nebraska Gas.

22               This testimony also emphasizes the need for Nebraska Public Service  
23       Commission ("Commission") approval of this rate review application so that BH  
24       Nebraska Gas may continue investing in the items noted above. My testimony

1 supports a capital plan for BH Nebraska Gas of approximately \$104 million per  
2 year for the next five years. Of that \$104 million, BH Nebraska Gas will invest  
3 approximately \$45-50 million per year in programmatic system safety  
4 infrastructure improvements through the System Safety and Integrity Rider  
5 (“SSIR”) program.

6 Finally, my testimony discusses the following items: (a) system safety  
7 integrity and reliability infrastructure projects occurring since the last rate review  
8 of BH Nebraska Gas, (b) eligible projects recovered under the SSIR mechanism  
9 permitted under the BH Nebraska Gas tariff, and (c) BH Nebraska Gas operating  
10 metrics, facilities, staffing and administration, community support and  
11 involvement, system safety and investment, and other matters impacting the  
12 Company.

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

14 A. Yes. I am sponsoring the following exhibits:

- 15 • **Direct Exhibit KMJ - 1** is a summary of my education, employment history  
16 and professional experience.
- 17 • **Direct Exhibit KMJ - 2** is an organization chart identifying the operational  
18 structure for BH Nebraska Gas.
- 19 • **Direct Exhibit KMJ - 3** is a list of 2025 capital additions, Construction  
20 Work In Process (“CWIP”).<sup>1</sup>

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<sup>1</sup> These projects are rolled into the Company’s rate base shown on Application Exhibit 1, Section 2, Statement D of the Revenue Requirement Study (*See* Direct Exhibit SKJ-2, Schedule D-1). The 2026 SSIR projects are provided in the testimony of Ms. Bannan.



- **Direct Exhibit KMJ - 4** is a summary of the BH Nebraska Gas 2024 end-of-year operating metrics.

- **Direct Exhibit KMJ - 5** is a map showing the location of BH Nebraska Gas operations offices.

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

**A. Yes.**

**IV. BH NEBRASKA GAS OVERVIEW**

**Q. PLEASE PROVIDE AN OVERVIEW OF BH NEBRASKA GAS OPERATIONS?**

**A. BH Nebraska Gas is the jurisdictional utility providing natural gas service to customers located in Nebraska. BH Nebraska Gas provides regulated natural gas service pursuant to the natural gas tariff approved by the Commission.**

**Q. PLEASE DESCRIBE THE SERVICE TERRITORY OF BH NEBRASKA GAS.**

**A. The service territory of BH Nebraska Gas includes much of the State of Nebraska. A map showing the communities served by BH Nebraska Gas, and a map of the Rate Areas of BH Nebraska Gas are provided as Direct Exhibit BNB-2 within the Direct Testimony of Ms. Bassell-Herman.**

1   **Q.     PLEASE DESCRIBE THE OPERATING REGIONS OF BH NEBRASKA**  
2   **GAS.**

3   A.     The BH Nebraska Gas operating regions include the following geographic areas:

4                 **North Region.**         BH Nebraska Gas provides natural gas service in and  
5                 around Papillion, Gretna, Plattsmouth, Columbus, Norfolk, Ainsworth, and the  
6                 surrounding areas to these communities.

7                 **South Region.**         BH Nebraska Gas provides natural gas service in and  
8                 around Lincoln, York, Beatrice, Auburn, and the surrounding areas to these  
9                 communities.

10                **Central Region.**        BH Nebraska Gas provides natural gas service in and  
11                around Kearney, Holdrege, Minden, Broken Bow, Ogallala, and the surrounding  
12                areas to these communities.

13                **Western Region.**       BH Nebraska Gas provides natural gas service in and  
14                around Sidney, Scottsbluff, Alliance, Chadron, and the surrounding areas to these  
15                communities.

16                A copy of the BH Nebraska Gas organizational chart is attached to this  
17                testimony as Direct Exhibit KMJ – 2.

18   **Q.     PLEASE DESCRIBE THE CUSTOMER BASE OF BH NEBRASKA GAS.**

19   A.     The customer base of BH Nebraska Gas is depicted in the table below as of  
20                December 31, 2024:

21                **Table KMJ-1 – BH Nebraska Gas Customer Base**

<b>Jurisdictional Residential</b>	<b>Jurisdictional Non- Residential</b>	<b>Non- Jurisdictional</b>	<b>Total</b>
266,944	33,398	4,087	304,429

1  
2 **Q. PLEASE DESCRIBE THE DISTRIBUTION ASSETS OF BH NEBRASKA**  
3 **GAS.**

4 A. The BH Nebraska Gas distribution system consists of approximately 8,712 miles  
5 of pipeline mains and approximately 327,311 service lines, which run from the  
6 pipeline main to the meter. As of December 31, 2024, BH Nebraska Gas served  
7 approximately 304,429 retail and transport customers in over 300 communities  
8 through its distribution system. The City of Lincoln is the largest community served  
9 by BH Nebraska Gas with approximately 102,400 customers.

10 **Q. PLEASE PROVIDE AN OVERVIEW OF THE NATURAL GAS**  
11 **TRANSMISSION SYSTEM OF BH NEBRASKA GAS.**

12 A. BH Nebraska Gas has over 1,313 miles of transmission pipeline that provides  
13 critical infrastructure to the communities served by BH Nebraska Gas. The BH  
14 Nebraska Gas transmission system has several interconnects with Federal Energy  
15 Regulatory Commission (“FERC”) jurisdictional interstate pipelines. These  
16 connections include interconnections with Northern Natural Gas Company,  
17 Tallgrass Interstate Gas Transmission, and Natural Gas Pipeline Company of  
18 America.

19 **V. NEED FOR RATE CASE APPLICATION**

20 **Q. WHY IS BH NEBRASKA GAS FILING A RATE APPLICATION AT THIS**  
21 **TIME?**

22 A. BH Nebraska Gas requires an overall increase in revenues to continue to provide  
23 safe and reliable service to its customers. As noted in the Direct Testimony of Ms.  
24 Bassell-Herman, BH Nebraska Gas is experiencing a jurisdictional revenue

1       deficiency of approximately \$34.9 million. As further discussed by Ms. Bassell-  
2       Herman, there are several drivers that have caused BH Nebraska Gas to file this  
3       rate application. Over the past few years, BH Nebraska Gas has experienced a  
4       significant impact on nearly every component of the cost of service for BH  
5       Nebraska Gas, including pipeline construction costs, materials, labor, outside  
6       services, general operating and maintenance expenses, cost of debt, and the  
7       Company's return on equity.

8               BH Nebraska Gas recovers the portion of its capital expenditures related to  
9       compliance with safety requirements, pipe replacements, and road relocation  
10      projects that result from governmental improvements to roads and highways,  
11      through the SSIR. However, BH Nebraska Gas' total investments in its system  
12      have substantially exceeded amounts and types of projects that are recoverable  
13      through the SSIR. BH Nebraska Gas provides natural gas distribution and other  
14      utility services that are critical to public safety, convenience, and necessity.  
15      Although BH Nebraska Gas has prudently and effectively managed expenses and  
16      investments, BH Nebraska Gas' cost of service has increased substantially. BH  
17      Nebraska Gas is filing this rate application to enable the continued investment in  
18      its system and to provide safe and reliable natural gas service.

19   **Q.   PLEASE DESCRIBE THE ACTIONS BH NEBRASKA GAS HAS TAKEN**  
20   **TO CONTROL COSTS AND INCREASE EFFICIENCY.**

21   A.   BH Nebraska Gas is continually looking for ways to control costs and increase  
22       efficiency. Some of the steps taken include improvements in customer service,  
23       automating and standardizing processes, and using work management and  
24       dispatching software for more efficient routing and dispatching of technicians.

1   **Q.    HOW HAS HIGHER INFLATION AFFECTED BH NEBRASKA GAS’**  
2       **COST OF SERVICE?**

3    A.    Inflationary pressures have caused BH Nebraska Gas’ operating expenses to  
4           increase across many categories. The cost of pipeline construction also increased  
5           significantly due to increases in internal and contract labor, materials, odorant and  
6           other consumables, fuel, vehicles, equipment and tools, property, and other right of  
7           way costs. Finally, BH Nebraska Gas’ cost of capital has increased substantially  
8           due to interest rate increases by the Federal Reserve to fight inflation.

9   **Q.    PLEASE EXPAND ON HOW INFLATION HAS AFFECTED THE COST**  
10       **OF PIPELINE CONSTRUCTION?**

11   A.    The cost of steel and other materials used in pipeline construction has increased  
12       substantially. Table KMJ-2 shows the increase by category since 2020.

13                   **Table KMJ-2 - 2020 to 2024 Avg Price Increase**

<b>Category</b>	<b>2020 to 2024 Avg Price Increase</b>
Anodes	111%
Fittings	44%
Meter Bars	30%
Meters	40%
Other Gas Materials	39%
Pipe	38%
Regulators	38%
Risers	40%
Valves	25%

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1 As a result, pipeline construction costs have increased substantially.

2 **Q. HOW HAS INFLATION AFFECTED BH NEBRASKA GAS' COST OF**  
3 **CAPITAL?**

4 A. The rate of inflation accelerated coming out of the Covid-19 pandemic and peaked  
5 at 9.1% for the twelve months ended June 2022. This was the highest inflation rate  
6 since the twelve-month period ending November 1981. Additionally, the  
7 Company's cost of capital has increased substantially due to interest rate increases  
8 by the Federal Reserve to fight inflation in recent years. Costs necessary to serve  
9 customers are significantly higher than the cost of service approved in the previous  
10 rate review with both short-term interest rates and 30-year treasury yields remain  
11 significantly higher than they were in 2020. For further explanation of the increase  
12 please refer to the direct testimony of Mr. Adrien McKenzie and Mr. Thomas D.  
13 Stevens.

14 **VI. PLANT IN SERVICE AND GAS SYSTEM INVESTMENT**

15 **Q. PLEASE DISCUSS CAPITAL INVESTMENT MADE BY BH NEBRASKA**  
16 **GAS IN THE GAS DISTRIBUTION SYSTEM SINCE ITS LAST RATE**  
17 **REVIEW APPLICATION.**

18 A. BH Nebraska Gas has made significant investment in its gas distribution system  
19 since its last rate review proceeding. Total Plant Additions are depicted in the table  
20 below:

**Table KMJ-3 - Plant Additions by Function (in Millions)**

<b>Plant Additions by Function (in Millions)</b>					
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Total</b>
Transmission	\$ (0.01)	\$ -	\$ -	\$ 0.21	\$ 0.21
Distribution	\$80.10	\$ 68.65	\$78.40	\$77.94	\$305.09
General Plant	\$ 3.34	\$ 2.34	\$11.14	\$8.88	\$25.70
<b>Total</b>	<b>\$ 83.44</b>	<b>\$ 70.99</b>	<b>\$ 89.54</b>	<b>\$ 87.04</b>	<b>\$ 331.00</b>

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One of the primary drivers of this rate review application is to include the recovery of prudent investment made by BH Nebraska Gas in natural gas distribution system infrastructure through Commission-approved tariff rates of BH Nebraska Gas.<sup>2</sup>

Since the Company's last rate review proceeding, many safety related capital projects were recovered through the SSIR applications filed by BH Nebraska Gas. However, as my testimony demonstrates, several other significant capital projects that were not eligible for recovery through the SSIR are included in this rate application. Direct Exhibit SKJ-2 (Revenue Requirement Study or "RRS") provides the levels of "Plant In Service" included in this rate review application. The facilities placed into service and included within this rate application are used and useful and necessary to provide safe and reliable natural gas service to customers of BH Nebraska Gas.

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<sup>2</sup> See Direct Exhibit SKJ-2, Statement D, for the rate base investment included in this rate review application.

1   **Q.     PLEASE GIVE A GENERAL OVERVIEW OF CAPITAL ADDITIONS FOR**  
2   **BH NEBRASKA GAS.**

3   A.    BH Nebraska Gas is committed to ensuring safe and reliable system operations. To  
4   that end, BH Nebraska Gas continues to make significant capital investments in  
5   infrastructure. The focus and reason for the infrastructure investments is:

- 6       • Improving public and customer safety;
- 7       • Supporting system integrity work; and
- 8       • Ensuring system reliability.

9       Some examples of capital additions projects included in this rate application are set  
10   forth in my testimony below. Direct Exhibit KMJ – 3 is a list of 2025 capital  
11   additions that are subject to review in this rate proceeding.

12   **Q.     PLEASE DESCRIBE THE CAPITAL ADDITIONS PROJECTS OF BH**  
13   **NEBRASKA GAS.**

14   A.    As described in the Direct Testimony of Ms. Lori J. Mack, the capital expenditures  
15   incorporated in the Test Period include known and measurable capital additions  
16   that will be in service when rates from this proceeding become effective. As shown  
17   in Table KMJ-4, approximately \$122.69 million of capital additions, will be placed  
18   in service by December 31, 2025. These capital additions include a variety of  
19   projects undertaken by the Company for the benefit of our customers and are  
20   associated with four categories: Growth, Reliability, Integrity, and General Plant.  
21   This testimony provides a general overview of these projects.



**Table KMJ-4 - 2025 Additions (in Millions)**

<b>2025 Additions (in Millions)</b>					
	<b>Growth</b>	<b>Reliability</b>	<b>Integrity</b>	<b>General Plant</b>	<b>Total</b>
Transmission	\$ -	\$ -	\$ 1.26	\$ -	\$ 1.26
Distribution	23.89	8.23	69.72	0.31	102.14
General Plant	-	-	-	19.29	19.29
<b>Total</b>	<b>\$ 23.89</b>	<b>\$ 8.23</b>	<b>\$ 70.98</b>	<b>\$ 19.60</b>	<b>\$ 122.69</b>

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2 **Q. PLEASE DESCRIBE THE CAPITAL ADDITIONS INCLUDED IN THE**  
3 **GROWTH CATEGORY.**

4 A. The capital additions for Growth are necessary to support increased load on the  
5 system as a result of population growth. Growth projects include installation of  
6 bypass meter bar assemblies, new mains, services, meters and routines, new large  
7 volume meters, new regulator stations and main extensions, upgrades to district  
8 regulator stations, and certain facility updates, resulting in approximately \$23.89  
9 million of Growth associated capital additions.

10 **Q. PLEASE DESCRIBE THE CAPITAL ADDITIONS INCLUDED IN THE**  
11 **RELIABILITY CATEGORY.**

12 A. The capital additions included in the Reliability category are projects that are  
13 improving the stations that regulate pressure into our distribution systems,  
14 replacing obsolete odorizers, installing necessary district regulator stations,  
15 constructing secondary feeds where needed, and extending mains, resulting in  
16 approximately \$8.23 million of Reliability associated capital additions.

1   **Q.     PLEASE DESCRIBE THE CAPITAL ADDITIONS INCLUDED IN THE**  
2       **INTEGRITY CATEGORY.**

3   A.     The capital additions in the Integrity category include replacing mains and services  
4           comprised of obsolete pipe, above-ground spans, top of ground mains, obsolete  
5           infrastructure, TBS replacements and upgrades, third-party damage, and leak  
6           repair, resulting in approximately \$70.98 million of Integrity associated capital  
7           additions.

8   **Q.     PLEASE DESCRIBE THE CAPITAL ADDITIONS INCLUDED IN THE**  
9       **GENERAL PLANT CATEGORY.**

10  A.     The capital additions included in the General Plant category include removing and  
11          replacing obsolete measurement equipment and outdated tools, purchasing pipe  
12          locators, leak detection equipment, and replacement vehicles, resulting in  
13          approximately \$19.6 million of General Plant associated capital additions. This  
14          category also includes the construction of a new operation center in Ogallala as  
15          discussed later in my testimony.

16  **Q.     WERE THESE INVESTMENTS NECESSARY TO SERVE CUSTOMERS?**

17  A.     Yes. These investments were made to provide service to BH Nebraska Gas  
18          customers and are therefore used and useful for our customers.

19  **Q.     WHY HAS BH NEBRASKA GAS MADE THIS LEVEL OF INVESTMENT**  
20       **IN ITS SYSTEM?**

21  A.     The level of investment is prudent and necessary to either comply with applicable  
22          changes in pipeline safety regulations, to ensure the statutory obligation to provide  
23          reliable service, or to meet the reasonable growth experienced on different parts of  
24          the distribution system. The investment in the gas system in Nebraska is driven

1 primarily to meet higher pipeline safety regulation. As established throughout the  
2 testimony in this case, continued significant investment in gas infrastructure is  
3 needed into the future.

4 **Q. HOW DOES THIS RATE REVIEW APPLICATION SUPPORT OVERALL**  
5 **COMPANY INVESTMENT IN CAPITAL PROJECTS FOR THE GAS**  
6 **DISTRIBUTION SYSTEM?**

7 A. As discussed in the testimony of Ms. Jennifer C. Bingaman, changes in the pipeline  
8 safety and integrity requirements imposed by federal, state, and local governments  
9 place a significant duty on BH Nebraska Gas to comply with those safety and  
10 integrity requirements.

11 Accordingly, this rate application is necessary for BH Nebraska Gas to  
12 continue making the level of investment required to maintain and improve pipeline  
13 safety, reliability, and overall integrity of its gas distribution system. Renewing the  
14 SSIR, as discussed in the testimony of Ms. Tatyana V. Bannan, provides BH  
15 Nebraska Gas with an opportunity to timely recover prudent investment in its  
16 natural gas infrastructure.

17 To be clear, BH Nebraska Gas will endeavor to meet or exceed its lawful  
18 duties to operate a safe, efficient, and reliable natural gas distribution system.  
19 Approval of the plant in service and the SSIR mechanism presented in this rate  
20 review application encourages additional capital project investment and potentially  
21 lengthens the time between rate review applications.

**VII. SSIR**

**Q. IS THE COMPANY PROPOSING TO RENEW THE SSIR AS PART OF THIS RATE REVIEW PROCEEDING?**

**A.** Yes.

**Q. PLEASE SUMMARIZE THE COMPANY’S REQUEST TO CONTINUE THE SSIR.**

**A.** As described in the testimony of Ms. Bingaman and Ms. Bannan, the Company is seeking authority to continue the SSIR which will support several programs to identify and mitigate risks to life and property on an accelerated basis. The programmatic approach, described further in my testimony, will systematically reduce risk by accelerating the replacement of higher risk pipelines and services.

To provide a specific funding and cost recovery mechanism for these projects, the Company is requesting the Commission to approve the SSIR projects for 2026 and renew the SSIR mechanism for the next five years.

In her testimony, Ms. Bannan provides the Application for the 2026 SSIR, laying out details, including the budgets, for the specific projects. Finally, Ms. Bannan addresses the associated rate impacts.

The SSIR initiatives listed above include projects driven primarily by the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) Rules, in addition to safety projects identified by the Company’s risk model and subject matter experts, as immediate priorities to address.

1   **Q.     PLEASE SUMMARIZE THE TYPES OF CAPITAL INFRASTRUCTURE**  
2       **PROJECTS THAT BH NEBRASKA GAS IS PROPOSING TO INCLUDE IN**  
3       **THE SSIR.**

4   A.    As shown on the 2026 SSIR Application, included within Ms. Bannan's testimony,  
5       the types of eligible projects include:

- 6           • Projects ensuring compliance with federal pipeline safety standards for gas  
7           transmission integrity;
- 8           • Projects meeting federal requirements for gas distribution integrity and state  
9           enforcement;
- 10          • Pipeline safety projects adhering to PHMSA regulations;
- 11          • Facility relocation projects over \$20,000 required for public infrastructure  
12          improvements; and
- 13          • Infrastructure projects maintaining gas delivery and pressure, including  
14          obsolete equipment upgrades.

15   **Q.     ARE THERE ANY REQUESTS TO MODIFY THE CRITERIA OF**  
16       **ELIGIBLE SSIR PROJECTS?**

17   A.    No.

18   **Q.     PLEASE DESCRIBE THE PROACTIVE PROCESS THAT BH NEBRASKA**  
19       **GAS USES TO DETERMINE THE SELECTION AND PRIORITIZATION**  
20       **OF SSIR PROJECTS.**

21   A.    The Company coordinates with the Gas Engineering team primarily focused on  
22       system integrity. The process is evolving to a systematic and consistent approach  
23       to identify and rank projects based on a set of criteria including the use of a relative  
24       risk model to evaluate risk by threat and to aid in prioritizing action for mitigation

1 of threats posing the highest risk to the system. Ms. Bingaman further discusses this  
2 process and the model in her testimony. The model is a valuable component of the  
3 prioritization process and continues to be developed and improved. The Company  
4 is using the current systematic approach and the new model approach in  
5 conjunction with SME information and capital implementation modeling to  
6 prioritize SSIR projects.

7 **Q. PLEASE DESCRIBE THE BENEFITS OF USING THE PRIORITY BASED**  
8 **REPLACEMENT APPROACH.**

9 A. The priority-based replacement approach is a more objective approach to ranking  
10 project risk. It also provides a baseline assessment for areas of risk and can show  
11 progress being made as well as to continue to rank projects against one another Ms.  
12 Bingaman elaborates more on the benefits of the priority-based replacement  
13 approach in her testimony.

14 **VIII. DIIP**

15 **Q. PLEASE BRIEFLY DESCRIBE THE “DATA INFRASTRUCTURE**  
16 **IMPROVEMENT PROGRAM.”**

17 A. The Company implemented the Data Infrastructure Improvement Program  
18 (“DIIP”) to close known data gaps and to verify current data for accuracy related  
19 to the BH Nebraska Gas system. As PHMSA stated in its explanation of the Mega  
20 Rule: “PHMSA strongly believes that knowledge of pipeline physical properties  
21 and attributes are essential for a modern IM [integrity management] program.”<sup>3</sup>  
22 The DIIP initiative began in 2021 for BH Nebraska Gas and full implementation of

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<sup>3</sup> 84 Fed. Reg. 52194.

1 the DIIP is currently anticipated to take approximately sixteen years at current unit  
2 prices and funding levels. The DIIP is intended to improve knowledge of the BH  
3 Nebraska Gas pipeline system and to better enable managing the integrity of the  
4 pipeline system. In order to prioritize integrity management programs and projects  
5 more accurately, it is vital for the Company to have improved and accurate system  
6 data. The DIIP will implement specific initiatives to improve system data, including  
7 data gap reduction, Geographic Information System (“GIS”) updates, and  
8 programmatic improvements. This program will help BH Nebraska Gas to comply  
9 with its responsibility of safely, reliably, and prudently, managing the system to  
10 serve customers long-term. Ms. Bingaman discusses DIIP in more detail in her  
11 Direct Testimony.

12 **Q. WHAT ARE THE PROJECTED COSTS OF BH NEBRASKA GAS’ DIIP?**

13 A. BH Nebraska Gas started scaling up the DIIP in 2021. By 2025 the projected  
14 program cost is planned to be an average of \$2,400,000 per year for the remaining  
15 thirteen years (2024-2036) a total program cost of approximately \$26,076,345.

16 **IX. OPERATING METRICS**

17 **Q. WHAT ARE THE KEY OPERATING METRICS USED BY BH**  
18 **NEBRASKA GAS TO MEASURE CUSTOMER SERVICE LEVELS?**

19 A. BH Nebraska Gas uses a series of service metrics to determine whether we are  
20 providing safe, reliable, and customer responsive service. The service metrics set  
21 forth quality requirements and are monitored on a monthly basis. Examples of these  
22 requirements include the following:

- 23 • **Compliance** – Past Due Orders, Leak Management, Emergency Response,  
24 Excavation Audit, Zero Consumption

- 1           • **Safety** – Preventable Vehicle Incidents, Recordable Injuries
- 2           • **Customer Service** – Qualtrics survey results per region including Customer
- 3           Satisfaction (“CSAT”) and Customer Effort Score (“CES”)
- 4           • **Damage Prevention** – Hits per Thousand
- 5           • **Employee Engagement** – Safety Training, Energ!ze, Speak Up Survey

6           Direct Exhibit KMJ-4 summarizes the BH Nebraska Gas 2024 end-of-year  
7           operating metrics performance.

8   **Q.   HOW DO THESE OPERATING METRICS SUPPORT THIS RATE**  
9   **APPLICATION?**

10   A.   The operating metrics demonstrate that the staffing, training, customer information  
11       systems, and other assets used in providing the level of customer service BH  
12       Nebraska Gas customers expect requires the commitment of significant capital and  
13       expense. To maintain high performance operation metrics shown on Direct Exhibit  
14       KMJ-4, the Company is seeking approval of the Company’s rate application. Direct  
15       Exhibit KMJ-4 supports the Company’s rate Application related to the level of  
16       significant capital and ongoing cost into the future.

17           **X.   NEW OPERATIONS AND SERVICE CENTER**

18   **Q.   IS BH NEBRASKA GAS CONSTRUCTING ANY NEW OPERATION**  
19   **CENTERS IN THE TEST YEAR?**

20   A.   Yes. BH Nebraska Gas has acquired land to build a new operations center in  
21       Ogallala. Construction is slated to begin in 2025, with an anticipated completion  
22       date prior to December 31, 2025. The new location offers advantages for customers  
23       by moving commercial traffic away from the residential area in which the current  
24       office resides. The building design will boost productivity with improved safety



1 features such as drive-through bays, equipment and material storage, and individual  
2 training stations. The new Ogallala operations center is designed to foster  
3 collaboration among employees and includes several ergonomic features to  
4 enhance the health and wellness of BH Nebraska Gas staff. This facility aims to aid  
5 in the recruitment and retention of employees for BH Nebraska Gas and BHSC.  
6 The greater productivity of skilled employees will benefit BH Nebraska Gas  
7 customers over the long term by reducing costs while maintaining high-quality  
8 results.

9 **XI. STAFFING AND ADMINISTRATION**

10 **Q. PLEASE DESCRIBE THE COMPANY'S CURRENT WORKFORCE.**

11 A. As of April 10, 2025, BH Nebraska Gas' current workforce includes 329 employees  
12 plus 12 open positions and one employee whose labor costs are charged 50% to BH  
13 Nebraska Gas. In addition, BHSC employees perform key functions for Nebraska  
14 gas operations, such as engineering, financial management, accounting, customer  
15 service/call centers, regulatory services, etc. BH Nebraska Gas is committed to the  
16 communities we serve, and we are pleased to maintain and add quality jobs in  
17 Nebraska. BH Nebraska Gas has included 341.5 employees in this case, which is  
18 the required staffing needed to ensure the safe and reliable operation of the  
19 Company's natural gas system. The Company is actively working to fill the open  
20 positions by posting job openings and actively hiring qualified candidates. The  
21 Company remains committed to maintaining a fully staffed workforce to meet  
22 operational and safety requirements.

1     **Q.     PLEASE DESCRIBE THE BH NEBRASKA GAS UNION WORKFORCE.**

A. BH Nebraska Gas has a diverse workforce including employees in bargaining unit and non-bargaining unit positions. Approximately 66% of the BH Nebraska Gas workforce represents employees covered under one of two collective bargaining agreements: International Brotherhood of Electrical Workers (“IBEW”) Local Union No. 244 and Communications Workers of America (“CWA”) Local Union No. 7476.

8 Q. WHAT IS THE STATUS OF THE CURRENT COLLECTIVE  
9 BARGAINING AGREEMENTS?

10     A.     The current collective bargaining agreement with IBEW Local Union No. 244 was  
11             ratified on March 2, 2025, and covers wages through 2029. The current collective  
12             bargaining agreement with CWA Local Union No. 7476 expires October 30, 2026.

13    **Q.    HOW ARE BARGAINING EMPLOYEE WAGE INCREASES**  
14    **DETERMINED?**

15     A.     As mentioned above, BH Nebraska Gas includes two bargaining units, IBEW Local  
16           Union No. 244 and CWA Local Union No. 7476. Wages for employees covered by  
17           a collective bargaining agreement are negotiated. Proposed wage rates are based on  
18           those negotiations and market rates gathered by the union and BH Nebraska Gas.

19 **XII. COMMUNITY SUPPORT**

20     **Q.     HOW DOES BH NEBRASKA GAS DEMONSTRATE ITS COMMITMENT**  
21     **TO THE COMMUNITIES AND CUSTOMERS IT SERVES?**

22     A.     As a community partner, BH Nebraska Gas remains active in numerous civic and  
23           community engagement and economic development efforts. BH Nebraska Gas has  
24           been involved in a broad range of projects to improve its local communities,

1 including local United Way campaigns, United Way Day of Caring/United Way  
2 Season of Service, United Way Women in Philanthropy and participation in  
3 numerous safety education and energy assistance outreach programs.

4 The Company estimates it made a \$120 million economic impact in  
5 Nebraska in 2024 including compensation to employees in Nebraska, charitable  
6 contributions, payments to suppliers and local taxes paid. The Company encourages  
7 involvement in the community and empowers its employees to support the causes  
8 they are passionate about. Charitable impact including contributions, scholarships,  
9 sponsorships, and donations from the Black Hills Corporation Foundation (“BHC  
10 Foundation”) in Nebraska totaled nearly \$500,000 in 2024. Nebraska employees  
11 contributed nearly 4,000 volunteer hours last year supporting more than 100  
12 community organizations, in addition to in-kind donations made to nonprofit  
13 organizations.

14 BH Nebraska Gas employees serve as engaged community members  
15 supporting community and state chambers of commerce, the Nebraska League of  
16 Municipalities, both local economic development organizations and the Nebraska  
17 Economic Developers Association, Nebraska 811, trade and home builders  
18 associations, volunteer firefighters, professional development organizations, and in  
19 leadership roles serving non-profit community-based organizations.

20 In 2024, the BHC Foundation continued a legacy of funding capital  
21 campaigns across Nebraska to improve local communities, including an accessible  
22 playground in Ord, the Wayne Prairie Park Project, the Reflection Plaza in LaVista  
23 and the South of Downtown Haymarket Park in Lincoln.

1           The Company is invested in its communities and prioritizes serving their  
2 needs today and into the future. To protect BH Nebraska Gas' communities for  
3 tomorrow, customers are offered a free tree annually through the Arbor Day  
4 Foundation's Energy Saving Tree planting program to reduce their carbon footprint  
5 and to provide energy saving shade. The Company has given away thousands of  
6 trees during this 10-year partnership. To commemorate the milestone, the BHC  
7 Foundation committed \$170,000 to support tree planting across the enterprise in  
8 2024.

9           BH Nebraska Gas participates in community engagement opportunities  
10 thanks to its volunteer Ambassador program. This community-focused program  
11 taps emerging leaders and community service-minded team members and puts them  
12 on a two-year path to specifically demonstrate BH Nebraska Gas' commitment to  
13 the communities we call home. Ambassadors are charged with identifying micro-  
14 giving projects that have a big impact on the macro level. Examples of these  
15 projects include supporting student educational initiatives, food pantries and first  
16 responders, along with volunteering for "fill the backpack" programs in school  
17 districts, delivering meals on wheels, highway clean ups and at food banks.  
18 Ambassadors also initiate additional employee giving by collecting food, school  
19 supplies, hygiene kits and other drives to meet local needs. As demonstrated above,  
20 BH Nebraska Gas supports community development and growth in a variety of  
21 manners.

22 **Q. PLEASE EXPLAIN THE BLACK HILLS CARES PROGRAM.**

23 A. BH Nebraska Gas actively supports energy assistance programs in Nebraska  
24 through financial contributions and by educating customers on assistance options.

1 The Company works primarily through the Black Hills Cares program that is  
2 funded by employees, customers, and the BHC Foundation, a 501(c)(3) nonprofit.  
3 BH Nebraska Gas partners with the Salvation Army to provide energy assistance  
4 funding and help create awareness of resources for Nebraskans in BH Nebraska  
5 Gas' service territory. Customers have the option to make a tax-deductible donation  
6 through their regular bills and online. Employees also donate to Black Hills Cares  
7 through payroll deduction and special fundraising events. BHC provided \$125,796,  
8 which includes contributions from customers, employees, and the Foundation in  
9 2024. These costs are charitable contributions and are not included in the revenue  
10 requirement.

11 **XIII. SYSTEM SAFETY**

12 **Q. HOW DOES BH NEBRASKA GAS DEMONSTRATE ITS COMMITMENT**  
13 **TO THE SAFETY OF COMMUNITIES AND CUSTOMERS IT SERVES?**

14 A. Safety is a focus of the BH Nebraska Gas engagement in the community. For  
15 example, BH Nebraska Gas partners with local fire departments to provide natural  
16 gas fire demonstrations and trainings for first responders in the community at no  
17 cost to attendees. BH Nebraska Gas also participates in damage prevention  
18 demonstrations throughout the service territory in partnership with Nebraska 811,  
19 and annually sends damage prevention materials to excavators in the counties BH  
20 Nebraska Gas serves. Communications to customers via a variety of methods,  
21 including bill message and media alerts to local publications, provide a variety of  
22 safety messages on subjects such as a reminder to clear snow from meters. To  
23 bolster operational safety, BH Nebraska Gas has purchased new technology  
24 equipment for each of our technicians that will assist with gas leak detection (LZ-

1 30) going forward. Finally, BH Nebraska Gas has made substantial capital  
2 investments to its transmission and distribution systems to improve the safety,  
3 integrity, and reliability of its systems. BH Nebraska Gas will continue to make  
4 necessary capital improvements to make sure Nebraska customers receive safe and  
5 reliable natural gas service.

6 **Q. HAS BH NEBRASKA GAS BEEN RECOGNIZED FOR ITS**  
7 **COMMITMENT TO SAFETY?**

8 A. Yes. BH Nebraska Gas has been recognized by the National Safety Council for the  
9 last 4 consecutive years. BH Nebraska Gas has received the following awards:

- 10 • National Safety Council Nebraska's Safest Company Award
- 11 • National Safety Council Nebraska's Safest Company Award with  
12 Distinction
- 13 • Nebraska Safety Council's Workplace Safety Awards, including the Spirit  
14 Award, Star Award, and Peak Performance Award
- 15 • National Safety Council's Safe Driving Award

16 These achievements reflect BH Nebraska Gas' exemplary focus on workplace  
17 safety, community protection, and operational excellence.

18 **A. Third Party Damages**

19 **Q. WHAT IS THE SCOPE OF THE THIRD-PARTY DAMAGE ISSUE FOR**  
20 **BH NEBRASKA GAS?**

21 A. In 2024, BH Nebraska Gas had 1.67 hits per thousand locates (locate tickets called  
22 into Nebraska One Call) out of 213,971 total One Call locates. BH Nebraska Gas  
23 was the top performing state at preventing line hits when compared to all other  
24 BHC utilities. However, our goal is to improve on that number and reduce line hits

1 as much as possible. In analyzing the issue, BH Nebraska Gas found some of the  
2 drivers of line hits were the high rate of construction in the Lincoln area, inattention  
3 to One Call laws by some excavators, and issues with un-locatable plant (due to  
4 broken tracer wires from construction damage). BH Nebraska Gas has developed a  
5 focused damage prevention program to address key drivers of third-party damage.  
6 This Company focus will provide for a safer system in the short, medium, and long  
7 term.

8 **Q. WHAT ACTIONS HAS BH NEBRASKA GAS TAKEN ON DAMAGE**  
9 **PREVENTION?**

10 A. Since 2018, BH Nebraska Gas has employed a full-time Damage Prevention  
11 Coordinator, whose sole focus is to reduce third-party damage on our natural gas  
12 system. The Coordinator partners with Nebraska One Call, excavators, and BH  
13 Nebraska Gas leadership in an aggressive effort to reduce damages. The  
14 Coordinator communicates with contractors who damage our system and provides  
15 training on One Call laws, safe excavation procedures, and best practices. The  
16 Coordinator has also been working to unify the internal process of BH Nebraska  
17 Gas to identify and replace plant that can't be located currently by improving  
18 tracking, prioritization, and mapping updates.

19 **Q. WHAT BENEFITS FLOW FROM A DAMAGE PREVENTION**  
20 **PROGRAM?**

21 A. The most important benefit is improved public, excavator, and employee safety.  
22 Reducing damage to our system and improving One Call law compliance reduces  
23 the likelihood of serious injury to the excavator who hits the line, our employees  
24 who repair the line, and the public. Ultimately, BH Nebraska Gas will attempt to

1       reduce its damage rates through the excavator education and a relentless focus and  
2       effort to reduce damages to the gas system. Apart from safety considerations,  
3       damage to our system causes disruption and increased work for our crews to repair  
4       the damage. Part of our workload analysis found that we can decrease time spent  
5       on emergency workload if we reduce the amount of third-party damage to our  
6       system. Instead of responding to emergency damage calls, our employees can focus  
7       on system maintenance, compliance, and customer service.

8                                   **B.       Public Awareness Program**

9   **Q.    AS PART OF ITS DAMAGE PREVENTION PROGRAM, DOES THE**  
10 **COMPANY UNDERTAKE A PUBLIC AWARENESS PROGRAM?**

11 A.    Yes, BH Nebraska Gas has developed and implemented a federally-mandated  
12 Public Awareness Program, as prescribed in 49 C.F.R. § 192.616. The Public  
13 Awareness Program contributes to enhanced public safety by providing certain risk  
14 mitigation measures. In adopting these Public Awareness Program requirements,  
15 PHMSA determined that “[e]ffective public awareness programs are vital to  
16 continued safe pipeline operations” and that “[s]uch programs are an important  
17 factor in establishing communications with affected stakeholders, providing  
18 information necessary to enhance public awareness of pipelines, and  
19 communicating stakeholder roles relative to pipeline safety.”<sup>4</sup> The federal  
20 regulations directing the implementation of this program specifically require that  
21 the program include activities to educate the public, appropriate government  
22 organizations, and persons engaged in excavation-related activities regarding: (1)

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<sup>4</sup> Public Safety: Pipeline Operator Public Awareness Program; Final Rule, 70 Fed. Reg. 28833-01 (posted May 19, 2005) (codified at 49 C.F.R. § 192, 195).



1 use of the One-Call notification system prior to excavation and other damage  
2 prevention activities; (2) possible hazards associated with unintended releases from  
3 a gas pipeline facility; (3) physical indications that such a release may have  
4 occurred; (4) steps that should be taken for public safety in the event of a gas  
5 pipeline release; and (5) procedures for reporting such an event.<sup>5</sup>

6 **Q. WHAT ACTIONS IS THE COMPANY CURRENTLY UNDERTAKING TO**  
7 **COMPLY WITH PHMSA REQUIREMENTS ON PUBLIC AWARENESS**  
8 **PROGRAMS?**

9 A. First, the Company promotes Nebraska's One-Call program by informing  
10 contractors and the public to ensure pipelines are properly marked and located  
11 before excavation activities. The Company also coordinates with first responders  
12 to understand the responsibility and resources of each party in the event of a gas  
13 pipeline emergency and collaborating on to best respond to a gas system  
14 emergency.

15 Second, BH Nebraska Gas works directly with city officials involved in  
16 construction activities within the Company's jurisdiction. This partnership aims to  
17 raise public awareness to educate city personnel on the specific requirements of  
18 Nebraska's One-Call law. Additionally, it helps officials understand their role in  
19 enforcing these laws by promoting the use of One-Call for excavation tickets.

20 Third, the Company informs contractors and excavators of the potential  
21 safety issues that might arise when working around natural gas pipelines. The

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<sup>5</sup> 49 C.F.R. § 192.616(d).

1 benefits of calling One-Call are communicated through awareness campaigns, such  
2 as in-person excavator outreach events and targeted mailings.

3 Finally, the Company works to reduce third-party damages to gas facilities  
4 by identifying at-risk excavating contractors and educating them on proper One-  
5 Call notification and safe digging techniques. Company employees will stop at  
6 construction projects to investigate if the excavator notified One-Call and if safe  
7 excavating techniques are followed. As necessary, Company employees will stop  
8 the job and provide education to the contractor about safe excavating practices and  
9 procedures.

10 **Q. CAN THE COMPANY'S PUBLIC AWARENESS PROGRAM BE**  
11 **IMPROVED?**

12 A. Yes. Third party damages caused by excavation represent the biggest risk to the  
13 safety of our natural gas system, employees, customers and the public in Nebraska.  
14 These damages are largely preventable. A key strategy to reduce the number of  
15 these events is through an enhanced education and awareness campaign. Although  
16 the Company's current Public Awareness Program meets all federally mandated  
17 requirements, additional resources are needed to improve the campaign, identify  
18 communication opportunities, and expand beyond regulatory requirements.  
19 Increased outreach and activities will be necessary to address the need for  
20 excavation damage reductions. An enhanced Public Awareness Program would  
21 include an increase in media campaigns, collaboration with external organizations,  
22 participation in outreach events, and support of employees to be public awareness  
23 advocates and provide damage prevention messaging.

1   **Q.   WHAT IS THE COMPANY REQUESTING TO IMPROVE AND**  
2       **ENHANCE ITS PUBLIC AWARENESS PROGRAM IN THIS RATE**  
3       **REVIEW APPLICATION?**

4   A.   The Company is proposing to include an additional \$200,000 of O&M Expenses,  
5       as shown on Direct Exhibit SKJ-2, Schedule H-12, to allow the Company to  
6       enhance its Public Awareness Program.

7   **Q.   PLEASE GIVE EXAMPLES OF HOW THE ADDITIONAL SPEND ON**  
8       **THE PUBLIC AWARENESS PROGRAM WILL BE USED TO INCREASE**  
9       **PUBLIC AWARENESS AND EDUCATE STAKEHOLDERS?**

10  A.   The requested expense adjustment will fund the creation and distribution of  
11       brochures, post cards, and digital content through targeting technology. This will  
12       support a media campaign that educates the public about damage prevention  
13       through social media, community events, radio, and/or television.

14  **Q.   HOW WILL THIS PROGRAM BENEFIT BH NEBRASKA GAS, ITS**  
15       **CUSTOMERS, AND THE BROADER COMMUNITIES?**

16  A.   All parties will benefit from enhanced safety, improved reliability, and cost savings  
17       that come with a reduction in third party damages to the Company's natural gas  
18       system. Fewer excavation-related damages reduce the risk of gas leaks and  
19       accidents while also minimizing service interruptions and lowering operational  
20       expenses. By reducing the time spent on repairing third party damages, BH  
21       Nebraska Gas' crews can instead focus on infrastructure replacement projects that  
22       help improve the reliability of the system.

### C. Reliability

**Q. DOES BH NEBRASKA GAS HAVE A RELIABLE SYSTEM?**

A. Yes, BH Nebraska Gas is required by statute to provide safe and reliable natural gas service to our customers.<sup>6</sup> BH Nebraska Gas has made substantial capital investments to improve the reliability of its system. For example, the recently completed Lincoln Town Border Station (“TBS”) 1B was upgraded. The project replaced obsolete equipment, improved control of the dual gas supply, and reduced pressure loss on peak days. This was a necessary step to protect BH Nebraska Gas’ system and to provide reliability to our customers. In addition, BH Nebraska Gas has continued to invest in system integrity, which contributes to the overall reliability of the system.

#### **XIV. OTHER BH NEBRASKA GAS OPERATING ISSUES**

### A. Environmental

**Q. WHAT IS A MANUFACTURED GAS PLANT?**

A. Manufactured gas is an artificial gas produced or derived primarily from coal or oil. In the past, manufactured gas was used for heating, lighting, and cooking, prior to the availability of natural gas from interstate pipelines. Manufactured gas plants (“MGPs”) were active in Nebraska and other states from about the mid-1800s until the mid-1900s. The gas that was produced at these plants was stored on site in large expandable tanks, known as gas holders, before distribution to the community. During the manufacturing of the gas, the created waste could be leaked, spilled, buried, or discharged onto or in the ground.

<sup>6</sup> See, e.g., *Neb. Rev. Stats.* §§ 66-1802, 66-1826 and 66-1830. See also, *Nebraska Natural Gas Pipeline Safety Act of 1969*, *Neb. Rev. Stat.* § 81-552 et seq.

1   **Q.    ARE THERE ENVIRONMENTAL LIABILITIES ASSOCIATED WITH**  
2       **MGP SITES?**

3    A.    Yes, MGPs often create environmental liabilities that require sampling, monitoring,  
4       and remediation. Due to historical waste disposal practices, contamination at  
5       former MGP sites can affect soil, groundwater, and surface water. As a result,  
6       regulatory agencies, such as the U.S. Environmental Protection Agency (“EPA”)  
7       and the Nebraska Department of Energy and Environment (“NDEE”), may require  
8       site investigation and remediation to mitigate risks to human health and the  
9       environment.

10   **Q.    IS BH NEBRASKA GAS A LANDOWNER OF ANY FORMER MGP SITES**  
11       **IN NEBRASKA?**

12   A.    Yes, the Company completed remediation on company-owned MGP sites in the  
13       cities of Plattsmouth and Blair and has partnered with other partially responsible  
14       parties on the remediation of several other company-owned locations in Nebraska.  
15       Specifically, my testimony addresses the Company’s ownership of the Former  
16       Citizens Gas MGP site in McCook, Nebraska (the “Site”).

17   **Q.    PLEASE DESCRIBE THE MCCOOK SITE.**

18   A.    The Site is located at 407 West “A” Street, McCook, Nebraska, on the northeast  
19       corner of the intersection of West “A” Street and 4<sup>th</sup> Street. The property consists  
20       of one parcel approximately 0.4 acres in area and is currently used for the storage  
21       and distribution of natural gas pipeline parts.

22   **Q.    PLEASE EXPLAIN HOW BH NEBRASKA GAS ACQUIRED THE SITE.**

23   A.    BH Nebraska Gas obtained the site through the acquisition of SourceGas, Inc.  
24       (“SourceGas”) in 2016. At the time of the acquisition, the Site was enrolled in the

1 NDEE's Voluntary Cleanup Program ("VCP") by Interstate Power and Light  
2 Company ("IPL"), an affiliate of Alliant Energy ("Alliant"). Following the  
3 SourceGas acquisition, IPL withdrew from the VCP on the belief that it was not  
4 responsible for the remediation of the Site. Following IPL's withdraw from the  
5 VCP, BH Nebraska Gas enrolled the Site in the VCP as the current landowner of  
6 the Site.

7 **Q. WHAT WORK HAS BEEN COMPLETED AT THE SITE SINCE THE**  
8 **COMPANY ENROLLED IN THE VCP?**

9 A. Further site investigation including soil and groundwater sampling and analysis has  
10 been completed on the site since enrollment in the VCP. This site investigation  
11 phase allows the company to prepare the remediation work plan. This work is still  
12 ongoing to satisfy NDEE requirements in the VCP.

13 **Q. IS THE COMPANY EVALUATING WHETHER THERE MAY BE**  
14 **POTENTIALLY RESPONSIBLE PARTIES ("PRPs") WHO MAY HAVE**  
15 **SOME LEVEL OF RESPONSIBILITY FOR THE SITE?**

16 A. Yes. The Company is actively exploring options to identify PRPs to assume  
17 management and responsibility for the Site. The Company is currently conducting  
18 a thorough review of historical records, engaging with consultants, and  
19 collaborating with NDEE to determine liable entities based on past ownership,  
20 operational involvement, or contribution to the Site's condition. Preliminary  
21 findings suggest the possibility of viable candidates who may share responsibility  
22 under applicable environmental regulations. The goal is to identify a PRP that is  
23 capable of addressing any and all outstanding remediation and compliance  
24 requirements.

1   **Q.     WHAT WILL HAPPEN IF THE COMPANY IS UNABLE TO IDENTIFY A**  
2   **PRP TO TAKE OVER RESPONSIBILITY FOR THE SITE?**

3   A.     If the Company is unable to identify a PRP to assume responsibility for the Site,  
4           the Company is required to take appropriate measures to ensure compliance with  
5           environmental regulations and protect public interests. Should this scenario arise,  
6           the Company would likely retain ownership of the Site and work closely with the  
7           NDEE to develop and implement a comprehensive remediation plan. Such  
8           remediation is likely to cost the Company several millions of dollars, although a  
9           precise estimate has not yet been established. With respect to MGP site  
10          investigation and remediation, it is not uncommon for the costs to deviate greatly  
11          from the initial estimate primarily because the area of contamination is based on  
12          assumptions between data points such as soil borings or groundwater monitoring  
13          wells.

14   **Q.     HAS BH NEBRASKA GAS BEEN PRUDENT IN THE MANNER IN**  
15   **WHICH IT HAS MANAGED THE MCCOOK SITE?**

16   A.     Yes. BH Nebraska Gas has performed and will continue to perform all sampling  
17           and monitoring activities at the Site in compliance with applicable federal and state  
18           laws and regulations. BH Nebraska Gas has worked directly with NDEE to keep  
19           them apprised of the activity at the Site, solicit their counsel, and ultimately secure  
20           their concurrence of when and how to sample and monitor. Similarly, if BH  
21           Nebraska Gas is ultimately required to remediate the Site, BH Nebraska Gas will  
22           perform all remediation activities in compliance with federal and state laws and in  
23           coordination with NDEE. This ensures that BH Nebraska Gas performs only the  
24           remedial activities required by NDEE, which results in a remediation that complies

1 with applicable laws in a cost-effective manner.

2 **Q. IF THE COMPANY IS REQUIRED TO REMEDIATE THE SITE, DO**  
3 **CUSTOMERS BENEFIT FROM THE ENVIRONMENTAL**  
4 **REMEDATION OF THE SITE?**

5 A. Yes. Any remediation obligations that may be performed by BH Nebraska Gas are  
6 mandated by state and/or federal law. Failure to comply with applicable laws could  
7 result in significant penalties. Customers benefit from BH Nebraska Gas'  
8 commitment to comply with applicable laws and the Company's endeavor to  
9 provide safe, dependable, and efficient energy for its customers. Finally, all  
10 Nebraskans receive health, wellness, and safety benefits from the removal of  
11 hazardous materials from the soil and ground water at the Site.

12 **Q. IS THE COMPANY SEEKING ANY SPECIFIC REGULATORY**  
13 **TREATMENT OF THE FUTURE REMEDIATION COSTS ASSOCIATED**  
14 **WITH THE SITE?**

15 A. Yes, the Company is requesting approval of a deferred accounting mechanism for  
16 future remediation costs in the event the Company is required to remediate the Site.  
17 Please refer to the Direct Testimony of Ms. Bassell-Herman for a description of the  
18 Company's proposal.



**B. Property Tax on Stored Gas**

**Q. IS THE COMPANY PROPOSING RECOVERY OF PROPERTY TAX EXPENSES RELATED TO STORED GAS USED TO SERVE NEBRASKA CUSTOMERS?**

A. Yes, as explained in further detail in the direct testimony of Mr. Ken Crouch, the Company is seeking recovery of property tax expenses from the Sayre Storage Field that were incorrectly allocated to BHC's Kansas customers, and which should have been allocated to BH Nebraska Gas' customers.

**Q. WAS THE STORED GAS NEEDED TO SERVE BH NEBRASKA GAS CUSTOMERS?**

A. Yes, BH Nebraska Gas utilizes storage facilities to ensure a reliable supply of natural gas for customers, particularly during peak demand periods in the winter months. In the particular instance, BH Nebraska Gas stores natural gas in the Sayre Storage Field located in Oklahoma, which is owned and operated by the Natural Gas Pipeline of America ("NGPL"). Natural gas is injected into the storage field during off-peak seasons when demand and prices are typically lower, allowing the Company to draw upon these reserves when usage spikes or market conditions tighten. This practice aligns with industry best practices by enhancing supply stability, mitigating price volatility, and reducing dependency on the daily spot price market. The prudent application of storage, including the Sayre Storage Field, was demonstrated through the Company's recent gas supply audit in Docket No. NG-119 before the Commission, which showed that storage costs were reasonable and reflect actual supply needs. BH Nebraska Gas will continue to prudently manage its natural gas storage to effectively meet customer needs and to ensure the

1 safe and reliable operation of its gas system.

2 **XV. CONCLUSION**

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

4 **A. Yes.**