

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-109
CITY, SOUTH DAKOTA, SEEKING)
APPROVAL OF A GENERAL RATE)
INCREASE)**

REBUTTAL TESTIMONY AND EXHIBITS OF

DOUGLAS N. HYATT

Principal Regulatory & Finance Analyst

ON BEHALF OF

BLACK HILLS NEBRASKA GAS, LLC

October 13, 2020

Table of Contents

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION AND BACKGROUND	1
II. BILLING DETERMINANTS	2

Exhibits

Rebuttal Section 3, Exhibit B	Revised Summary of Revenue Adjustments
Rebuttal Section 3, Exhibit C	Revised Test Year Billing Determinants
Revised Exhibit No. DNH-3	Calculation of Weather Normalization Adjustments
Revised Exhibit No. DNH-6	Load Factor Analysis
Revised Exhibit No. DNH-7	Revenue Proof

1 **REBUTTAL TESTIMONY OF DOUGLAS N. HYATT**

2
3 **I. INTRODUCTION AND BACKGROUND**

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

5 A. My name is Douglas N. Hyatt. My business address is 1515 Arapahoe Street, Tower 1,
6 Suite 1200, Denver, CO 80202.

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

8 A. I am employed by Black Hills Service Company, LLC (“BHSC” or “the Company”), d/b/a
9 Black Hills Energy. My position is Principal Regulatory and Finance Analyst.

10 Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy (“BH Nebraska Gas”) is
11 a wholly owned subsidiary of Black Hills Utility Holdings, Inc. (“BHUH”). BHUH is a
12 wholly owned subsidiary of Black Hills Corporation (“BHC”). BHSC is a wholly owned
13 subsidiary of Black Hills Corporation (“BHC”). BH Nebraska Gas conducts business in
14 Nebraska under the trade name of Black Hills Energy.

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

16 A. I am testifying on behalf of BH Nebraska Gas. BH Nebraska Gas is the natural gas utility
17 resulting from the recent internal consolidation of the Nebraska gas utility assets and
18 operations of BHC's two former Nebraska gas utility distribution subsidiaries, Black Hills
19 Gas Distribution, LLC (“BH Gas Distribution”) and Black Hills/Nebraska Gas Utility
20 Company, LLC. (“BH Gas Utility”)¹.

21 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

22 A. Yes, my Direct Testimony was filed in this proceeding on June 1, 2020.

¹ See Nebraska Public Service Commission Application No. NG-100.

1 **Q. ARE YOU SPONSORING ANY EXHIBITS TO YOUR REBUTTAL TESTIMONY?**

2 A. Yes. I'm sponsoring the following exhibits:

Exhibit Name	Description
Rebuttal Section 3, Exhibit B	Revised Summary of Revenue Adjustments
Rebuttal Section 3, Exhibit C	Revised Test Year Billing Determinants
Revised Exhibit No. DNH-3	Calculation of Weather Normalization Adjustments
Revised Exhibit No. DNH-6	Load Factor Analysis
Revised Exhibit No. DNH-7	Revenue Proof

3 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

4 A. The purpose of my testimony is to respond to Answer Testimony of Mr. Solganick who
5 filed testimony on behalf of the Public Advocate of the Nebraska Public Service
6 Commission ("Staff") related to the billing determinants.

- 7 1. Provide updated exhibits to reflect corrections and changes to billing
8 determinants.
- 9 2. Provide an updated revenue proof resulting from Mr. Sullivan's Rebuttal Class
10 Cost of Service Study in response to testimony of Ms. Donna Mullinax and Mr.
11 Solganick.

12 **II. BILLING DETERMINANTS**

13 **Q. PLEASE SUMMARIZE THE PUBLIC ADVOCATES POSITION REGARDING**
14 **THE BILLING DETERMINANTS?**

15 A. The Public Advocate did not discuss the methodologies used in adjusting the base year
16 terms for weather, customer counts and terms for customer growth, and the number of
17 terms for the non-Jurisdictional agricultural customer class. Mr. Solganick identified an
18 error in the adjustment of customer terms for space heating by the residential and
19 commercial customer classes.

1 **Q. PLEASE SUMMARIZE THE AREAS WHERE THE COMPANY AND PUBLIC**
2 **ADVOCATE ARE GENERALLY IN AGREEMENT REGARDING THE**
3 **ADJUSTMENTS MADE TO BILLING DETERMINANTS.**

4 A. The Public Advocate did not discuss the methodologies employed to the billing
5 determinants in three important areas. Since the Public Advocate has not raised any issues
6 with the methodologies used, the Company and Public Advocate are in general agreement
7 with the following adjustments made to the base year billing determinants:

8 1. The methodology used in adjusting the base year therms used for space heating by
9 the residential and commercial customer classes due to weather. The methodology
10 includes the use of a 10-year rolling average Heating Degree Days used for
11 determining normal weather, the National Oceanic and Atmospheric
12 Administration weather stations used in the last rate review for each legacy
13 company.

14 2. The methodology used to adjust the customer counts and therms for adding one
15 year of growth to the residential and commercial customer classes. The
16 methodology is based upon the detailed changes in the average number of
17 customers over the 5-year period ending with the 2019 base year.

18 3. The methodology used to adjust the number of therms for the non-Jurisdictional
19 agricultural customer class. The adjustment in the number of therms for agricultural
20 customers is based upon the average annual use over the 5-year period ending with
21 the 2019 base year.

1 **Q. DOES THE COMPANY AGREE WITH THE CORRECTION IN THE**
2 **ADJUSTMENT OF THERMS FOR WEATHER?**

3 A. Yes. As acknowledged in response to a discovery request, there was an error in the
4 alignment of data in the work paper file named 'Exhibits_WPs_Billing Determinants
5 Revised.xls'.² Correcting this error increases the total number of residential therms by
6 434,876 and decreases the number of commercial class therms by 63,625 as shown in Table
7 DNH-1 below.

8 **Table DNH-1**

	Total Sales	Residential	Commercial
Filed	(24,361,990)	(15,129,988)	(9,232,002)
Corrected	(23,990,740)	(14,695,112)	(9,295,628)
Change	371,250	434,876	(63,625)

9
10 **Q. WHAT IS YOUR RESPONSE TO MR. SOLGANICK'S ESTIMATION OF THE**
11 **IMPACT OF THIS CORRECTION?**

12 A. Mr. Solganick based his estimation of the impact resulting from this correction on revenue
13 resulting in an increase of \$88,626. Based upon the change in therms for both customer
14 classes as shown above, the calculation of the revenue as performed in the work papers
15 results in revenue shown in Rebuttal Section 3, Exhibit B. The total impact to revenue is
16 \$64,547 as shown in Table DNH-2.

17 **Table DNH-2**

	Total Sales	Residential	Commercial
Filed	(\$4,118,020)	(\$2,675,605)	(\$1,442,414)
Corrected	(\$4,053,473)	(\$2,597,509)	(\$1,455,964)
Change	\$64,547	\$78,096	(\$13,550)

18

² PA-217.

1 **Q. WHAT IS THE COMPANY'S RESPONSE TO THIS RECOMMENDATION?**

2 A. The Company accepts the correction in the number of therms but disagrees with the impact
3 upon volumetric revenue. The Company believes the use of the results from the
4 calculations performed in the billing determinants work papers results in the correct total
5 impact of \$64,547 to revenue.

6 **Q. PLEASE DESCRIBE WHICH EXHIBITS YOU HAVE REVISED TO REFLECT**
7 **THIS CORRECTION.**

8 A. I'm providing three exhibits that reflect the corrections made to the adjustment of therms
9 for weather. These exhibits are:

10 1) Section 3, Exhibit B - Revised Summary of Revenue Adjustments;

11 2) Section 3, Exhibit C - Revised Test Year Billing Determinants;

12 3) Revised Exhibit No. DNH-3 - Calculation of Weather Normalization Adjustments.

13 **Q. PLEASE DESCRIBE WHY YOU ARE PROVIDING AN UPDATED REVENUE**
14 **PROOF.**

15 A. An updated revenue proof is needed to reflect the proposed changes made by Mr. Clevinger
16 in his rebuttal Cost of Service that are reflected in the costs by FERC Account in the
17 'Statement N' used by Mr. Sullivan in his Rebuttal Class Cost of Service Study. The
18 revenue proof reflects all changes made by Mr. Clevinger and Mr. Sullivan and is provided
19 as Revised Exhibit DNH-7 – Revenue Proof.

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

21 A. Yes.

STATE OF NEBRASKA)
) SS
COUNTY OF LANCASTER)

I, Douglas N. Hyatt, 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.



Douglas N. Hyatt

Subscribed and sworn to before me this 9 day of October, 2020.

(SEAL)



Notary Public

My Commission Expires:

July 4, 2022