

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 TATYANA V. BANNAN

Manager of Regulatory

ON BEHALF OF BLACK HILLS NEBRASKA GAS, LLC

Date: May 1, 2025

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EXHIBITS

Direct Exhibit TVB-1	Statement of Qualifications
Direct Exhibit TVB-2	2026 SSIR Application
Direct Exhibit TVB-3	Table of Proposed Tariff Changes

TABLE OF ABBREVIATIONS AND ACRONYMS

A-Tec	A-Tec Energy
BHC	Black Hills Corporation
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.
COMMISSION	Nebraska Public Service Commission
DIIP	Data Infrastructure Improvement Program
HEAT	High Efficiency Assistance Tool
HEAT Incentives or Incentives	HEAT Customer Retention Incentives
LES	Lincoln Electric System
NNG	Northern Natural Gas Company
NPPD	Nebraska Public Power District
NTE	Not-to-Exceed
OPPD	Omaha Public Power District
O&M	Operations and Maintenance
PVC	Polyvinyl Chloride
SSIR	System Safety and Integrity Rider
TARIFF	Tariff of BH Nebraska Gas
TOG	Top of Ground
WNA	Weather Normalization Adjustment

DIRECT TESTIMONY OF TATYANA V. BANNAN

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Tatyana V. Bannan. 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 Service Company, LLC., d/b/a Black Hills Energy
("BHSC"). I am a Manager of Regulatory.

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 "Company").

II. STATEMENT OF QUALIFICATIONS

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

A. I am responsible for regulatory matters of BH Nebraska Gas. In that role, my team
directly prepares, reviews, or manages all BH Nebraska Gas regulatory filings,
including but not limited to the System Safety Integrity Rider ("SSIR"), Green
Forward, Choice Gas Program, High Efficiency Assistance Tool ("HEAT"), Bad Debt,
and other Company tariff filings. Additionally, I participate in Nebraska Public Service
Commission ("Commission") hearings and rate review proceedings.

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

3 A. My education, employment history and professional experience is provided in Direct
4 Exhibit TVB-1 Statement of Qualifications.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

6 A. No.

7 **III. PURPOSE OF TESTIMONY**

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

9 A. The purpose of my direct testimony is to provide an overview and justification for the
10 SSIR and its renewal, inclusion of third-party administrative fees within the HEAT
11 Program and to discuss and support several changes to the Tariff of BH Nebraska Gas
12 (“Tariff”).

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

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

- 15 • Direct Exhibit TVB-1 is the statement of my qualifications;
- 16 • Direct Exhibit TVB-2 is the 2026 SSIR Application; and
- 17 • Direct Exhibit TVB-3 is the table of proposed Tariff changes.

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

21 A. Yes.

22

23

IV. SSIR HISTORY AND COST RECAP

Q. WHAT IS THE SSIR?

A. The SSIR is a mechanism that provides the Company an opportunity to timely recover prudent investment in its natural gas infrastructure.

Q. WHAT IS THE IMPORTANCE OF THE SSIR TO BOTH THE COMPANY AND ITS CUSTOMERS?

A. There are three major benefits of the SSIR to both the company and its customers:

1. Enhanced System Safety - The SSIR promotes investment in capital infrastructure improvements, such as replacing top-of-ground (“TOG”) pipes, polyvinyl chloride (“PVC”) pipes, bare steel pipes, and other outdated infrastructure.

These investments significantly improve the safety of the system for customers, employees, and communities;

2. Regulatory Stability and Cost Efficiency - The SSIR mitigates regulatory lag, reducing the frequency of general rate proceedings. As demonstrated in annual surveillance reports, the additional revenue from the SSIR has been instrumental in allowing BH Nebraska Gas to avoid unnecessary rate reviews, which in turn reduces administrative costs for all stakeholders; and

3. Rate Stability for Customers - The SSIR gradually increases the customer rate over time as investments occur. By implementing gradual rate increases over time, the SSIR prevents "rate shock" and ensures cost recovery occurs incrementally rather than through abrupt and substantial rate hikes.

1 **Q. WHEN WAS THE SSIR APPROVED BY THE COMMISSION?**

2 A. The SSIR mechanism was originally proposed by SourceGas Distribution, LLC in 2014
3 in Commission Application No. NG-0078. Black Hills Utility Holdings, Inc.
4 (“BHUH”) purchased SourceGas Distribution, LLC in 2016 and renamed the acquired
5 SourceGas Distribution natural gas assets in Nebraska as Black Hills Gas Distribution,
6 LLC.¹ The Commission further approved the consolidation of operations for Black
7 Hills/Nebraska Gas Utility Company, LLC and Black Hills Gas Distribution, LLC in
8 2019.² In 2020, BH Nebraska Gas proposed to expand (a) the types of SSIR program
9 categories and (b) the SSIR list of projects to include all BH Nebraska Gas rate areas
10 in Commission Application No. NG-109.³ The SSIR for BH Nebraska Gas was
11 approved by Commission Order for statewide application on January 26, 2021, with an
12 effective date of March 01, 2021. As approved by the Commission, the SSIR is
13 designed to encourage natural gas companies to invest in safety and system integrity.
14 In addition, failing to address cost recovery of projects focused on customer safety
15 under an SSIR program could lead to more frequent rate reviews and increased
16 administrative costs for customers.⁴

17 **Q. WHAT CHANGES TO THE SSIR HAVE BEEN APPROVED BY THE**
18 **COMMISSION SINCE THE LAST RATE REVIEW?**

19 A. The Commission has approved several modifications to the SSIR over the years to
20 enhance efficiency and flexibility as shown below:

¹ Commission Application No. NG-84. (January 26, 2016).

² Commission Application No. NG-100. (October 29, 2019.)

³ Black Hills/Nebraska Gas Utility Company, LLC d/b/a Black Hills Energy previously recovered its system safety infrastructure investments under the safety mechanism included within the State Natural Gas Regulation Act, *Neb. Rev. Stats. 66-1865 et. seq.*

⁴ Commission Application No. NG-109 at pages 6 and 7.

1 • 2022 SSIR (Commission Application No. NG-112.1, approved December 12,
2 2021) – Adjusted the annual application due date from September 1 to August 1 and
3 eliminated quarterly surveillance filings in favor of an annual filing.

4 • 2023 SSIR (Commission Application No. NG-112.2, approved December 13,
5 2022) - Allowed capital spending approval at the project category level instead of an
6 individual project level, facilitating more efficient planning. Additionally, the
7 introduction of alternate project list provided greater flexibility in project execution.

8 • 2024 SSIR (Commission Application No. NG-112.3, approved December 13,
9 2023) – Expanded flexibility, enabling the Company to reallocate funds not only within
10 but also across different SSIR project categories, provided the projects had been
11 reviewed and approved as part of the SSIR application process.

12 **Q. WHAT ARE THE MAJOR CATEGORIES OF PROJECTS THAT CAN BE**
13 **RECOVERED THROUGH THE SSIR MECHANISM?**

14 A. Generally, projects eligible for recovery under the SSIR Tariff include:

- 15 • Replacement of Bare Steel Distribution Mains;
- 16 • Replacement of High-Risk Transmission Pipelines;
- 17 • Replacement of Service Lines;
- 18 • Installation of Barricades to Protect At-Risk Meter, Regulator, and Valve
- 19 Settings;
- 20 • Cathodic Protection and Corrosion Prevention;
- 21 • Town Border Station Upgrades or Replacements;
- 22 • Top of Ground, Shallow (less than three feet cover and posing risk) and
- 23 Exposed Pipe;

- At-Risk Meter Relocations and Inside Meter Relocations with Replacement of Meter as part of a capital activity;
- Obsolete Infrastructure (e.g., PVC pipe posing risk or the removal of which provides ancillary benefits supported by risk model analysis and results);
- Required Facility Relocations; and
- Data Infrastructure Improvement Program (“DIIP”).

Q. HOW ARE THE SSIR PROJECTS IDENTIFIED?

A. SSIR projects are the result of the collaboration between BH Nebraska Gas Operations and Engineering Departments using the risk ranking model discussed in the testimony of Mr. Kevin M. Jarosz and Ms. Jennifer C. Bingaman. Projects are refined and finalized by the BH Nebraska Gas Operations Managers and approved by the Vice President of Operations and the BHC Senior Management Team.

Q. WHAT IS THE STATEWIDE REVENUE REQUIREMENT FOR EACH OF THE RESPECTIVE YEARS SINCE THE LAST RATE REVIEW?

A. Below is the jurisdictional revenue requirement by year:

Table TVB-1 – Jurisdictional Revenue Requirement

	Capital Projects Jurisdictional Revenue Requirement	DIIP Jurisdictional Revenue Requirement ⁵	Total Jurisdictional Revenue Requirement
2021	\$2,732,898	\$745,401	\$3,478,299
2022	\$3,227,501	\$3,431,238	\$6,658,739
2023	\$6,656,333	\$2,807,557	\$9,463,890
2024	\$2,197,299	\$1,716,586	\$3,913,885
2025	\$3,674,535	\$2,023,707	\$5,698,242
Total	\$18,488,566	\$10,724,489	\$29,213,055

⁵ Only the current year DIIP Jurisdictional Revenue Requirement amount is included in the SSIR charge for 2025.

1 **Q. WHAT IS THE JURISDICTIONAL TOTAL PROJECT COST EACH OF THE**
2 **RESPECTIVE YEARS SINCE THE LAST RATE REVIEW?**

3 A. Below are the net annual project costs by year:

4 **Table TVB-2 – Jurisdictional Annual Net Project Costs**

	Jurisdictional Annual Costs
2021 (actual)	\$42,771,846
2022 (actual)	\$44,866,186
2023 (actual)	\$47,129,436
2024 (actual)	\$38,841,223
2025 (estimate)	\$39,008,880
Total	\$212,617,571

5

6 **Q. WILL THE CURRENT SSIR CHARGE BE COLLECTED THROUGH THE**
7 **END OF 2025?**

8 A. Yes, in part. Historically, when BH Nebraska Gas filed a rate review and implemented
9 interim rates, the SSIR charge was reset to zero because its costs were incorporated into
10 base rates. Previous SSIR filings only included capital recovery and did not include
11 any operations and maintenance (“O&M”) expense recovery. In the 2020 rate review
12 (NG-109), the Company received approval to include DIIP O&M expenses in its SSIR
13 filings with recovery through the SSIR, which it began doing with the 2021 SSIR
14 Application. Because DIIP is an O&M expense recovered through the SSIR charge and
15 will not be incorporated into base rates, it is appropriate to continue its recovery.
16 Therefore, the Company is entitled to recover the DIIP from the time interim rates go
17 into effect until the end of the year, August 1, 2025, through December 31, 2025.
18 Similarly to the last rate review, the capital portion of the SSIR charge for 2025 will be
19 reset to zero and be rolled in base rates upon interim rates. Consequently, the SSIR
20 monthly charge after interim rates go into effect will only include recovery for the DIIP.

1 That charge will be \$0.45 for residential customers and \$1.43 for commercial
2 customers over the same period of August 1, 2025, through December 31, 2025.

3 **Q. DOES BH NEBRASKA GAS PLAN TO CONTINUE FILING SSIR**
4 **APPLICATIONS?**

5 A. Yes. The Company seeks to renew the SSIR for another five years with no changes and
6 as such will be filing applications each year as is currently the practice. The 2026 SSIR
7 Application is included in this Rate Review, see Direct Exhibit TVB-2 -2026 SSIR
8 Application.

9 **V. 2026 SSIR APPLICATION**

10 **Q. IS BH NEBRASKA GAS FILING AN APPLICATION FOR 2026 PROJECTS?**

11 A. Yes. As shown in Direct Exhibit TVB-2, BH Nebraska Gas has identified 23
12 individually numbered Capital SSIR Projects and 16 alternate projects. In total, the
13 Company's projected capital and O&M expenditures for 2026 projects total
14 \$47,623,430.

15 **Q. WHY IS BH NEBRASKA GAS FILING ITS SSIR APPLICATION NOW**
16 **INSTEAD OF THE USUAL FILING DATE OF AUGUST?**

17 A. Normally, BH Nebraska Gas files its SSIR application on August 1 of each year.
18 However, as the SSIR mechanism and SSIR charge is subject to renewal and expansion
19 under this Rate Review Application, the Company is including its 2026 SSIR as part
20 of this Rate Review Application to be effective with final rates on January 1, 2026,
21 whichever is later.

22 The primary reason for filing the BH Nebraska Gas 2026 SSIR Application in
23 this Rate Review proceeding is to permit recovery of eligible SSIR project costs that

1 will be incurred by the Company in 2026. BH Nebraska Gas could wait until August,
2 2025 to separately file the SSIR application; however, as the SSIR mechanism and
3 SSIR charge need to be renewed and expanded as part of this Rate Review Application,
4 the Company elected to provide the Public Advocate of Nebraska and the Commission
5 with additional investigation time and data to consider the 2026 SSIR projects at the
6 same time it is considering the renewal of the SSIR.

7 Finally, BH Nebraska Gas determined that inclusion of the 2026 SSIR
8 Application in this Rate Review Application is administratively more efficient than
9 waiting until the Rate Review Application is completed and then filing the 2026 SSIR
10 Application.

11 Beginning with the next SSIR application, the Company proposes maintaining
12 its standard SSIR application schedule, filing annually by August 1 for implementation
13 on January 1 of the following year. The next application, 2027 SSIR Application, will
14 be filed by August 1, 2026, to be effective January 1, 2027.

15 **Q. IS THE 2026 SSIR APPLICATION FILED WITH THE COMPANY'S RATE**
16 **APPLICATION CONSISTENT WITH PREVIOUS SSIR APPLICATIONS?**

17 A. Yes. The 2026 SSIR Application follows the framework established in the 2025 SSIR
18 Application, maintaining continuity and transparency in cost recovery practices.

19 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE SSIR?**

20 A. No.

21

22

1 **Q. ARE ANY OF THE 2026 PROJECTS OR DIIP EXPENSES INCLUDED IN THE**
2 **BASE YEAR?**

3 A. No, these projects and expenses are not included in the Revenue Requirement Study.
4 The 2026 SSIR Projects and the approval of the investment in those projects will be
5 recovered through the newly approved 2026 SSIR charge. That charge would be a
6 separate charge rather than an increase in the base rates proposed by BH Nebraska Gas
7 as part of this Rate Review Application. The DIIP expenses are removed on Schedule
8 H-11 as seen in Direct Exhibit SKJ-2 Revenue Requirement Study.

9 **Q. PLEASE PROVIDE A DESCRIPTION OF THE 2026 PROJECTS.**

10 A. A list of the projects is provided in Exhibit 2, Tab K of the SSIR Application attached
11 as Direct Exhibit TVB-2 - 2026 SSIR Application.

12 **Q. WHAT IS THE PROPOSED MONTHLY SSIR CHARGE?**

13 A. The SSIR charge proposed in the 2026 SSIR Application is shown in Direct Exhibit
14 TVB-2, Table A of the SSIR Application. Those charges are as follows:

- 15 • Residential 2026 SSIR Charge: \$0.69 per month
- 16 • Small Commercial 2026 SSIR Charge: \$1.21 per month
- 17 • Large Commercial 2026 SSIR Charge: \$6.53 per month

18 Rates are based on calculations using depreciation rates, class allocations and ROE as
19 proposed in this Rate Review. In addition, rates are calculated on an eleven-month
20 basis, with the assumption that rates will become effective February 1, 2026.

21

22

1 **Q. EXPLAIN OTHER INPUTS FROM THE APPLICATION THAT WILL BE**
2 **USED OVER THE NEXT FIVE-YEAR PERIOD.**

3 A. The SSIR model incorporates various numerical inputs established during a rate
4 review.⁶ Therefore, the Company updated the rate case inputs in the SSIR model for
5 the 2026 SSIR Application to reflect the numbers in this Rate Review Application. See
6 Inputs tab of Exhibit 2 – 2026 SSIR Model of the SSIR Application.

7 **VI. HEAT PROGRAM**

8 **Q. PLEASE SUMMARIZE THE HEAT PROGRAM.**

9 A. The current customer retention incentive program, called HEAT, enables BH Nebraska
10 Gas to offer (a) an incentive to Jurisdictional Residential and Commercial Service
11 Customers to assist with the costs associated with the purchase and installation of a
12 new, natural gas burning space-heating or water heating appliances; and (b) an
13 incentive to residential multi-unit builders to assist with the cost of installation of
14 natural gas piping from the meter to the natural gas appliances(s) as well as required
15 venting for each natural gas appliance. The HEAT Program provides Customer
16 Retention Incentives (“HEAT Incentives” or “Incentives”) for purchase and install of
17 certain new natural gas furnaces and new water heaters with higher Incentives for
18 higher efficiency appliances.

19 Eligible expenses for recovery include only the actual incentive amounts paid,
20 with an annual spending cap of \$1,000,000. Incentives for residential multi-unit
21 builders are limited to no more than 50% of the total annual budget. Incentives are

⁶ See SSIR filings in Commission Application Nos. NG-112.1, NG-112.2, NG-112.3, and NG-112.4 using inputs from Rate Review in Commission Application No. NG-109.

1 distributed on a first-come, first-served basis. Expenses are subject to a spending cap
2 of \$1,000,000 for each program year and are reconciled and filed annually with the
3 Commission.⁷ The HEAT Program has no sunset date.⁸ The HEAT Program terms can
4 be found in the BH Nebraska Gas Tariff on Sheet No. 132. The current HEAT charge
5 can be found in the Tariff on Sheet No. 78.

6 **Q. WHEN WAS THE HEAT PROGRAM INITIALLY ESTABLISHED?**

7 A. The HEAT Program was originally established in 2006 under the ownership of Kinder
8 Morgan, Inc. for BH Gas Distribution.⁹ The rate structures of municipal electric utilities
9 with which BH Gas Distribution competed, and how those rate structures and other
10 incentives were used, encouraged customers to not only use electric appliances rather
11 than natural gas but encouraged customers to replace gas with electric appliances
12 (primarily space heating equipment). To counteract this trend, the Commission
13 approved a modified rate structure and the HEAT Program.

14 **Q. HAVE THERE BEEN ANY IMPROVEMENTS TO THE PROGRAM SINCE**
15 **ITS INCEPTION?**

16 A. Yes. In Commission Application No. NG-0060, the HEAT Program was extended to
17 include water heaters in addition to furnaces.

18 In Commission Application No. NG-0067, the HEAT Program rebates were
19 increased for higher efficiency appliances, the sunset date of the program was
20 eliminated, and an annual reconciliation filing was permitted.

⁷ Commission Application Nos. NG-0036, NG-0060, NG-067 and NG-109.

⁸ Commission Application No. NG-0067 Order at page 20.

⁹ Commission Application No. NG-0036.

1 In Commission Application No. NG-109, the program was expanded state-
2 wide, modified the eligibility Tariff requirements to include multi-family dwellings,
3 and allowed the approved \$1 million HEAT Incentives to be split equally between
4 single family dwellings and multi-family dwellings.

5 **Q. DOES THE ORIGINAL HEAT PROGRAM PURPOSE STILL EXIST?**

6 A. Yes. The HEAT Program was originally designed to counteract a decline in natural gas
7 customers as electric utilities incentivized customers to switch from gas to electric
8 appliances. Since its approval, the program has been successful in stabilizing the
9 residential and commercial customer base. The significant decline in residential and
10 commercial customers improved substantially almost immediately after the 2012
11 Source Gas Rate Review, due in large part to the HEAT Program.¹⁰

12 Beyond customer retention, the HEAT Program offsets the costs of replacing
13 appliances while keeping base rate charges low for all users. By maintaining a strong
14 natural gas customer base, overall rate base costs remain lower than the expense of
15 funding the program.¹¹

16 BH Nebraska Gas echoes the Commission's position that Incentives are vital
17 for Nebraska. The HEAT Program not only preserves existing customer load but also
18 continues to deliver the energy efficiency benefits of natural gas to all Nebraska
19 customers.

¹⁰ See Direct Testimony of Mr. Thomas J. Sullivan Jr. in Commission Application NG-67, pages 49-51.

¹¹ Commission Application No. NG-109, Direct Testimony of Mr. Rosenbaum, page 14.

1 **Q. IS BH NEBRASKA GAS STILL IN COMPETITION WITH ELECTRIC**
2 **PROVIDERS?**

3 A. Yes. As described in Mr. Douglas N. Hyatt’s Direct Testimony, the Company continues
4 to face competition in the form of prices, cash incentives (rebates), and advertising.
5 Electric utilities in Nebraska are using all three means to attract traditional natural gas
6 space heating, water heating, and other loads (cooking and clothes drying) from
7 residential and commercial customers. The three largest of these electric utilities are
8 Lincoln Electric System (“LES”), Nebraska Public Power District (“NPPD”), and
9 Omaha Public Power District (“OPPD”). These three electric systems serve over 70
10 percent of the Company’s customers.

11 BH Nebraska Gas needs Incentives for natural gas appliances to compete fairly,
12 otherwise, natural gas provided by BH Nebraska Gas is at an unfair competitive
13 disadvantage to the electric service provided by the electric utilities.

14 **Q IS BH NEBRASKA GAS PROPOSING ANY CHANGES TO THE HEAT**
15 **PROGRAM?**

16 A. Yes. The Company is proposing third-party administrative costs be included within the
17 annual spending cap.

18 **Q. WHY WERE ADMINISTRATIVE COSTS NOT RECOVERED THROUGH**
19 **THE HEAT PROGRAM PREVIOUSLY?**

20 A. Administrative costs were initially excluded from recovery under the HEAT Program
21 as part of a negotiated settlement in Commission Application No. NG-0036. At that
22 time, the parties agreed that Kinder Morgan would implement the program with
23 funding limited to the actual cost of rebates, which would be recovered through an

1 annually calculated surcharge on customer bills. However, the reasoning for excluding
2 administrative costs was never explicitly stated.

3 Importantly, the Stipulation and Agreement of Settlement only required Kinder
4 Morgan to forgo administrative and advertising cost recovery for the purpose of that
5 specific settlement – it did not prohibit future recovery of these necessary expenses.¹²
6 Given the evolving needs of the program and the clear benefits to customers, it is both
7 reasonable and necessary to now include third-party administrative costs within the
8 existing budget cap to ensure the continued successes and efficiency of the HEAT
9 Program.

10 **Q. WHAT IS INCLUDED IN ADMINISTRATION OF THE PROGRAM?**

11 A. Administrative costs for the HEAT Program include marketing and the variable third-
12 party labor costs of processing each rebate. BH Nebraska Gas is only seeking recovery
13 for the variable costs to process customer rebates through an automated process with a
14 third-party vendor, A-Tec Energy (“A-Tec”). Using a third-party vendor that
15 specializes in rebate processing reduces the Company costs since the Company does
16 not have experienced or dedicated staff for this process. Using a third-party vendor also
17 benefits the Customers by ensuring receipt of their rebate payments in a timely and
18 accurate manner. The Company evaluates this process on an ongoing basis to identify
19 if there are any changes that can be made to better serve customers.

¹² See Stipulation and Agreement of Settlement in Commission Application No. NG-0036 at page 10.

1 **Q. HOW DOES THE REBATE PROCESS WORK?**

2 A. BH Nebraska Gas provides four channels for residential and commercial customers to
3 submit their rebate forms to A-Tec for processing:

- 4 1. Email completed form and invoice;
5 2. Fax completed form and invoice;
6 3. Mail completed form and invoice; and
7 4. Submit via online portal.¹³

8 A-Tec reviews the rebate submitted for accuracy and validates that the customer is a
9 BH Nebraska Gas customer. If further information is needed A-Tec reaches out to the
10 customer directly to expedite efficiency. A monthly file of approved rebates is sent to
11 the Company for processing through a secure transport. Processing by the Company is
12 an automated process that validates the file and sends a check to the customer via U.S.
13 Mail.

14 **Q. WHAT HAS CHANGED TO WARRANT COST RECOVERY?**

15 A. The internal administrative time (including loadings) spent on the program has steadily
16 decreased due to efficiencies and automations implemented by the Company.
17 Currently, the Company's role is limited to overseeing A-Tec's rebate processing,
18 monitoring service quality, and managing payments. Additionally, marketing efforts
19 have become more cost-effective, leveraging digital channels and targeted outreach to
20 high-potential customers, such as attendees at home and garden shows. As a result,

¹³ See <https://www.blackhillsenergy.com/efficiency-and-savings/residential-rebates/nebraska-heat-program>

1 marketing expenses have declined while customer participation in HEAT rebates has
2 increased.

3 The costs associated with marketing since Tariff year 2021-2022 are shown in
4 Table TVB-3 – Historic Annual Rebate & Marketing Performance. While marketing
5 was necessary for customer awareness and education in the early years of the program,
6 demand continues to increase for the HEAT rebates without that level of investment in
7 recent years.

8 **Table TVB-3 - Historic Annual Rebate & Marketing Performance**

Tariff Year	Rebates Processed	Marketing Cost	A-tec Cost	Rebates	Total Per Tariff Year
Sept 21-Aug 22	3,308	\$8,500	\$87,471	\$764,450	\$860,421
Sept 22-Aug 23	4,055	\$15,500	\$95,426	\$933,475	\$1,044,401
Sept 23-Aug 24	3,752	\$0	\$107,618	\$839,175	\$946,793
Sept 24-Aug 25*	2,404	\$212	\$65,007	\$554,900	\$620,119

9 **Data current through tariff year-to-date March 25 or a total of 7 program months.*

10 The Company does not currently have the internal capability to process rebates
11 more cost-effectively than A-Tec. However, through a strategic partnership with A-Tec
12 across multiple jurisdictions, BH Nebraska Gas has secured negotiated rates, ensuring
13 customers receive efficient and affordable rebate processing services.

14 The primary remaining cost is A-Tec's rebate processing, which has risen due
15 to higher-than expected adoption rates and currently stands at approximately \$110,000
16 annually. To control costs, the current contract includes a Not-to-Exceed ("NTE") cap
17 of \$110,00 per year through 2027, ensuring predictable expenses. Moreover, A-Tec did
18 not increase its processing fees during the most recent contract renewal, demonstrating
19 cost stability. The Company will continue to evaluate efficiency and quality of rebate

1 processing while conducting vendor comparisons every three years for the least cost
2 impact to the customers.

3 Given the efficiencies, BH Nebraska Gas has virtually eliminated non-rebate
4 administrative and marketing overhead, making it reasonable and necessary to include
5 rebate processing costs within the existing \$1,000,000 program cap. This adjustment
6 aligns with the HEAT Program's success and growing demand, ensuring continued
7 benefits for all customers.

8 **Q. HOW ARE ADMINISTRATIVE COSTS CURRENTLY BEING RECOVERED**
9 **BY THE COMPANY?**

10 A. The costs of rebates paid to customers are currently recovered through deferred
11 accounting (i.e. regulatory asset account). The internal labor (and loadings) is currently
12 being directly charged to BH Nebraska Gas, as needed, to monitor performance metrics
13 and manage the vendor relationship. The Direct Testimony of Ms. Samantha K.
14 Johnson discusses the removal of \$108,784 in A-Tec costs on Schedule H-13, Direct
15 Exhibit SKJ-2. The Company will continue to fund marketing and customer
16 communications, as needed.

17 **Q. HOW WILL THE ADMINISTRATIVE COSTS BE REPORTED TO THE**
18 **COMMISSION?**

19 A. The Administrative costs will be reported as part of the Annual Filing, due by
20 November 1st of each year, within the Calculation of the Monthly HEAT Charge
21 Exhibit.

22

23

VII. RATE REVIEW EXPENSE

Q. WHAT ARE COMMISSION ASSESSMENTS?

A. The Commission is required by statute to issue assessments against jurisdictional utilities for the expenses of Commission operations and Commission investigations (including rate reviews). For each fiscal year July 1 through June 30, the Commission calculates its operational expenditures within thirty days after each fiscal quarter and issues assessments for the expenditures against the jurisdictional utilities based upon the number of meters served by each utility. For Commission investigations, the Commission issues assessments against the relevant jurisdictional utility periodically during the fiscal year, up to a threshold based upon the utility's operating revenue and may issue assessments for costs incurred within a previous fiscal year. The jurisdictional utilities are required to pay Commission assessments within 15 days after the notice of an assessment has been mailed to the utility.

Q. WHAT ARE RATE REVIEW EXPENSES?

A. Rate review expenses include costs incurred on behalf of the Commission as well as BH Nebraska Gas associated with its third-party witnesses, consultants and outside counsel for the entire rate review process including appeals and other expenses such as printing, mailing, publishing, transcripts and travel.

Q. DOES BH NEBRASKA GAS RECOVER COMMISSION ASSESSMENT COSTS AND RATE REVIEW EXPENSES FROM ITS CUSTOMERS?

A. Yes. Section 66-1841(6)(b) of the State Regulatory Act of Nebraska states that a jurisdictional utility is to recover the costs of Commission assessments in a general rate filing or through a special surcharge which may be billed on the monthly statements for

1 up to a twelve-month period immediately following their payment by the jurisdictional
2 utility.¹⁴

3 **Q. WHAT AMOUNT OF RATE REVIEW EXPENSE IS BH NEBRASKA GAS**
4 **REQUESTING IN THIS RATE REVIEW APPLICATION?**

5 A. The total rate review expenses to be incurred on behalf of BH Nebraska Gas and the
6 Commission is unknown at this time, but a prudent and reasonable estimate of the total
7 is \$595,000.

8 **Q. HOW IS BH NEBRASKA GAS PROPOSING TO RECOVER THE RATE**
9 **REVIEW EXPENSES?**

10 A. As permitted in past rate proceedings, BH Nebraska Gas is proposing to recover the rate
11 review expenses for this general rate filing proceeding through the Company's "State
12 Regulatory Assessment" charge. The Company's rate review expense is like the
13 regulatory review expenses incurred by the Public Advocate and the Commission. Those
14 rate review expenses are also authorized under Neb. Rev. Stat. § 66-1841.

15 **Q. WHAT IS THE CUSTOMER IMPACT TO COLLECT THE RATE REVIEW**
16 **EXPENSE?**

17 A. BH Nebraska gas is proposing to recover the rate review expenses through the State
18 Regulatory Assessment over thirty-six (36) months. Based on the current number of
19 customers and the projected \$595,000 in rate review expenses, this charge would be
20 \$0.05 per customer per month for thirty-six (36) months. At the end of thirty-six (36)
21 months, the surcharge would be discontinued by the Company.

22

¹⁴ Neb. Rev. Stat. § 66-1841(6)(b).

VIII. TARIFF CHANGES

Q. IS BH NEBRASKA GAS PROPOSING ANY TARIFF CHANGES?

A. Yes. Application Exhibit 1, Section 8 is the proposed redline and clean version of the BH Nebraska Gas Tariff. The changes to the Tariff are in two categories: Rates, and Housekeeping changes. Some provisions are specific to a rate area and others are applicable to all jurisdictional rate areas. Housekeeping changes are minor, non-substantive changes. Direct Exhibit TVB-3 - Table of Proposed Tariff Changes is a table of all revised Tariff changes.

Q. IS BH NEBRASKA GAS PROPOSING ELIMINATION OF ANY TARIFF PROVISIONS?

A. Yes. BH Nebraska Gas is proposing to eliminate the Line Locates Surcharge on Sheet No. 133 of the Tariff. The Line Locates Surcharge was approved for extraordinary line locating costs associated with the Allo project within the city of Lincoln. The Line Locates Surcharge ended on September 1, 2023.

Q. WHAT CHANGES UNDER THE RATES CATEGORY IS BH NEBRASKA GAS PROPOSING?

A. BH Nebraska Gas is proposing to update the following charges across all rate areas:

- Connection and Reconnection Charge;
- Meter Test Charge; and
- Late Payment Charge.

Additionally, the Company is proposing the following changes:

- Commercial Class update;
- Re-classification of Western, NE rate area; and

- Weather Normalization Adjustment (“WNA”) Rider.

Q. PLEASE DESCRIBE THE CHANGES TO THE CHARGES PROPOSED BY BH NEBRASKA GAS.

A. BH Nebraska Gas is proposing the following fee changes applicable to its entire service area:

A. Connection and Reconnection Charge

The proposed charges are \$55.00 for connections or reconnections during normal business hours and \$155.00 for connections or reconnections after normal business hours. The fee changes are being proposed to align with the current costs of those services. The proposed fees were developed from an analysis of employee wages plus average miles per call multiplied by the standard mileage rate for 2025.

Additionally, normal workings hours are being updated to be from 8:00 a.m. to 4:00 p.m. Central Time to reflect the actual working hours. The proposed charges are listed on Tariff Sheet No. 134 of Application Exhibit 1, Section 8.

B. Meter Test Charge

The proposed Meter Test Charge is \$55.00. The fee change is being proposed to align with current costs of this service. The proposed fee was developed from an analysis of employee wages plus average miles per call multiplied by the standard mileage rate for 2025. Application of the fee has not been changed. The proposed charge is listed on Tariff Sheet No. 135 of Application Exhibit 1, Section 8.

C. Late Payment Charge

For any bills past due, the Company is proposing to charge one and a half percent (1.5%) of the balance not paid on or before the due date. The increase in Late

1 Payment Charge is being increased to align with industry standards and the rest of the
2 states the Company operates in. The Company begins applying late fees to past due
3 bills two days after the bill due date. The proposed charge is listed on Tariff Sheet
4 No. 134 of Application Exhibit 1, Section 8.

5 **D. Diversion Fees**

6 BH Nebraska Gas is proposing to amend its existing Tariff language regarding energy
7 diversion and equipment tampering, by removing listed Materials and their respective
8 costs due to varying material use and respective costs. There is no change to the process
9 of handling customer energy diversion that has been in place historically. The proposed
10 change is listed on Tariff Sheet No. 135.1 of Application Exhibit 1, Section 8.

11 **Q. DESCRIBE THE TARIFF CHANGES PROPOSED TO THE CUSTOMER**
12 **CLASS.**

13 A. As described in Mr. Hyatt's testimony in his Class Cost of Service Study, the
14 Jurisdictional Commercial Class is being split into Small Commercial Service and
15 Large Commercial Service. Changes to the definitions and rates within the Tariff have
16 been made to effectuate the class split.

17 **Q. DESCRIBE WHY THE TOWN OF WESTERN NEEDS TO BE**
18 **RECLASSIFIED.**

19 A. The town of Western, Nebraska, is unique in Base Rate Area 5 as the only community
20 served downstream of Northern Natural Gas Company ("NNG"). This requires
21 additional administration in holding a separate firm transportation agreement on NNG,
22 allocating and releasing those quantities to each respective Choice Gas Supplier to
23 serve their portion of the load. Reclassifying this community into Base Rate Area 3 will

1 align the upstream service with the similarly situated communities in Base Rate Area
2 3 also served downstream of NNG. This change may also allow us to consolidate
3 upstream transportation agreements on NNG and streamline the supply of these
4 customers in the same manner as our other Base Rate Area 3 customers served
5 downstream of NNG.

6 **Q. DESCRIBE THE CUSTOMERS THAT WILL BE AFFECTED.**

7 A. BH Nebraska Gas serves 111 premises in the town of Western, and of the 111 premises,
8 14 are small commercial customers with the remaining 97 being residential customers.
9 All of the customers currently participate in the Choice Gas program in Rate Area 5. In
10 the 2024 Choice Gas annual enrollment period, 64 customers defaulted to the supplier
11 who was currently providing their commodity service while the remaining 47
12 customers actively selected a supplier.

13 To effectively manage this load, it would be prudent to move this small
14 customer group from Rate Area 5 to Rate Area 3, which would also remove this town
15 from participating in the Choice Gas program.

16 **Q. DESCRIBE THE EFFECT OF RECLASSIFICATION ON THE CHOICE GAS**
17 **SUPPLIERS.**

18 A. To provide a smooth transition of the town of Western, Nebraska, from Rate Area 5 to
19 Rate Area 3 and out of the Choice Gas program, Choice Gas Administration will
20 communicate to the participating Choice Gas suppliers of the intent to carve this
21 customer group out of the Choice Gas program. Suppliers will be asked not to offer
22 multi-year enrollments to Western, NE Choice Gas Program customers to ensure that
23 those customers will seamlessly transition to their new rate area at the conclusion of

1 the final Choice Gas Program year. This customer-realignment action will also
2 alleviate additional natural gas supply and interstate transportation contract
3 management processes for the competitive natural gas suppliers serving Western.

4 **Q. WHEN WILL THE RECLASSIFICATION OCCUR?**

5 A. The reclassification of these 111 Western, NE customers will occur at and after the end
6 of the Company's 2025-2026 Choice Gas program year (i.e., June 1, 2026) instead of
7 at the time of Company's implementation of interim rates (i.e., August 1, 2025). This
8 Western, NE customer reclassification timeline will eliminate unnecessary
9 administrative moves of Western, NE customers in the middle of a Choice Gas Program
10 year. The timeline will also allow for communication to impacted Western, NE
11 customers, and create less prorated bills for customers and the Company to process.

12 **Q. PLEASE DESCRIBE WEATHER NORMALIZATION ADJUSTMENT RIDER**
13 **TARIFF CHANGE**

14 A. The proposed WNA Rider as described in the direct testimony of Mr. Hyatt is listed on
15 Tariff Sheet Nos. 138-140 of Application Exhibit 1, Section 8.


16 **IX. CONCLUSION**

17 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

18 A. Yes.

STATE OF NEBRASKA)
) SS
COUNTY OF LANCASTER)

I, Tatyana V. Bannan, 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.



Tatyana V. Bannan

Subscribed and sworn to before me this 16th day of April, 2025.

(SEAL)





Notary Public

My Commission Expires: