

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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2
3 **IN THE MATTER OF THE APPLICATION)**
4 **OF BLACK HILLS NEBRASKA GAS,)**
5 **LLC, D/B/A BLACK HILLS ENERGY, RAPID) APPLICATION NO. NG-109**
6 **CITY, SOUND DAKOTA, SEEKING)**
7 **APPROVAL OF A GENERAL RATE)**
8 **INCREASE)**
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13 **DIRECT TESTIMONY OF KEVIN M. JAROSZ**

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16 **VICE PRESIDENT OF NEBRASKA GAS OPERATIONS**

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19 **ON BEHALF OF**

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22 **BLACK HILLS NEBRASKA GAS, LLC**
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34 **Date: June 1, 2020**
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TABLE OF CONTENTS

I.	INTRODUCTION.....	3
II.	STATEMENT OF QUALIFICATIONS	4
III.	PURPOSE OF TESTIMONY	4
IV.	BH NEBRASKA GAS OVERVIEW.....	7
V.	SOURCEGAS ACQUISITION	9
VI.	PLANT IN SERVICE AND GAS SYSTEM INVESTMENT	13
VII.	OPERATING METRICS.....	37
VIII.	NEW OPERATIONS AND SERVICE CENTERS	38
IX.	STAFFING AND ADMINISTRATION	41
X.	COMMUNITY SUPPORT	46
XI.	SYSTEM SAFETY	48
	A. Third Party Damages	49
	B. Line Locates.....	51
	C. Reliability.....	54
XII.	CAPITAL ADDITIONS.....	55
	A. Farm Tap Replacement Program	56
	B. Lincoln Resiliency Project.....	57
	C. Other Projects.....	58
XIII.	OTHER BH NEBRASKA GAS OPERATING ISSUES.....	60
XIV.	ELECTRIFICATION.....	63
XV.	CONCLUSION	64

EXHIBITS

Exhibit No. KMJ-1	Statement of Qualifications
Exhibit No. KMJ-2	BH Nebraska Gas Organization Chart
Exhibit No. KMJ-3	2019 Operations Metrics Report
Exhibit No. KMJ-4	2020 Capital Additions Projects
Exhibit No. KMJ-5	Map of BH Nebraska Gas Operations Offices

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 (“BH Nebraska Gas” or “the Company”), d/b/a Black Hills Energy. I am Vice President of Nebraska 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. BH Nebraska Gas is the natural gas jurisdictional utility in Nebraska resulting from the consolidation of Black Hills/Nebraska Gas Utility Company, LLC (“BH Gas Utility”) and Black Hills Gas Distribution, LLC (“BH Gas Distribution”).¹ BH Nebraska Gas conducts business in Nebraska under the trade name of Black Hills Energy.

¹ The Nebraska Public Service Commission (“Commission”) approved the consolidation of BH Gas Utility and BH Gas Distribution in Commission Application No. NG-100. The consolidation of BH Gas Utility and BH Gas Distribution became effective on January 1, 2020.

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.

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

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

Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

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

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I have previously testified before the Commission in Application Nos. P-0014, NG-0090, and NG-0093.

III. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my direct testimony is to provide an overview of the BH Nebraska Gas distribution system. This testimony supports infrastructure projects needed to

1 improve system safety, reliability, or resiliency and explains why those projects
2 are necessary. My testimony also discusses various efforts taken by the Company
3 to improve customer service and network operations of BH Nebraska Gas.

4 Finally, this testimony emphasizes the need for Commission approval of
5 this rate review application so that BH Nebraska Gas may continue investing in
6 the items noted above. My testimony supports a capital infrastructure project
7 investment plan for BH Nebraska Gas of approximately \$91 million per year over
8 the foreseeable future (“Capital Infrastructure Projects” or “Capital Spending
9 Plan”). Of that \$91 million per year Capital Spending Plan investment, BH
10 Nebraska Gas will invest approximately \$50 million per year in programmatic
11 system safety infrastructure improvements through the System Safety and
12 Integrity Rider (“SSIR”) program.

13 My testimony discusses the following items: (a) integration of the
14 SourceGas Distribution Acquisition² (“SourceGas Acquisition”), and how the
15 integration benefits the company and its customers, (b) system safety, resiliency,
16 and reliability infrastructure projects occurring since the last rate review of
17 BH Gas Utility and BH Gas distribution, (c) eligible system safety projects
18 recovered by BH Gas Utility under the Pipeline Replacement Charge permitted by
19 the State Natural Gas Regulation Act, (d) eligible projects recovered under the
20 SSIR mechanism for BH Gas Distribution permitted under the BH Gas
21 Distribution tariff, (e) the need for expansion of the SSIR mechanism and SSIR
22 Charge throughout the entire BH Nebraska Gas service area, and (f) BH Nebraska

² Nebraska Public Service Commission Application No. NG –0084.

1 Gas operating metrics, facilities, staffing and administration, community support
2 and involvement, system safety and investment, and capital projects.

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

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

5 **Exhibit No. KMJ - 1** is a summary of my education, employment history
6 and professional experience.

7 **Exhibit No. KMJ - 2** is an organization chart identifying the Operations
8 manager positions for BH Nebraska Gas.

9 **Exhibit No. KMJ - 3** is a summary of the BH Nebraska Gas 2019 end-of-
10 year operating metrics.

11 **Exhibit No. KMJ - 4** is a list of (a) 2020 capital additions and (b)
12 Construction Work In Process (“CWIP”).³

13 **Exhibit No. KMJ-5** is a map showing the location of BH Nebraska Gas
14 operations offices.

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

18 A. Yes.

³ 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 Exhibit No. MCC-2, Statement D). The 2021 SSIR projects and Five-year Spending Plan projects are provided in the testimony of Mr. Bennett.

1 **IV. BH NEBRASKA GAS OVERVIEW**

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

4 A. BH Nebraska Gas is the jurisdictional utility providing natural gas service to
5 customers located in Nebraska. BH Nebraska Gas provides regulated natural gas
6 service pursuant to the natural gas tariff approved by the Commission in
7 Application No. NG-100.⁴ Although BH Gas Utility and BH Gas Distribution
8 had been effectively operating as a single utility since the SourceGas Acquisition,
9 BH Nebraska Gas operations became effective January 1, 2020. BH Nebraska
10 Gas is also supported by other affiliates and employees of BHC, primarily by
11 BHSC.⁵

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

14 A. The service territory of BH Nebraska Gas incorporates the former service
15 territories of BH Gas Utility and BH Gas Distribution, which generally include
16 much of the State of Nebraska. The service territory of BH Nebraska Gas is
17 shown in Exhibit RJA-2 of the testimony of Mr. Amdor.⁶ Exhibit RJA-2 is a map
18 showing the communities served by BH Nebraska Gas. Exhibit RJA-3 is a map of
19 the Rate Areas of BH Nebraska Gas. These maps depict whether the Rate Area
20 was served by BH Gas Utility or BH Gas Distribution.

⁴ High Volume and Interruptible Customers are served under natural gas contracts pursuant to *Neb. Rev. Stat. § 66-1810*.

⁵ See Application Exhibit 1, Section 1D for the BHC Corporate Organization chart, and a description of each BHC corporate entity.

⁶ BH Nebraska Gas Tariff Sheet Nos. 20-27 also provide an alphabetical list of the communities and Rate Area Maps for each of the BH Nebraska Gas Rate Areas. *Application Exhibit 1, Section 6 at Sheet No. 20 et seq.*

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
5 and around Papillion, Gretna, Plattsmouth, Columbus, Norfolk, Ainsworth, and
6 the surrounding areas to these communities.

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

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

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

16 A copy of the BH Nebraska Gas management team is attached to this
17 testimony as Exhibit No. KMJ – 2.

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

19 A. The customer base of BH Nebraska Gas incorporates the customer base of
20 BH Gas Utility and BH Gas Distribution and is depicted in the table below as of
21 December 31, 2019:

Former BH Entity	Jurisdictional Residential	Jurisdictional Non-Residential	Non-Jurisdictional	Total
BH Gas Utility	185,324	20,547	370	206,241
BH Gas Distribution	68,217	11,613	8,897	88,727
Total	253,541	32,160	9,267	294,968

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

4 A. The BH Nebraska Gas distribution system consists of approximately 8,739 miles
5 of pipeline mains and approximately 315,072 service lines, which run from the
6 pipeline main to the meter. Currently, BH Nebraska Gas serves approximately
7 288,000 retail customers in 319 communities through its distribution system. The
8 City of Lincoln is the largest community served by BH Nebraska Gas.

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

11 A. BH Nebraska Gas has over 1,311 miles of transmission pipeline that provide
12 critical feeds to the towns it serves. The BH Nebraska Gas transmission system
13 has several interconnects with Federal Energy Regulatory Commission (“FERC”)
14 jurisdictional interstate pipelines. These connections include interconnections
15 with Northern Natural Gas Company, Tallgrass Interstate Gas Transmission, and
16 Natural Gas Pipeline Company of America.

17 **V. SOURCEGAS ACQUISITION**

18 **Q. PLEASE GIVE A GENERAL DESCRIPTION OF THE SOURCEGAS**
19 **ACQUISITION.**

20 A. The Commission approved the purchase of the natural gas utility assets of
21 SourceGas Distribution in Nebraska, Arkansas, Colorado and Wyoming by

1 BHUH in Commission Application No. NG-0084. The SourceGas Acquisition
2 became effective on and after February 12, 2016.⁷ The operating employees
3 working for SourceGas at that time in Nebraska were retained within BH Gas
4 Distribution or other areas of the Company to continue providing service to
5 BH Gas Utility and BH Gas Distribution customers. Those Nebraska employees,
6 along with corporate and other support employees, have continued to operate the
7 Company's natural gas systems located in Nebraska. This testimony explains how
8 the SourceGas Acquisition was beneficial to customers in Nebraska. The
9 Transition Report provided as Exhibits No. JWK-2 and Exhibit No. JWK-3 to the
10 testimony of Mr. Klapperich presents the cost savings that are incorporated in the
11 Revenue Requirement Study attached to the Company's rate review application.

12 The consolidation of the tariffs helped the Company with the integration
13 process by having one single tariff. This rate application is intended to further the
14 efficiencies by consolidating rate schedules and expanding the SSIR so that all
15 customers benefit from statewide safety investment.

16 **Q. HOW HAS THE TRANSITION FROM SOURCEGAS TO BH GAS**
17 **DISTRIBUTION TO BH NEBRASKA GAS PROCEEDED IN**
18 **NEBRASKA?**

19 A. Due to significant planning and acquisition integration efforts, the transition from
20 SourceGas to BH Gas Distribution (as a subsidiary of the BHC organization) was
21 seamless to customers of BH Gas Distribution. From the very beginning of the
22 SourceGas Acquisition, the Company focused on creating and maintaining a

⁷ The Commission approved the SourceGas Acquisition by its order dated January 26, 2016 in Application No. NG-0084.

1 strong Nebraska management team, honoring local commitments, and creating
2 stability for Nebraska customers. BH Nebraska Gas focused on and will continue
3 to integrate and standardize the operations, system design, customer service,
4 safety standards, policies, procedures, and practices followed by BH Gas Utility
5 and BH Gas Distribution. BH Nebraska Gas is proud that there were no notable
6 disruptions in service during the transition from SourceGas to BH Gas
7 Distribution to BH Nebraska Gas. BH Nebraska Gas remained committed
8 throughout the entire integration process to continue and to improve the safety,
9 reliability, and customer service provided to BH Gas Utility and BH Gas
10 Distribution customers.

11 One impact flowing from the SourceGas Acquisition was for BH Gas
12 Distribution customers to recognize the new brand of “Black Hills Energy” as the
13 customers’ natural gas utility service provider. After four years of service from
14 BH Gas Utility and BH Gas Distribution conducting business as Black Hills
15 Energy, the transition from BH Gas Distribution or BH Gas Utility to BH
16 Nebraska Gas appears to be seamless to all BH Nebraska Gas customers.

17 This rate proceeding is necessary for BH Nebraska Gas to continue
18 fulfilling the daily operating, system design, customer service, and safety
19 demands requested by and required for BH Nebraska Gas customers.

20 **Q. PLEASE DESCRIBE HOW BH GAS DISTRIBUTION (NOW**
21 **BH NEBRASKA GAS) CONTINUED ITS LOCAL COMMITMENTS**
22 **POST-SOURCEGAS ACQUISITION.**

23 **A.** BH Nebraska Gas is proud to provide natural gas services to many communities
24 in Nebraska. BH Nebraska Gas is a good corporate citizen of each community it

1 serves and looks to make each community more successful. A strong relationship
2 between BH Nebraska Gas and community leaders is essential during difficult
3 times (e.g., flooding, virus, fires, etc.). BH Nebraska Gas has continued its
4 investment in and commit to Nebraska communities in various ways.

5 For example, BH Nebraska Gas continued making capital investments to
6 maintain or improve the Nebraska natural gas distribution systems. This
7 investment is intended to improve public safety and reliability of the Company's
8 natural gas service. The duty to provide safe and reliable natural gas service under
9 the State Natural Gas Regulation Act, Neb. Rev. Stats. §§ 66-1801 et. seq, and the
10 Company is indifferent to where a customer is located within the State of
11 Nebraska. As described below and supported by the testimony of Mr. Bennett and
12 Mr. Lewis, BH Nebraska Gas will continue to make significant investment in its
13 gas distribution system using a programmatic and data driven approach to its
14 Capital Spending Plan for the next decade.

15 In addition to continuing capital investments in safety, reliability and
16 resiliency, BH Nebraska Gas remains focused on its local community
17 involvement and relationships with community leaders in Nebraska. For example,
18 as a community partner, BH Nebraska Gas remains active in numerous civic and
19 community events through economic development initiatives, financial
20 contributions, and the involvement of its dedicated employees.

VI. PLANT IN SERVICE AND GAS SYSTEM INVESTMENT

Q. PLEASE DISCUSS CAPITAL INVESTMENT MADE BY BH GAS UTILITY AND BH GAS DISTRIBUTION IN THE GAS DISTRIBUTION SYSTEM OF BH NEBRASKA GAS SINCE THEIR LAST RATE REVIEW APPLICATIONS.

A. Combined, BH Gas Utility and BH Gas Distribution made significant investment in their gas distribution systems since their last respective rate review proceedings. Total Rate Base increased by \$329 million as depicted in the table below:

Former BH Entity	Last Rate Case	Current Rate Review	Change
BH Gas Utility	\$177.0		
BH Gas Distribution	\$87.6		
Total	\$264.6	\$593.2	\$328.6

From 2017 through 2020 alone, BH Gas Utility and BH Gas Distribution invested over \$180 million in pipeline integrity and reliability projects.

One of the primary drivers of this rate review application is to include the recovery of prudent investment made by BH Gas Utility and BH Gas Distribution in natural gas distribution system infrastructure through Commission-approved tariff rates of BH Nebraska Gas.⁸

Since the last rate review proceedings for either BH Gas Utility or BH Gas Distribution, many safety related capital projects were recovered through Pipeline

⁸ See Application Exhibit 1, Section 2, Revenue Requirement Study Statement D for the rate base investment included in this rate review application.

1 Replacement Charge or SSIR applications filed by BH Gas Utility or BH Gas
2 Distribution. However, as my testimony demonstrates, several other significant
3 capital projects that were not eligible for recovery through the Pipeline
4 Replacement Charge or SSIR Charge are included in this rate application.
5 Statement D of Application Exhibit 1, Section 2 (Revenue Requirement Model)
6 provides the levels of “Plant In Service” included in this rate review application.
7 The facilities placed into service and included within this rate application are used
8 and useful and necessary to provide safe and reliable natural gas service to
9 customers of BH Nebraska Gas.

10 **Q. WHY DID BH GAS UTILITY AND BH GAS DISTRIBUTION MAKE**
11 **THAT LEVEL OF INVESTMENT IN THEIR RESPECTIVE SYSTEMS?**

12 A. The investment was prudent and necessary to either comply with applicable
13 changes in pipeline safety regulations, to ensure the statutory obligation to
14 provide reliable service, or to meet the reasonable growth experienced on
15 different parts of the distribution system. The investment in the gas system in
16 Nebraska is driven primarily to meet higher pipeline safety regulation. As
17 established throughout the testimony in this case, continued significant investment
18 in gas infrastructure is needed into the future. This case is another point of
19 coordination between BH Nebraska Gas, the Public Advocate, and the
20 Commission regarding its planned investment in the BH Nebraska Gas facilities
21 located in Nebraska.

1 **Q. HOW DOES THIS RATE REVIEW APPLICATION DIFFER FROM**
2 **PRIOR RATE REVIEW APPLICATIONS AS IT RELATES TO**
3 **OVERALL COMPANY INVESTMENT OF BH NEBRASKA GAS IN**
4 **CAPITAL PROJECTS FOR THE GAS DISTRIBUTION SYSTEM?**

5 A. At the time of prior rate proceedings, the level of safety infrastructure investment,
6 although significant, was not nearly the same level of investment that is required
7 today and into the future. As discussed in the testimony of Mr. Lewis, changes in
8 the pipeline safety and integrity requirements imposed by federal, state, and local
9 governments place a significant duty on BH Nebraska Gas to comply with those
10 safety and integrity requirements. The Pipeline Replacement Charge set forth in
11 the State Natural Gas Regulation Act, *Neb. Rev. Stats. §§ 66-1865 et seq.*, was
12 enacted in 2009, only a few months prior to BH Gas Utility filing its rate review
13 application in Application No. NG-0061.⁹ Similarly, BH Gas Distribution filed
14 its rate review application in Commission Application No. NG-0067 in 2011. The
15 SSIR mechanism was not approved by the Commission until 2014, a few years
16 after the conclusion of the rate review proceeding in Application No. NG-0067.

17 Accordingly, this rate application is necessary for BH Nebraska Gas to
18 continue making the level of investment required to maintain and improve
19 pipeline safety, reliability, resiliency, and overall integrity of its gas distribution
20 system. Renewing the statutory Pipeline Replacement Charge, along with
21 renewing and expanding the SSIR Charge provides BH Nebraska Gas with an
22 opportunity to timely recover prudent investment in its natural gas infrastructure.

⁹ See the Direct Testimony of Mr. Amdor for a more detailed discussion of the Pipeline Replacement Charge permitted by the Act, and the SSIR Charge permitted by the BH Nebraska Gas Tariff (formerly BH Gas Distribution tariff).

1 To be clear, BH Nebraska Gas will always meet or exceed its lawful duties
2 to operate a safe, efficient, and reliable natural gas distribution system. Approval
3 of the plant in service and the SSIR mechanism presented in this rate review
4 application is needed to encourage additional capital project investment and to
5 lengthen the time between rate review applications.

6 **Q. PLEASE SUMMARIZE THE TYPES OF CAPITAL INFRASTRUCTURE**
7 **PROJECTS THAT BH NEBRASKA GAS IS PROPOSING TO INCLUDE**
8 **IN ITS PROPOSED SSIR.**

9 A. As described in the testimony of Mr. Lewis and Mr. Bennett, the Company is
10 seeking authority to continue a mechanism that will fund several betterment
11 programs to identify and mitigate risks to life and property on an accelerated
12 basis. The programmatic approach described below will systematically reduce
13 risk by accelerating the replacement of higher risk pipelines and services. The
14 Company is proposing to include projects under the following eleven programs
15 for initial inclusion in the SSIR, each of which is described in more detail below:

- 16 • Bare Steel Distribution;
- 17 • Transmission Pipelines;
- 18 • Barricades;
- 19 • Cathodic Protection and Corrosion Prevention;
- 20 • Town Border Stations;
- 21 • Top of Ground, Shallow and Exposed Pipe;
- 22 • At-Risk Meter Relocations and Inside Meter Relocations;
- 23 • Obsolete Infrastructure;
- 24 • Facility Relocations;

- 1 • Data Infrastructure Improvement Program; and
- 2 • Reliability

3 To provide a specific funding and cost recovery mechanism for these
4 projects, the Company is requesting authority to continue and to expand the SSIR.
5 In his testimony, Mr. Bennett describes the requested expansion of the SSIR into
6 former BH Gas Utility territory. Mr. Bennett also explains that BH Nebraska Gas
7 proposes to expand the criteria of eligible projects under the SSIR tariff by adding
8 “Reliability” projects to the SSIR mechanism, expand the categories of SSIR
9 eligible projects, and change the SSIR Surveillance Reporting periods.

10 In addition, Mr. Bennett provides the Application for the 2021 SSIR, and
11 provides a 5-Year Plan (starting in 2021) laying out details, including the budgets,
12 for the specific projects for each SSIR Program. Finally, Mr. Bennett addresses
13 the associated rate impacts.

14 The SSIR initiatives listed above include projects driven primarily by the
15 Pipeline and Hazardous Materials Safety Administration (“PHMSA”) Rules, in
16 addition to safety projects identified by the Company’s risk model and subject
17 matter experts, as immediate priorities to address. As explained below, the
18 Company is proposing to accelerate the pace of pipeline replacements under the
19 Distribution Integrity Management Program (“DIMP”) and Transmission
20 Integrity Management Program (“TIMP”).

21 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “REPLACEMENT OF**
22 **BARE STEEL DISTRIBUTION MAIN” PROJECTS.**

23 A. Although age alone does not determine the integrity of a pipeline system, some
24 older pipeline facilities that are constructed of certain materials, including bare

1 steel, may have degraded over time. Even though bare steel distribution mains are
2 cathodically protected,¹⁰ it becomes increasingly difficult to maintain effective
3 corrosion protection because of the age of the system. Compared with coated steel
4 pipelines, bare steel pipelines corrode at a higher rate because there is no coating
5 to serve as a barrier between the steel and the soil. Also, many pipeline segments
6 may not meet today's pipeline construction standards, and some have been
7 exposed to additional threats, such as excavation damage. In addition, there are
8 some early vintage steel pipelines in certain areas that may pose risks because of
9 incomplete records or construction practices not up to today's standards. Based
10 upon known data, including installation records and construction methods,
11 leakage history, cathodic protection data, damage history and population density,
12 a DIMP identifies bare steel segments that are higher risk.

13 Illustration KMJ-1 shows an example of a bare steel pipeline with severe
14 corrosion that needed replacement.

¹⁰ Cathodic protection is an electrochemical process used to mitigate corrosion of buried steel structures, such as natural gas pipelines made from steel.

Illustration KMJ-1



Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “REPLACEMENT OF TRANSMISSION PIPELINE” PROJECTS.

A. As previously stated, although age alone does not determine the integrity of a pipeline system, some older pipeline facilities that are constructed of certain materials and with certain coatings may have degraded over time. Even though transmission lines are cathodically protected, it becomes increasingly difficult to maintain effective corrosion protection because of the age of the system. Based upon known data, including installation records and construction methods, leakage history, cathodic protection data, damage history and population density, a TIMP identifies transmission pipeline segments that are higher risk.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “BARRICADES” PROJECTS.

A. These projects involve the installation of barricades to protect meter, regulator and valve settings from outside force damage. This threat is largely caused by meter loops being at the customer’s property line, in an alley or adjacent to the

1 street. In addition, the widening of streets and highways, increased utilization of
2 agricultural land, and increased traffic from both farm equipment and motor
3 vehicles have rendered many meters more vulnerable to outside force damage.

4 These meters are occasionally bumped by vehicles backing out of garages
5 or hit alongside a street that result in a bent meter or leak to the meter loop. Gas
6 system pressure regulators and valve sets that are part of a gas meter loop also are
7 susceptible to outside force damage both in city limits and rural areas. The
8 occurrence of such damage has increased over the years, and records show that
9 the greatest risk to the Company's distribution system is outside force damage,
10 much of which is a result of meters being hit by vehicles and farm equipment. The
11 DIMP identifies the need for barricades to prevent damage to these higher risk
12 assets.

13 Illustration KMJ-2 shows an example of a barricade that has been installed.

14 Illustration KMJ-2



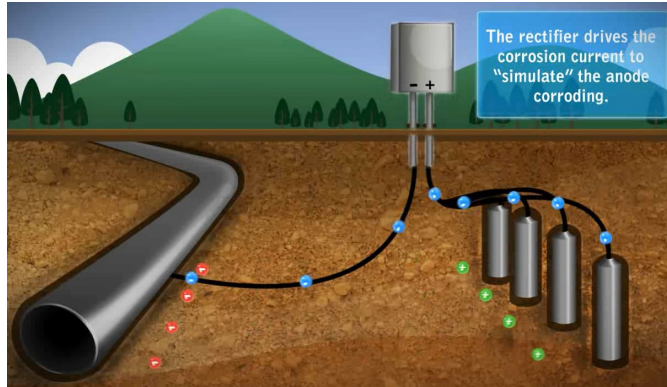
15
16 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “CATHODIC**
17 **PROTECTION AND CORROSION PREVENTION” PROJECTS.**

18 A. Cathodic protection infrastructure is to be applied to all steel pipelines according
19 to PHMSA regulations published in 49 CFR § 192.451. BH Nebraska Gas meets

1 this requirement by utilizing galvanic anode applications as well as Impressed
2 Current Cathodic Protection. Cathodic protection is an electrochemical process
3 used to protect steel structures in contact with soil. The soil is the electrolyte
4 portion of the corrosion cell with the pipeline as the cathode of the electrical
5 circuit. The intent in the application of cathodic protection is to convert the
6 oxygen in the soil to a hydroxyl ion thus causing the environment surrounding the
7 pipeline to become more alkaline. Steel tends to passivate in alkaline
8 environments which results in very low corrosion rates. Magnesium anodes are
9 installed in situations where a small amount of electrical current provides cathodic
10 protection. Cathodic protection rectifiers with graphite anodes, as an Impressed
11 Current Cathodic Protection system, are installed when a larger amount of
12 electrical current is needed to achieve adequate cathodic protection levels.
13 BH Nebraska Gas's steel pipeline system varies from bare Top of Ground
14 ("TOG") to buried lines with various types of coatings in a variety of conditions.
15 The electrical current requirement for each type of installation, whether bare or
16 coated, differs. The cathodic protection levels are measured periodically as
17 required along the pipeline. The periodic surveys indicate deficiencies in the
18 cathodic protection system. These deficiencies can be indicative of active
19 corrosion, dis-bonded coating, anode degradation or shorted pipeline casings.
20 Cathodic protection is needed under both DIMP and TIMP programs.

21 Illustration KMJ-3 shows an illustration of cathodic protection in the form
22 of rectifiers with graphite anodes that prevent corrosion.

Illustration KMJ-3



Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “TOWN BORDER STATION” PROJECTS.

A. Many Town Border Station (“TBS”) facilities in service today were built in the 1950s-1960s era, well before the requirements of 49 CFR § 192. Although many of these stations have provided service for well over 50 years, they may not have been built in accordance with today’s standards. Many TBS facilities have outdated equipment including shop fabricated heaters that are inefficient, weighted lever reliefs, and excessive pressure drop regulators. Because of their age, many station components are displaying corrosion on the piping and other components. In some cases, the TBS equipment and piping are still adequate, but the existing line heater is inefficient, undersized and/or corroding and needs to be replaced. TBS projects are needed under the TIMP program.

Illustration KMJ-4 shows an example of outdated equipment in a TBS to be replaced. The red circled area shows a shop fabricated line heater with significant internal corrosion and no safety controls. The right picture is taken outside the TBS and is the burner assembly portion for the shop fabricated line heater circled in red in the picture on the left. The heater and open flame are in

close proximity to the pressure regulating equipment, which is not in accordance with current standards. The yellow circled area shows the carrier pipe laying directly on the concrete and cannot be properly inspected for corrosion. The green circled area shows an obsolete weighted lever relief valve from the 1950's.

Illustration KMJ-4

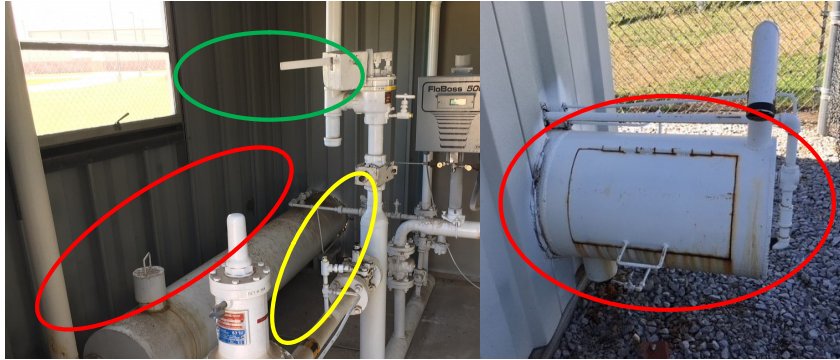


Illustration KMJ-5 shows an example of newly updated equipment in a TBS. The red circled area shows a better location of the line heater with appropriate safety controls that is a safe distance from the pressure regulating equipment. The yellow circle area shows a prefabricated TBS skid with updated equipment and clearance to facilitate all necessary inspections. The green circled area shows an updated relief valve.

Illustration KMJ-5



1 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “TOP OF GROUND**
2 **REPLACEMENT” PROJECTS.**

3 A. Natural gas pipelines installed today generally are below grade with a minimum
4 cover of three feet. Burying pipelines reduces the overall risk of the pipeline from
5 outside force among other threats. Many pipeline segments operated in Central
6 and Western Nebraska, however, were installed by the Company’s predecessor
7 during the 1950s and 1960s on top of the ground. When these lines were installed,
8 the Company’s predecessor attempted to serve agricultural customers and small
9 communities; installing TOG lines expedited service to these areas and reduced
10 installation costs. When originally installed, most line segments were laid along
11 fence lines, section lines or other rights-of-way that did not pose a high level of
12 risk because they were visible and known to farmers. Through time, however,
13 property owners and lease tenants have changed, many fences have been
14 removed, agricultural land has been developed and, in places, the TOG segments
15 have become partially buried. These TOG segments are susceptible to outside
16 force damage as well as corrosion threats. TOG replacement is needed under both
17 DIMP and TIMP programs.

18 Illustration KMJ-6 shows an example of a TOG pipeline to be replaced.
19 The tracks are from farm equipment that has run over the pipeline.

Illustration KMJ-6



Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “AT-RISK METER RELOCATIONS” PROJECTS.

A. These projects involve two different types of “At-Risk Meter Relocations” (“ARMR”). The first type of ARMR is the relocation of outside meter loops from their current location near a highway, street or alley to the structure to better protect them from outside force damage. This threat is largely caused by meter loops being at the customer’s property line, in an alley or adjacent to the street. These meters are at risk of being bumped by vehicles backing out of garages or hit alongside a street that result in a bent meter or leak to the meter loop. The Company’s records show that the greatest risk to its distribution system is outside force, much of which is a result of meters being hit by vehicles.

Illustration KMJ-7 shows an example of an actual At-Risk meter to be replaced.

Illustration KMJ-7



Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “PVC PIPE REPLACEMENT” PROJECTS.

A. By the mid-1980’s Polyvinyl Chloride (“PVC”) was no longer a recommended piping material due to the evolution of superior piping materials, such as Polyethylene (“PE”) pipe, and new construction methods. There are several safety issues with PVC pipe that BH Nebraska Gas and the natural gas industry face. For example, PVC pipe has a high instance of leaks at joints due to adhesive failure. Additionally, in many instances the integrity of older PVC pipe is compromised because the material becomes brittle over time, which makes PVC pipe more prone to failure due to stress intensification that occurs when soil around a pressurized pipe is removed. Also, PVC pipe was installed with tracer wire to assist in locating the pipe, and over time that tracer wire has corroded and no longer carries a current. This makes it difficult for the Company to provide accurate pipe location points, which significantly increases the risk of third-party damage. PVC replacement is needed under the DIMP program.

Illustration KMJ-8 shows an example of a PVC pipeline to be replaced.

Illustration KMJ-8



Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “FACILITY RELOCATION” PROJECTS.

A. Each year, BH Nebraska Gas encounters the need to conduct facility relocation projects in connection with municipal infrastructure projects. These facility relocation projects, when they occur, are directly related to pipeline safety and integrity activities. Such projects are an integral step in the overall safety and integrity process. These projects are required by government entities to enhance the public welfare, including safety.

Q. OTHER THAN THE PROGRAMS IDENTIFIED ABOVE, DOES BH NEBRASKA GAS HAVE CONCERNS REGARDING OTHER MATERIALS OR RISKS THAT SHOULD BE ADDRESSED ON AN ACCELERATED BASIS?

A. BH Nebraska Gas continues to evaluate and assess its distribution system to determine if other materials need to be replaced or risks addressed. The Company continues to monitor the proposed changes to the PHMSA Distribution Integrity

1 Management Program rules, as well as PHMSA advisory bulletins, and alerts. As
2 the Company continued its evaluation, BH Nebraska Gas has identified several
3 materials or services that are at-risk that should be replaced on an accelerated
4 basis.

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

7 A. Yes. BH Nebraska Gas would like to request a fifth criteria of SSIR projects to
8 include “Reliability” projects.

9 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “RELIABILITY”**
10 **PROJECTS.**

11 A. While the focus of integrity projects is to replace aging or non-compliant
12 infrastructure, the focus of reliability projects is to ensure that gas is available,
13 delivered and measured for our customers in all situations. In some cases, these
14 projects will not replace any existing infrastructure. Examples include low
15 pressure remediation, resiliency projects (such as the second feed to Lincoln), and
16 installing Advanced Metering Infrastructure (“AMI”).

17 **Q. ARE THERE ANY REQUESTS TO MODIFY THE CATEGORIES OF**
18 **PROJECTS INCLUDED IN EACH SSIR APPLICATION?**

19 A. Yes. BH Nebraska Gas is proposing to add a tenth category of SSIR projects to
20 include “Data Infrastructure Improvement Program” projects and an eleventh
21 category of SSIR projects to include “Reliability” projects.

1 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF “DATA**
2 **INFRASTRUCTURE IMPROVEMENT PROGRAM” PROJECTS.**

3 A. In order to appropriately rank higher risk pipeline projects for purposes of
4 prioritizing accelerated threat mitigation efforts, it is vital for the Company to be
5 able to identify risks, understand the consequences of those risks, develop GIS
6 tools, close known data gaps, and continuously improve system knowledge. The
7 Company will implement a Data Infrastructure Improvement Program (“DIIP”) to
8 close known data gaps, develop and improve GIS tools, and verify current data
9 for accuracy. Full implementation of the DIIP is currently anticipated to take up to
10 six years.

11 **Q. WHAT DOES THE DIIP ENTAIL?**

12 A. The DIIP will synch the various Company databases to evaluate information that
13 is missing with respect to main and service line locations, materials, diameter,
14 cathodic protection, air test maximum allowable operating pressure (“MAOP”),
15 and condition. As part of this program, BH Nebraska Gas will implement a new
16 As-Built-Data Initiative that will require technicians in the field to develop
17 records with specific inputs for pipe replaced through the accelerated pipeline
18 replacement programs that will be automatically uploaded to the BH Nebraska
19 Gas mapping software. Mr. Lewis explains the DIIP in full detail in his testimony.

20 The operations team under my direction will be responsible for managing
21 the safety projects identified under the program. This program will help
22 BH Nebraska Gas to comply with its duty of safety and reliability and to reduce
23 costs in the long-term.

1 **Q. ARE THERE ANY REQUESTS TO MODIFY ANY EXISTING**
2 **CATEGORIES OF PROJECTS CONTAINED IN THE SSIR**
3 **APPLICATION?**

4 A. Yes. BH Nebraska Gas is requesting modifications to the name and description of
5 three categories of projects:

6 1) Top of Ground Replacement;

7 2) Meter Relocations; and

8 3) PVC Pipe Replacement.

9 **Q. WHAT ARE THE REQUESTED MODIFICATIONS TO TOG**
10 **REPLACEMENTS?**

11 A. The risk of damage from outside forces and threats of corrosion are significant to
12 TOG but are even greater for pipe that is shallow or has become exposed. While
13 TOG may have been originally laid along fence lines, section lines or other rights-
14 of-way that did not pose a high level of risk because they were visible and known
15 to farmers, shallow and exposed pipe are not visible and known to customers until
16 there is imminent danger of causing damage. Exposed pipe would include pipe
17 that was originally laid above the ground (like TOG) and pipe that has not buried
18 deep enough as is now visible and exposed. Spans are segments of pipe that were
19 intentionally installed above grade and that cross a known obstacle, which can
20 include creeks, rivers, ditches, or highways. These pipes can be supported or
21 unsupported. Supported spans can be attached to a bridge or similar structure.
22 Unsupported spans are generally shorter segments of pipe that are not supported
23 by any structures and are also known as freestanding.

1 BH Nebraska Gas would like to change the name of this category from “Top of
2 Ground Replacement” to “Top of Ground, Span, Shallow and Exposed Pipeline
3 Replacement”.

4 Illustration KMJ-9 shows an example of a supported span pipeline with
5 signs of external corrosion to be replaced.

6 Illustration KMJ-9



7
8 Illustration KMJ-10 shows an example of an unsupported or freestanding
9 span pipeline to be replaced.

10 Illustration KMJ-10



11

1 Illustration KMJ-11 shows an example of a shallow pipeline to be
2 replaced.

3 Illustration KMJ-11



4
5
6 Illustration KMJ-12 shows an example of an exposed pipeline to be
7 replaced.

8 Illustration KMJ-12



9
10

1 **Q. WHAT ARE THE REQUESTED MODIFICATIONS TO “METER**
2 **RELOCATIONS”?**

3 A. As stated in Mr. Lewis’ testimony, At-Risk Meters, including meters that are
4 inside residences, are considered the second highest safety issue in our system.
5 Inside meters may present a safety issue because they are susceptible to damage
6 from customers within their homes. Also, as part of the routine process of testing
7 and exchanging meters, these meters require entrance into the customer’s home or
8 business and often second visits to re-light gas appliances.

9 At-Risk Meter relocation is needed to improve customer safety, improve
10 customer service, and save costs on operation and maintenance. Currently,
11 BH Nebraska Gas must schedule an appointment to operate and maintain a meter
12 located inside a customer’s premise. This meter location can result in
13 inconvenience and disruption for customers. In addition, if the Customer does not
14 permit access to the premise, fails to honor the service appointment, or is tardy to
15 a scheduled appointment, then the cost of waiting or rearranging the BH Nebraska
16 Gas appointment can end up costing the Company more time and expense than if
17 the meter is relocated outside of the premise. Meter Relocations are needed under
18 the DIMP program.

19 Currently, the SSIR mechanism does not expressly include relocation of
20 inside at-risk meters. BH Nebraska Gas proposes to modify the description of
21 “Meter Relocations” to include at-risk meters that are currently located near a
22 highway, street, alley or inside a structure or premise.

23 Illustration KMJ-13 shows an example of an inside meters under
24 staircases, where gas could accumulate should there be a leak.

Illustration KMJ-13



Q. WHAT ARE THE REQUESTED MODIFICATIONS TO “PVC PIPE REPLACEMENT”?

A. There are pipes made of material other than PVC that are not recommended currently, due to the evolution of superior piping materials and new construction methods, causing these types of piping to pose safety issues to BH Nebraska Gas and the public. Examples include copper, Aldyl-A and Orangeberg. BH Nebraska Gas proposes to change the name of this category to “Obsolete Pipe” and clarify that it would apply to replacing pipe where the material poses a safety or operational risk and is no longer the industry standard, such as PVC.

Illustration KMJ-14 shows an example of an Aldyl-A pipeline to be replaced.

Illustration KMJ-14



1 **Q. IF THE SSIR MECHANISM IS NOT APPROVED, HOW LONG WOULD**
2 **IT TAKE TO RELOCATE OR REPLACE ALL SSIR ELIGIBLE**
3 **PROJECTS IN NEBRASKA?**

4 A. The projects to relocate and replace all eligible SSIR work will take several
5 decades to complete. Without the SSIR, a Rate Review Application every two
6 years would probably be necessary, but there are other factors that will influence
7 the time needed to complete all of this work.

8 BH Nebraska Gas is uncertain of the potential challenges that may occur
9 during the next several years. For example, BH Nebraska Gas could encounter
10 any of the following project completion issues: (a) finding qualified third-party
11 contractors, (b) coordinating with customers, (c) coordinating with local
12 governments, (d) landowner disputes, or (e) permitting issues.

13 However, the status quo is not a viable option. Continuing to replace these
14 vintage higher risk pipes on a reactive basis is not an appropriate plan. Reducing
15 risk to life and property by replacing these pipelines is consistent with federal and
16 state regulations requiring the utility to provide safe and reliable service.
17 Accelerating these replacements in conjunction with establishing the SSIR is a
18 reasonable approach to programmatically identify and reduce potential threats
19 across the BH Nebraska Gas distribution system.

20 **Q. HOW HAS BH NEBRASKA GAS HISTORICALLY PRIORITIZED THE**
21 **WORK THAT MUST BE COMPLETED ON ITS SYSTEM?**

22 A. BH Nebraska Gas has historically relied on subject matter experts (“SME”) to
23 prioritize the work that needed to be completed on the system. The priority for
24 replacing pipe was determined by focusing on the areas with known risks,

1 including leak history, vintage material, and the proximity of the pipe to
2 populated areas. The SME's would compile a list of projects into a five-year plan
3 and determine, based on their experience and opinions, the projects having the
4 highest risk of safety, integrity, and reliability issues. The projects with the
5 highest risk would be rated highest on the priority list and completed in that order.

6 **Q. PLEASE DESCRIBE THE PROACTIVE PROCESS THAT BH**
7 **NEBRASKA GAS WILL USE TO DETERMINE THE SELECTION AND**
8 **PRIORITIZATION OF SSIR PROJECTS.**

9 A. The Company recently created a department within the Gas Engineering group
10 whose primary focus is system integrity. That group is taking a more systematic
11 and consistent approach to identify and rank projects based on a set of criteria and
12 has developed a new model to be used for this purpose. Mr. Lewis further
13 discusses this process and the model in his testimony. While the model is a
14 valuable component of the prioritization process and continues to be improved,
15 data gaps make it impossible to rely solely on the model. As a result, the
16 Company is using this new systematic approach and model in conjunction with
17 SME information to prioritize SSIR projects.

18 **Q. PLEASE DESCRIBE THE BENEFITS OF USING THE PRIORITY**
19 **BASED REPLACEMENT APPROACH.**

20 A. The priority-based replacement approach is a more objective approach to ranking
21 project risk. It also provides a baseline assessment for areas of risk and can show
22 progress being made as well as to continue to rank projects against one another.
23 Mr. Lewis elaborates more on the benefits of the priority-based replacement
24 approach in his testimony.

1 **VII. OPERATING METRICS**

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

4 A. BH Nebraska Gas has identified a series of service metrics to determine whether
5 we are providing safe, reliable, and customer responsive service. The service
6 metrics set forth quality requirements and are monitored on a monthly basis.
7 Examples of these requirements include the following:

- 8 • **Compliance** – Past Due Orders, Leak Management, Click™
9 Compliance¹¹, Emergency Response, Notice of Probable Violations,
10 Excavation Audit
- 11 • **Safety** – Preventable Vehicle, Recordable Injuries
- 12 • **Customer Service** – Medallia survey results per region
- 13 • **Damage Prevention** – Hits per Thousand
- 14 • **Employee Engagement** – Safety Training, Energize

15 I have attached Exhibit No. KMJ-3 to my testimony, which is a summary of the
16 BH Nebraska Gas 2019 end-of-year operating metrics performance.

17 **Q. HOW DO THESE OPERATING METRICS SUPPORT THIS RATE**
18 **APPLICATION?**

19 A. The operating metrics support the rate application in two ways. First, the staffing,
20 training, customer information systems, and other assets used in providing the
21 level of customer service expected by BH Nebraska Gas customers requires the

¹¹ Click™ compliance is a software program aimed at ensuring compliance with regulatory requirements for accurate timesheet coding, Service Technician dispatching recording Customer service assignments, and other business management processes.

1 commitment of significant capital and expense. To maintain high performance
2 operation metrics shown on Exhibit No. KMJ-3, the Company is seeking approval
3 of the Company's rate application. Exhibit No. KMJ-3 supports the Company's
4 rate Application related to the level of significant capital and ongoing cost into the
5 future.

6 Secondly, BH Nebraska Gas committed in Commission Application No.
7 NG-100 to provide testimony and examples of how the consolidation of BH Gas
8 Utility and BH Gas Distribution is beneficial to customers of BH Nebraska Gas.
9 Exhibit No. KMJ-3 intends to satisfy, in part, the commitments made by BH
10 Nebraska Gas in Commission Application No. NG-100. Exhibit No. KMJ-3 and
11 the various operating metric requirements applied by BH Nebraska Gas benefit
12 customers on a short, medium, and long-term basis. Other examples of how the
13 consolidation of BH Gas Utility and BH Gas Distribution benefits customers of
14 BH Nebraska Gas in the short, medium, and long term is provided in the
15 testimony below.

16 **VIII. NEW OPERATIONS AND SERVICE CENTERS**

17 **Q. PLEASE DESCRIBE BH NEBRASKA GAS' STRATEGIC FACILITY**
18 **PLAN FOR NEBRASKA.**

19 **A.** In 2016, following the close of the SourceGas Acquisition, BH Nebraska Gas
20 began evaluating its facilities to determine if the facilities were owned or leased,
21 what condition the facilities were in, and to explore where efficiencies could be
22 created. After undertaking this review, BH Nebraska Gas created the Strategic
23 Facility Plan for Nebraska which aimed to contain costs by promoting efficiencies
24 and by reducing the number of leased facilities in favor of facility ownership.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF THE BH NEBRASKA GAS**
2 **FACILITIES IN 2016.**

3 A. In 2016, BH Nebraska Gas had 98 total facilities. Of those 98 facilities, 45 were
4 owned (46%) and 53 were leased (54%). The 98 facilities contained a total of
5 406,995 square feet. Of the 406,995 total square feet, 263,061 square feet was
6 owned (65%) and 143,934 square feet was leased (35%).

7 **Q. PLEASE PROVIDE AN OVERVIEW OF THE BH NEBRASKA GAS**
8 **FACILITIES IN 2020.**

9 A. As of June 1, 2020, BH Nebraska Gas has 36 total facilities. It is expected that
10 one final facility will be consolidated later in 2020, bringing the total down to 35
11 facilities. Of the current 36 facilities, 32 are owned (89%) and 4 are leased (11%).
12 The 36 facilities contain a total of 261,524 square feet. Of the 261,524 total
13 square feet, 255,931 square feet is owned (98%) and 5,593 square feet is leased
14 (2%).

15 **Q. HOW HAS THE REDUCTION IN FACILITIES AND SQUARE**
16 **FOOTAGE BENEFITTED BH NEBRASKA GAS?**

17 A. Operating expenses directly related to facilities have been reduced when
18 compared to 2016 operating expenses. The reduction in overall expenses
19 associated with the reduction of facilities is a result of 1) the overall reduction of
20 space (a reduction in the number of facilities and square footage); and 2) durable
21 facility design and newer and more efficient systems (e.g., lighting, HVAC,
22 thermal envelope). Exhibit No. KMJ-5 is a map showing the location of BH
23 Nebraska Gas' service centers that exist today. The following table shows the

1 estimated reduction in operating expenses when comparing 2016 facilities to 2020
2 facilities.

3		Estimated Operating Expenses
4	2016	\$1,381,069
5	2020	\$537,148
6	Total Reduction	-\$843,921 (61% decrease)¹²

7 **Q. PLEASE PROVIDE ADDITIONAL DETAILS ON THE NEW BH**
8 **NEBRASKA GAS LINCOLN OPERATIONS CENTER.**

9 A. The new Lincoln Operations Center provides for efficiencies in managing
10 employees and equipment. It replaces an older building across the street from the
11 new Lincoln Operations Center. The lease on the old Lincoln Operations Center
12 expired on December 31, 2019. The new Lincoln Operations Center has less
13 square footage and the average cost per month of the facility is expected to be
14 significantly less. BH Nebraska Gas employees began working from the new
15 Lincoln Operations Center in December of 2019. The new Lincoln Operations
16 Center is also designed for collaboration between employees and include several
17 ergonomic features to help with the health and wellness of BH Nebraska Gas
18 employees. These building features are designed to provide for more productivity,
19 more employee collaboration, and help in the recruitment and retention of
20 employee for BH Nebraska Gas or BHSC. The greater productivity of skilled
21 employees will benefit BH Nebraska customers over the long-term.

22

¹² These are projections based solely on overall square footage with an average spending for these facility types and not based on actual spending for each facility.

1 **IX. STAFFING AND ADMINISTRATION**

2 **Q. WHAT STAFFING CHANGES HAVE OCCURRED AT BH NEBRASKA**
3 **GAS SINCE THE CLOSING OF THE SOURCEGAS ACQUISITION?**

4 A. BH Nebraska Gas has remained relatively steady in the number of employees
5 since the closing of the SourceGas Acquisition. BH Nebraska Gas had 358
6 employees as of May 1, 2020. However, BH Nebraska Gas plans to add eighteen
7 (18) new employee positions through 2020, as explained below. BH Nebraska
8 Gas is committed to maintaining a strong presence in Nebraska.

9 **Q. DID OVERALL STAFFING REDUCTIONS OCCUR AT BLACK HILLS**
10 **CORPORATION (INCLUDING BH NEBRASKA GAS) AFTER THE**
11 **SOURCEGAS ACQUISITION?**

12 A. Yes. As is expected, anytime one business acquires another similar business,
13 redundant functions and employee positions existed between the BHC and
14 SourceGas. Like any prudent business, BHC conducted a detailed review of roles
15 during the transition and post-acquisition and made the difficult decision to
16 eliminate duplicative positions. Across BHC, position redundant eliminations
17 occurred primarily in corporate support functions and in states like Colorado,
18 Nebraska, and Wyoming. The Transition Report submitted with the testimony of
19 Mr. Klapperich shows the level of savings due to the synergies realized by the
20 elimination of redundancy.

1 **Q. IS BH NEBRASKA GAS PROPOSING TO INCREASE STAFF AS PART**
2 **OF THIS CASE?**

3 A. Yes, BH Nebraska Gas determined that there is a need for additional operations
4 staff. The additional staff is needed in construction and support positions for the
5 business to operate in the most efficient manner.

6 **Q. PLEASE EXPLAIN HOW BH NEBRASKA GAS HAS DETERMINED**
7 **THAT ADDITIONAL POSITIONS ARE NECESSARY.**

8 A. BH Nebraska Gas conducted a review of its Operations Department workload,
9 field processes, construction processes, and support functions, and determined
10 that the Company needs to add additional construction and support positions.

11 **Q. WHAT ARE YOUR OPERATIONS STAFFING RECOMMENDATIONS**
12 **AND TIMING?**

13 A. BH Nebraska Gas proposes to add eighteen (18) additional positions to support its
14 operations. BH Nebraska Gas will fill the positions through the end of the year
15 2020. The proposed new positions cover a variety of specialties, including:
16 construction, community relations, business development, damage prevention,
17 and regulatory and financial analyst positions.

18 **Q. PLEASE SUMMARIZE THE TYPE OF CONSTRUCTION POSITIONS**
19 **THAT THE COMPANY PLANS TO ADD.**

20 A. BH Nebraska proposes to add three (3) Utility Construction Specialists, eight (8)
21 Construction Inspectors, one (1) Supervisor of Utility Construction Specialists,
22 and one (1) Supervisor of Construction Inspectors to support BH Nebraska Gas
23 operations.

1 As part of its ongoing gas operations review process, the Company is
2 transitioning to improved construction planning processes to increase the
3 efficiency, accuracy, and standardization of its construction planning activity. The
4 intent of the change is to improve planning and execution of our critical
5 infrastructure projects. The Company conducted a Company-wide review of
6 construction planning processes and staff, which resulted in an organizational
7 recommendation for standardized construction planning support roles and
8 operations support functions. Ultimately, this effort is intended to provide more
9 effective support to our field operations team, permitting them to focus on
10 providing safe and reliable service to our customers.

11 **Q. PLEASE DESCRIBE THE COMMUNITY AFFAIRS POSITION.**

12 A. BH Nebraska Gas is seeking to hire one (1) Community Affairs Manager. The
13 purpose of this position is to improve our relationships and responses to
14 customers, community leaders, and other stakeholder inquiries related to services,
15 franchises, and community involvement of BH Nebraska Gas. The Community
16 Affairs role will serve as the primary point of contact for community leaders, as
17 well as for the Commission. The Community Affairs employee will represent BH
18 Nebraska Gas before external stakeholders to build and maintain strong and
19 collaborative relationships with communities and customers through strategic
20 communication plans and tactics.

21 **Q. PLEASE DESCRIBE THE BUSINESS DEVELOPMENT POSITION.**

22 A. BH Nebraska Gas is seeking to hire one (1) Business Development Manager. The
23 purpose of adding another Business Development position is to drive growth

1 through sales and marketing efforts, economic development and community
2 partnerships and customer management.

3 **Q. PLEASE DESCRIBE THE DAMAGE PREVENTION COORDINATOR**
4 **POSITIONS.**

5 A. BH Nebraska Gas is seeking to hire two (2) Damage Prevention Coordinators.

6 The purpose of the damage prevention coordinator position is to respond to and
7 review any situations where third-party damages occur. In addition, the damage
8 prevention coordinators will help educate and monitor third-party excavation
9 contractors about pipeline safety. These positions are needed to ensure the
10 Company will remain safe and compliant due to increased programmatic spend
11 and due to the ever-increasing size and complexity of integrity and other projects.
12 BH Nebraska Gas is trying to be more proactive in preventing future damages.

13 **Q. PLEASE DESCRIBE THE REGULATORY AND FINANCIAL ANALYST**
14 **POSITION.**

15 A. BH Nebraska Gas is seeking to hire one (1) Regulatory and Financial Analyst.

16 The purpose of the regulatory and financial analyst position is to support BH
17 Nebraska Gas on its financial and regulatory responsibilities. This position would
18 interface with the Commission on a variety of regulatory matters, including the
19 preparation and review of the SSIR. This position would also provide financial
20 planning and compliance support.

21 **Q. WHAT WILL BE THE TOTAL COST TO HIRE THESE NEW**
22 **POSITIONS?**

23 A. The Direct Testimony of Mr. Clevinger provides the amount included in the
24 Revenue Requirement Study for these positions.

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

2 A. BH Nebraska Gas has a diverse workforce including employees in bargaining unit
3 and non-bargaining unit positions. Approximately 69% of the workforce
4 represents employees covered by one or two collective bargaining agreements:
5 IBEW Local Union No. 244 and CWA Local Union No. 7476.

6 **Q: WHAT IS THE STATUS OF THE CURRENT COLLECTIVE**
7 **BARGAINING AGREEMENTS?**

8 A. The current collective bargaining agreement with IBEW Local Union No. 244
9 expires March 13, 2022. Under that agreement, the last wage increase for gas
10 employees was awarded on March 13, 2020 in the form of a percent (3%) general
11 wage increase.

12 The current collective bargaining agreement with CWA Local Union No.
13 7476 expires October 30, 2022. Under that agreement, the last wage increase for
14 gas employees was awarded on January 13, 2020 in the form of a two percent
15 (2%) adjustment for Measurement Technicians and a general wage increase of
16 three percent (3%) for all other collective bargaining positions.

17 **Q: WHEN WILL THE NEXT COLLECTIVE BARGAINING AGREEMENTS**
18 **BE NEGOTIATED?**

19 A. Negotiations with IBEW Local Union No. 244 are anticipated to begin in March
20 2022. Negotiations with CWA Local Union No. 7476 were finalized January 2020
21 and the contract was ratified in February 2020.

22

23

1 **Q: HOW ARE BARGAINING EMPLOYEE WAGE INCREASES**
2 **DETERMINED?**

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

8 **X. COMMUNITY SUPPORT**

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

11 A. As a community partner, BH Nebraska Gas is active in numerous civic and
12 community events and organizations through economic development initiatives,
13 financial contributions, and the involvement of its dedicated employees. BH
14 Nebraska Gas employees are involved in, appearing before, working with, or in
15 some cases, serving on city councils, chamber boards, and planning commissions.
16 BH Nebraska Gas has been involved in a broad range of projects to improve its
17 local communities, including active involvement in local United Way campaigns,
18 Walk for Warmth, and many other community initiatives across our service
19 territory.

20 **Q. HOW ELSE DOES BH NEBRASKA GAS SHOW COMMUNITY**
21 **SUPPORT?**

22 A. BH Nebraska Gas assists local non-profit organizations with grant applications to
23 the Black Hills Corporation Foundation ("BHC Foundation") in order to facilitate
24 additional funding to capital projects that will benefit the region. The grants made

1 by the BHC Foundation are donations from shareholders of BHC. BH Nebraska
2 Gas has partnered with organizations to advocate for grants in the areas of
3 education, environmental protection, public safety, and community health. Since
4 2016, the BHC Foundation and BH Nebraska Gas have granted over \$395,000
5 involving 21 communities within Nebraska.

6 **Q. PLEASE PROVIDE EXAMPLES OF COMMUNITY AND CUSTOMER**
7 **SUPPORT MADE BY THE COMPANY AND ITS EMPLOYEES.**

8 A. BH Nebraska Gas and its employees have been very active within Nebraska
9 supporting its communities by donating much needed time and resources. A few
10 examples of BH Nebraska Gas community participation in 2019 includes:

- 11 • **\$396,000 – Contributions and Sponsorships** – Investments in the great
12 work of hundreds of worthy local organizations and nonprofits.
- 13 • **\$234,000 – Economic Development** – Aided local organizations and
14 Chambers of Commerce working to grow our communities.
- 15 • **\$145,000 – Low-Income Energy Assistance** – Black Hills Cares helped
16 more than 149 families in need with energy assistance.¹³
- 17 • **\$118,000 – United Way Donations** – Employees gave almost \$95,000,
18 plus a 25 percent match from Black Hills Corporation Foundation to
19 benefit 14 United Way agencies.
- 20 • **\$10,000 – Energy Saving Trees** – Invested in planting 300 trees, which
21 will grow to filter storm water and absorb pollutants in our communities.

¹³ The data for this category of community and customer support may be understated due to incomplete or unverified records and a change in administrative managers within the agency managing the assistance. In 2018, over 280 families were assisted with energy assistance.

- **300+ First Responders – Training for Our Communities** – Hosted emergency response training for 300 first responders serving 18 Nebraska communities.

- **270+ Organizations – Volunteerism** – More than 300 employees in Nebraska shared their time with over 270 community organizations.

The Company and its employees are truly part of the Nebraska communities served by BH Nebraska Gas. BH Nebraska Gas is committed to providing customer and community support to communities throughout the BH Nebraska Gas service area.

XI. SYSTEM SAFETY

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

A. Safety is always the focus of the BH Nebraska Gas engagement in the community. For example, BH Nebraska Gas partners with local fire departments to provide natural gas fire demonstrations and trainings for first responders in the community at no cost to attendees. BH Nebraska Gas also participates in damage prevention demonstrations throughout the service territory in partnership with Nebraska 811, and annually sends damage prevention materials to excavators in the counties BH Nebraska Gas serves. Communications to customers via a variety of methods, including bill message and media alerts to local publications, provide a variety of safety messages on subjects such as a reminder to clear snow from meters. In addition, BH Nebraska Gas has purchased new technology equipment for each of our technicians that will assist with gas leak detection (LZ-30) going forward. Finally, BH Nebraska Gas has made substantial capital investments to its

1 transmission and distribution systems to improve the safety, integrity, and
2 reliability of its systems. BH Nebraska Gas will continue to make necessary
3 capital improvements to make sure Nebraska customers receive safe and reliable
4 natural gas service.

5 **A. Third Party Damages**

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

8 A. In 2019, BH Nebraska Gas had 1.69 hits per thousand locates (locate tickets
9 called into Nebraska One Call) out of 181,733 total One Call locates. BH
10 Nebraska Gas was the top performing state at preventing line hits when compared
11 to all other BHC utilities. However, our goal is to improve on that number and
12 reduce line hits as much as possible. In analyzing the issue, we found some of the
13 drivers of line hits were the high rate of construction in the Lincoln area
14 (particularly the ALLO fiberoptic installation project), inattention to One Call
15 laws by some excavators, and issues with un-locatable plant (due to broken tracer
16 wires from construction damage). BH Nebraska Gas has developed a focused
17 damage prevention program to address key drivers of third-party damage. This
18 Company focus will provide for a safer system in the short, medium, and long
19 term.

20 **Q. WHAT ACTIONS HAS BH NEBRASKA GAS TAKEN ON DAMAGE**
21 **PREVENTION?**

22 A. In March of 2018, BH Nebraska Gas hired a full-time Damage Prevention
23 Coordinator, whose sole focus is to reduce third-party damage on our natural gas

1 system. The Coordinator has partnered with Nebraska One Call, excavators, and
2 with BH Nebraska Gas leadership in an aggressive effort to reduce damages. The
3 Coordinator has started constructive communication with contractors who damage
4 our system and has begun training them on One Call laws, safe excavation
5 procedures, and best practices. The Coordinator has also started to unify the
6 internal process of BH Nebraska Gas to identify and replace plant that can't be
7 located currently by improving tracking, prioritization, and mapping updates.

8 **Q. WHAT BENEFITS FLOW FROM A DAMAGE PREVENTION**
9 **PROGRAM?**

10 A. The most important benefit is improved public, excavator, and employee safety.
11 Reducing damage to our system and improving One Call law compliance reduces
12 the likelihood of serious injury to the excavator who hits the line, our employees
13 who repair the line, and the public. Ultimately, BH Nebraska Gas will attempt to
14 reduce its damage rates through the excavator education, and a relentless focus
15 and effort to reduce damages to the gas system. Apart from safety considerations,
16 damage to our system causes disruption and increased work for our crews to
17 repair the damage. Part of our workload analysis found that we can decrease time
18 spent on emergency workload if we reduce the amount of third-party damage to
19 our system. Instead of responding to emergency damage calls, our employees can
20 focus on system maintenance, compliance, and customer service. This is a key
21 factor in BH Nebraska Gas' request for two new Damage Prevention
22 Coordinators as described in my testimony above. This effort will benefit
23 customers in the short, medium, and long term.

24

B. Line Locates

Q. PLEASE EXPLAIN THE LINE LOCATE PROCESS.

A. Under Nebraska law, excavators are required to call the Nebraska One Call Center to report their plans to dig prior to doing so. Nebraska One Call then notifies all utilities that have facilities in the area of the proposed dig site, and those utilities are required to report to the site and locate and mark all their facilities in the area. From a safety perspective, compliance with One Call laws (essentially “calling before you dig” and the proper marking of utility lines) can significantly decrease risk: compliance helps ensure that an excavator digs safely and helps avoid damage to utilities. Hitting a natural gas, electrical, water, or fiber optic line can cause significant property damage or can result in serious injury or death. As a result, BH Nebraska Gas is committed to ensuring the accurate location of its facilities.

Q. PLEASE ELABORATE ON THE INCREASES IN LINE LOCATES BH NEBRASKA GAS HAS EXPERIENCED.

A. The Company has experienced a greater than 60% increase in line locate volume since 2012. In 2012, BH Nebraska Gas’ locate volumes were 110,955. In 2019, BH Nebraska Gas’ locate volumes jumped significantly to 181,733, due to increased construction activity within our service territory, which includes fiber optic installation projects in Lincoln. Currently, BH Nebraska Gas utilizes outside contractor United States Infrastructure Company (“USIC”) for locating services in the Lincoln market and our own BH Nebraska Gas employees for locating outside of the Lincoln area.

1 Q. HAS BH NEBRASKA GAS INCREASED STAFF OR OUTSOURCED
2 LINE LOCATES IN ORDER TO ADJUST TO THE INCREASED LINE
3 LOCATE REQUESTS?

4 A. BH Nebraska Gas has not added any field employees since 2012 to handle the
5 increased work, even after the 60% increase in line locates. In 2015 in response to
6 an even greater increase in line locate activity caused by a fiber optic project in
7 Lincoln, BH Nebraska Gas started to gradually outsource some line locate work.
8 After evaluating the quality of outsourced work, BH Nebraska Gas has outsourced
9 additional (but not all) line locate work to USIC and has included outsourced line
10 locate costs in its pro forma test year. We will continue to evaluate the role that
11 outsourcing line locates will have on our workload.

12 Q. DOES THE INCREASED LINE LOCATION ACTIVITY IMPEDE THE
13 ABILITY OF BH NEBRASKA GAS FIELD EMPLOYEES TO
14 COMPLETE SCHEDULED WORK ORDERS?

15 A. Yes. Increasing the amount of time spent on line locates by existing employees
16 decreases available time for those employees to complete other necessary tasks,
17 including system maintenance and other work necessary to provide reliable
18 natural gas service to its customers.

1 **Q. REGARDING THE ALLO PROJECT DESCRIBED IN THE TESTIMONY**
2 **OF MR. AMDOR, DID BH NEBRASKA GAS PUT CONTROLS IN PLACE**
3 **TO MONITOR AND CONTAIN THE CONTRACT COSTS WHILE**
4 **ENSURING THE PROCESS PREVENTED DAMAGES TO PERSON AND**
5 **PROPERTY AND MINIMIZED THE DISRUPTION OF UTILITY**
6 **SERVICES RESULTING FROM ACCIDENTS CAUSED BY DAMAGE**
7 **TO UNDERGROUND FACILITIES?**

8 A. Yes. BH Nebraska Gas (then BH Gas Utility) placed several controls in place to
9 monitor and contain the contract costs. For example, representatives of BH Gas
10 Utility and USIC would meet with ALLO construction crews weekly to determine
11 where their crews would actually be working. That knowledge reduced the
12 amount of time and locations that would otherwise be needed for line location.

13 **Q. DID BH NEBRASKA GAS SUPPORT FINDING OTHER**
14 **ALTERNATIVES FOR COST REIMBURSEMENT?**

15 A. Yes. The Company supported legislation in 2019 that was proposed to shift these
16 types of incremental line location costs on the project developers. The bill was
17 unsuccessful. In addition, the Company also attempted to negotiate with ALLO
18 several times to pay for a portion of all the incremental costs incurred by BH Gas
19 Utility to perform the gas line locations. ALLO rejected the Company's requests
20 for reimbursement. BH Gas Utility also coordinated its line locations with other
21 utilities who also contract with USIC to reduce the overall costs by USIC to its
22 various clients. The costs were not and are not recoverable through the franchise
23 between the City of Lincoln and BH Nebraska Gas. These line location costs

1 result from the statutory duty imposed upon BH Gas Utility and were
2 unavoidable. The costs are appropriate for full recovery as part of this proceeding.

3 **Q. WERE THE LINE LOCATION COSTS REASONABLE?**

4 A. Yes. The costs were subject to a line location contract between USIC and the
5 Company. The contract was provided to the Public Advocate and the Commission
6 as part of the ALLO Project Commission proceeding in Application No. NG-
7 0093. That contract was negotiated. The charges under the contract are
8 reasonable. As described above, BH Nebraska Gas pursued every available option
9 to avoid, and then to manage the unavoidable line location costs.

10 **Q. WILL THE ALLO PROJECT COSTS BE RECOVERED THROUGH**
11 **LINCOLN CUSTOMERS?**

12 A. Yes. A separate surcharge will provide for recovery from residents located within
13 the City of Lincoln. The Company proposes that surcharge will be collected over
14 a three-year period.

15 **C. Reliability**

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

17 A. Yes, BH Nebraska Gas is required by statute to provide safe and reliable natural
18 gas service to our customers.¹⁴ BH Nebraska Gas has made substantial capital
19 investments to improve the reliability of its system. For example, the recently
20 completed Lincoln Resiliency Project (“LRP”) added a second feed into the City
21 of Lincoln. This was a necessary step to protect BH Nebraska Gas’ system and to
22 provide reliability to our customers. In addition, BH Nebraska Gas has continued

¹⁴ 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 to invest in system integrity, which contributes to the overall reliability of the
2 system. Similarly, at the request of the City of Norfolk, Nebraska, BH Nebraska
3 Gas constructed a second gas line (“Northeast Nebraska Line”) from Northern
4 Natural Gas to Norfolk, Nebraska. The City, the State of Nebraska, and a large
5 industrial customer made multi-million-dollar contributions towards the
6 construction of the Northeast Nebraska Line. That gas line significantly enhances
7 the reliability and resiliency of gas for Norfolk and Northeast Nebraska.

8 **XII. CAPITAL ADDITIONS**

9 **Q. PLEASE GIVE A GENERAL OVERVIEW OF CAPITAL ADDITIONS**
10 **FOR BH NEBRASKA GAS.**

11 A. BH Nebraska Gas is committed to insuring safe and reliable system operations.
12 To that end, BH Nebraska Gas has committed to significant infrastructure
13 investment. The focus and reason for the infrastructure investments is on:

- 14 • Continuing pipeline replacement and farm tap replacement programs;
15 • Improving public and customer safety;
16 • Supporting system integrity work; and
17 • Ensuring system reliability

18 Some examples of capital additions projects included in this rate
19 application are set forth below.

20 Exhibit No. KMJ – 4 is a list of (a) capital additions, including any, (b)
21 Construction Work In Process (“CWIP”), that are subject to review in this rate
22 proceeding.

A. Farm Tap Replacement Program

Q. PLEASE DESCRIBE THE FARM TAP REPLACEMENT PROGRAM.

A. In 2017, BH Nebraska Gas filed Application NG-0090 that sought approval of a program to improve the safety of customer-owned fuel lines (“farm taps”) located between the interstate pipeline tap and the customer premises. The application was approved and order issued on August 22, 2017 with the understanding that all 671 farm taps would be purchased, replaced or abandoned by December 31, 2019. The total recoverable via a monthly surcharge would be capped at \$4 million to be collected through a Farm Tap Surcharge.

Q. WAS THE PROJECT COMPLETED BY THE DECEMBER 31, 2019 DEADLINE?

A. No, primarily due to delays from the flooding and excessive rainfall, winter weather and timing of crops. Obtaining easements proved to be more difficult than expected. As of April 30, 2020, (a) 568 farm taps were purchased or replaced, (b) 4 farm taps are in process, (c) 8 have encountered easement issues, and (d) 99 are farm taps on NNG’s A-Line or are Non-Active, for a total of 679 total farm taps.

Q. DID THE CONTRACTOR RATE CHANGE AFTER DECEMBER 31, 2019?

A. No. The contractor rate remained the same in 2020 as it was during the rest of the project.

Q. WAS THE PROJECT COMPLETED UNDER THE \$4 MILLION CAP?

A. No. The total costs as of April 30, 2020 were \$7,945,044. Additional costs of \$3,945,044 were added by the time of filing this application. This brings the total

1 to date to \$7,945,044. We do not expect the costs of the remaining farm tap
2 replacement/purchases due to easement and legal issues to be significant.

3 **Q. IS BH NEBRASKA GAS SEEKING FULL RECOVERY?**

4 A. Yes. Mr. Bennett supports full recovery of this prudent safety infrastructure
5 investment.

6 **B. Lincoln Resiliency Project**

7
8 **Q. PLEASE DESCRIBE THE LINCOLN RESILIENCY AND NORTHWEST**
9 **LOOP PROJECT.**

10 A. The Lincoln Resiliency Project (“LRP”) accomplished two main objectives: a
11 second delivery point into the Lincoln distribution system and increased
12 deliverability to north and northwest Lincoln. The Lincoln distribution system
13 serves approximately 100,000 customers. Before the completion of the LRP, the
14 Lincoln distribution system was dependent on one delivery point in southeast
15 Lincoln. If something were to happen at this location that reduced or stopped the
16 flow of natural gas, e.g., damage from a tornado or act of terrorism, 100,000
17 customers would be without gas service. As part of the LRP, an aging pipeline
18 built in the 1930’s was replaced with a 16-inch diameter pipeline. The new
19 pipeline provides a second feed into the Lincoln distribution system thus
20 increasing system resiliency. In addition, a 12-inch pipeline was constructed to
21 connect the new 16-inch pipeline and the Northwest Loop. The 12-inch pipeline
22 increases natural gas availability on the Northwest Loop which serves the
23 growing industrial area and new housing developments north of the Interstate.

1 The LRP was completed in three phases in 2019, with nearly 16 miles of
2 new natural gas line installed with pipe size ranging from 12 to 16 inches. The
3 first phase involved upgrading nearly five miles of natural gas line along Highway
4 34 from 148th to 84th Street. The second phase involved installing eight miles of
5 new natural gas line from Highway 34 north to Fletcher Avenue and 56th Street.
6 Phase three was the completion of a multi-year project called the Northwest Loop
7 to increase natural gas availability to the growing industrial area and new housing
8 developments north of the Interstate. Overall, this \$40.4 million three-phase
9 project addressed the needs of our customers, prepared the area for future growth,
10 and improved our safety and reliability. Most importantly, the LRP will provide
11 for more reliability in the case of third-party damage or an unforeseen event on a
12 segment of the high-pressure distribution line, as the LRP will allow the system to
13 continue serving customers natural gas without disruption. The LRP is an
14 approximately \$0.7 million Pro Forma period capital addition.

15 **C. Other Projects**

16
17 **Q. PLEASE DESCRIBE OTHER CAPITAL ADDITIONS PROJECTS OF BH**
18 **NEBRASKA GAS.**

19 **A.** As described in the Direct Testimony of Mr. Clevinger, the capital expenditures
20 incorporated in the Test Period include pro forma and known and measurable
21 adjustments. Approximately \$102 million of capital additions, will be placed in
22 service by December 31, 2020. These capital additions include a variety of
23 projects undertaken by the Company for the benefit of our customers and are

1 associated with four categories: Growth, General Plant, Reliability, and Integrity.

2 This testimony provides a general overview of these projects

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

5 A. The capital additions for growth were necessary to support increased load on the
6 system as a result of population growth. Growth projects included installation of
7 bypass meter bar assemblies, new mains, services, meters and routines, new large
8 volume meters, new regulator stations and 6-inch PE main extensions, upgrade to
9 district regulator stations, and certain facility updates, resulting in approximately
10 \$12.8 million of growth associated capital additions.

11 **Q. PLEASE DESCRIBE THE CAPITAL ADDITIONS INCLUDED IN THE**
12 **GENERAL PLANT CATEGORY.**

13 A. The capital additions included in the General Plant category include removing and
14 replacing obsolete measurement equipment and outdated tools, removing vaults
15 and dresser fittings, purchasing pipe locators, leak detection equipment, and
16 replacement vehicles, resulting in approximately \$17.6 million of general plant
17 associated capital additions.

18 **Q. PLEASE DESCRIBE THE CAPITAL ADDITIONS INCLUDED IN THE**
19 **RELIABILITY CATEGORY.**

20 A. The capital additions included in the Reliability category includes improving the
21 stations that regulate pressure into our distribution systems, replacing an obsolete
22 odorizer, installing necessary district regulatory stations, constructing secondary
23 feeds where needed, and extending 4-inch PE main, resulting in approximately
24 \$10.7 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
4 services comprised of vintage pipe, above-ground spans, top of ground mains,
5 obsolete odorizers, third-party damage, and leak repair, resulting in approximately
6 \$57 million of integrity associated capital additions.

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

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

10 **Q. WAS BH NEBRASKA GAS PRUDENT IN MANAGING THESE**
11 **PROJECTS TO BE COST EFFECTIVE?**

12 A. Yes. We are committed to managing projects in a prudent manner so that the
13 ultimate cost to the consumer is just and reasonable.

14 **XIII. OTHER BH NEBRASKA GAS OPERATING ISSUES**

15 **Q. PLEASE DESCRIBE WHAT ACTION BH NEBRASKA GAS TOOK IN**
16 **RESPONSE TO THE COVID-19 VIRUS PANDEMIC.**

17 A. Thankfully, BH Nebraska Gas customers are served by a corporation that has
18 maintained its financial strength. As BH Nebraska Gas witness Mr. Amdor
19 testifies, BHC has maintained investment grade credit ratings and is currently
20 rated BBB+ by Fitch and Standard and Poor's and Baa2 By Moody's. Nebraska
21 assets and operations are separated from non-regulated business units.

22 ○ BH Nebraska Gas remained committed to making practical decisions to
23 appropriately protect all parties as the communities it serves dealt with the
24 COVID-19 threat. In response to the pandemic caused by the Covid-19
25 virus, and the resulting impact on BH Nebraska Gas, our Company has
26 taken several actions. Some of the actions the company has taken include:

- BH Nebraska Gas closely monitored the frequently evolving environment and assessed its processes alongside those developments.
- The company worked closely with local health, public safety and government officials to minimize the spread of COVID-19 and minimize the impact of service to customers.
- Black Hills Energy temporarily suspended nonpayment disconnections for its customers. We realize that due to possible extended periods of isolation, customers may face financial hardships effecting their ability to timely pay their energy bills.
- To minimize the potential spreading of COVID-19 Black Hills Energy asked customers who had a fever, dry cough or had been diagnosed with the virus within the last 48 hours prior to a service call to consider postponing non-emergency service calls.
- BH Nebraska crews continued to respond to all emergency calls and wore appropriate personal protective equipment and followed health practices as recommended by the Center for Disease Control and other health organizations.
- Employee travel was limited to mission critical purposes.
- Customer walk-in locations were closed temporarily.
- A work from home policy was implemented for all employees who were able to do so.
- Paid leave was provided for employees who test positive or are put under quarantine.
- All on-site meetings with consultants and gathering of over ten people were postponed and electronic communications are encouraged when possible.
- Delayed the implementation of this rate review application to reduce the financial impact on BH Nebraska Gas.

1 **Q. ARE THERE ANY REMAINING ISSUES TO THE OPERATIONS OF BH**
2 **NEBRASKA GAS RESULTING FROM THE COVID-19 PANDEMIC?**

3 A. Yes. At the time of this filing, (1) the Company is aware of the potential impacts
4 of COVID-19 and (2) the operations and financial impacts of COVID-19 are not
5 all known or measurable. However, BH Nebraska Gas commits to cooperating
6 with the Commission and the Public Advocate and will update its rate review
7 application, testimony and exhibits, as appropriate or necessary, to reflect these
8 impacts as they become known and measurable.

9 The testimony below identifies some areas of our business, customer
10 service, and operations to be impacted by the COVID-19 pandemic. These items
11 may change as time goes on:

- 12 - TOG pipe (a large category). BH Nebraska Gas does not believe that this
13 project will be impacted significantly. BH Nebraska Gas has received
14 guidance from its contractors as to how they plan on providing service
15 through this pandemic;
16
- 17 - At a certain level of virus impacts, contractor work completion will probably
18 be impacted;
19
- 20 - As the threat imposed by the pandemic is reduced, BH Nebraska Gas can turn
21 its attention to completing the “at risk meters” projects. BH Nebraska Gas will
22 schedule that activity to commence and compete later in the year.
23
- 24 - BH Nebraska Gas will focus on keeping mains projects on target for
25 completion;
26
- 27 - We anticipate that there may be an increasing number of customers
28 (residential and commercial) facing financial hardship or bankruptcy;
29
- 30 - Some customers may need to arrange for payment plans; and
31
- 32 - Some vendors may invoke Force Majeure provisions in contract, which could
33 delay construction during a portion of our year.
34
- 35 - BH Nebraska Gas filed a Commission Application in Commission
36 Application No. NG-107 for a Regulatory Accounting Order to establish a

1 Regulatory Asset intended to preserve the extraordinary expenses associated
2 with the Covid-19 Pandemic.
3

4 **XIV. ELECTRIFICATION**

5 **Q. WHAT IS ELECTRIFICATION?**

6 A. Electrification as it is used here is the threat posed by a municipal government
7 enacting an ordinance that restricts or prohibits the delivery of natural gas to
8 citizens of that community. For example, it could be an ordinance changing
9 building codes to install electric appliance and prohibiting the use of natural gas
10 appliance.

11 The City of Lincoln has adopted a long-term plan to reduce the carbon emission.

12 **Q. HOW DOES ELECTRIFICATION IMPACT BH NEBRASKA GAS?**

13 A. Any governmental action that prohibits the efficient use of natural gas, limits or
14 prohibits growth, or prohibits existing natural gas service could have a material
15 impact on the cost of service to BH Nebraska Gas customers. The action could
16 impact how BH Nebraska Gas makes investment in resiliency and reliability
17 projects.

18 **Q. HAVE ANY NEBRASKA COMMUNITIES ENACTED AN**
19 **ELECTRIFICATION ORDINANCE?**

20 A. No. However, as noted above, the City of Lincoln is the largest community served
21 by BH Nebraska Gas. It has formed an Environmental Team to adopt plans that
22 reduce the use of natural gas and carbon emissions in the future. This is a real and
23 growing threat to the business of BH Nebraska Gas in the future. At this time, we
24 don't have any adjustments related to this activity, but point it out as another risk
25 to both our financial and capital infrastructure investment planning.

1

XV. CONCLUSION

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

3 **A. Yes.**

STATE OF NEBRASKA)
) SS
COUNTY OF LANCASTER)

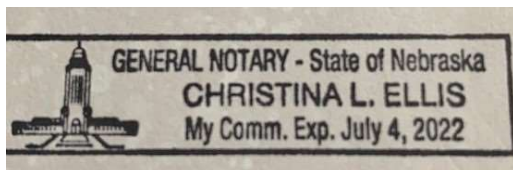
I, Kevin M. Jarosz, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing prepared testimony and I am familiar with its contents, and that the facts set forth are true to the best of my knowledge, information and belief.



Kevin M. Jarosz

Subscribed and sworn to before me this 27th day of May, 2020.

(SEAL)



Notary Public

My Commission Expires:

July 4, 2022