

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER OF APPLICATION OF)
BLACK HILLS NEBRASKA GAS, LLC,)
D/B/A BLACK HILLS ENERGY, RAPID) Docket No. NG-124
CITY, SOUTH DAKOTA SEEKING)
APPROVAL OF A GENERAL RATE)
INCREASE)

PUBLIC

**DIRECT TESTIMONY AND EXHIBITS OF
DONNA H. MULLINAX**

**ON BEHALF OF
THE NEBRASKA PUBLIC ADVOCATE**

August 15, 2025

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Direct Testimony of Donna H. Mullinax

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Exhibit DHM-7	Excerpts from Black Hills Corporation Notice of 2025 Annual Meeting of Shareholders and Proxy Statement
Exhibit DHM-8	Response to PA-274 with CONFIDENTIAL Attachment
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Exhibit DHM-10 BHE Response to PA-232 with CONFIDENTIAL Attachment
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Exhibit DHM-17 BHE Response to PA-271 with Attachments
Exhibit DHM-18 BHE Response to PA-214
Exhibit DHM-19 BHE Response to PA-213 with CONFIDENTIAL Attachment
Exhibit DHM-20 BHE Response to PA-273 with CONFIDENTIAL Attachment

Exhibit DHM SSIR-1 NG-124 Blue Ridge's Examination of the SSIR for the 2026 Program Year
Exhibit DHM SSIR-2 BHE Responses to NG-124 SSIR Related Data Requests

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Donna H. Mullinax. I am President of Blue Ridge Consulting Services, Inc.
My business address is 114 Knightsridge Road, Travelers Rest, South Carolina 29690.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Nebraska Public Advocate.

II. STATEMENT OF QUALIFICATIONS

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL WORK EXPERIENCE.

A. I graduated with honors from Clemson University, earning a Bachelor of Science in Administrative Management and a Master of Science in Management. I am a Certified Public Accountant (CPA) licensed in South Carolina, a Certified Internal Auditor (CIA), and a retired Certified Financial Planner (CFP). I hold the Chartered Global Management Account (CGMA) designation. I am also a member of the South Carolina Association of Certified Public Accountants, the American Institute of Certified Public Accountants, and the Institute of Internal Auditors.

I bring over 45 years of professional experience to my role as President of Blue Ridge, a position I have held since May 2016. Before this, I served as Vice President and Chief Financial Officer (CFO) for 20 years overseeing all aspects of finance and administration, including accounting, cash management, tax planning and preparation,

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1 fixed assets, human resources, and employee benefits for both my current and previous
2 employers. Additionally, I have served on various boards of directors.

3 For more than 30 years, I have been a utility industry consultant, participating in
4 numerous rate cases and providing litigation support for construction claims. My
5 consulting experience spans management, financial, and compliance audits, due diligence
6 reviews, prudence reviews, and economic viability and financial studies. I have worked
7 with public service commissions, attorneys general, and public advocates in the District of
8 Columbia and 20 states, including Arizona, Colorado, Connecticut, Delaware, Hawaii,
9 Kentucky, Illinois, Maryland, Massachusetts, Michigan, Missouri, Nebraska, New
10 Hampshire, New York, North Dakota, Ohio, Oregon, Pennsylvania, Utah, and West
11 Virginia.

12 **Q. HAVE YOU INCLUDED A MORE DETAILED DESCRIPTION OF YOUR**
13 **QUALIFICATIONS?**

14 A. Yes, a detailed description of my qualifications is provided as Exhibit DHM-1.

15 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NEBRASKA**
16 **CORPORATION COMMISSION?**

17 A. Yes. I testified before this Commission in the following dockets:

- 18 • NG-0078 SourceGas SSIR
- 19 • NG-0079 SourceGas Request for Change in Depreciation Rates
- 20 • NG-0084 Black Hills Utility Holdings Acquisition of SourceGas
- 21 • NG-0088 SourceGas Regulatory Asset Treatment for Net Buyout Costs of Two Gas-
- 22 Supply-Related Contracts (P-0802 Contract)
- 23 • NG-0090 BHE's Request for a Farm Tap Safety Proposal and Tariff
- 24 • NG-0093 BHE's Request for Regulatory Asset Treatment of Increased Location Costs
- 25 (ALLO)
- 26 • NG-109 Black Hills Nebraska Gas Request for General Rate Increase
- 27

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Q. HAVE YOU PERFORMED OTHER WORK THAT HAS COME BEFORE THIS COMMISSION?

A. I was responsible for managing projects before this Commission, each of which resulted in a filed report:

- NG-0072 SourceGas ISR
- NG-0072.01 SourceGas ISR
- NG-0074 Black Hills Nebraska Gas Utility ISR
- NG-0074.1 Black Hills Nebraska Gas Utility ISR
- NG-0078.01 SourceGas SSIR
- NG-0078.02 SourceGas SSIR
- NG-0078.03 Black Hills Gas Distribution SSIR
- NG-0078.04 Black Hills Gas Distribution SSIR
- NG-0078.05 Black Hills Gas Distribution SSIR
- NG-0078.06 Black Hills Gas Distribution SSIR
- NG-0078.07 Black Hills Gas Distribution SSIR
- NGP-0090.02 Black Hills Gas Distribution Farm Tap Surcharge
- NG-0095-PI-213 Tax-Rate Change
- NG-100 Black Hills Gas Distribution and Black Hills Nebraska Gas Utility Consolidation of Tariffs
- NG-107 Black Hills Nebraska Gas Deferred Accounting Order (COVID-19 Pandemic)
- NG-111.1 Effect of February 2021 Cold Weather Effect on Nebraska gas utilities Cost of Gas Supply
- NG-111.3 Black Hills Tariff Modification Due to February 20121 Cold Weather Event and Implementation of a Conversion Fee
- NG-112.1 Black Hills Nebraska Gas 2022 SSIR
- NG-112.2 Black Hills Nebraska Gas 2023 SSIR
- NG-117 Black Hills Nebraska Gas Voluntary Renewable Natural Gas Program
- NG-112.3 Black Hills Nebraska Gas 2024 SSIR
- NG-112.3 Replacement Projects
- NG-119 Review of 2023 Commission GSCA Audit of Black Hills Nebraska Gas
- NG-112.4 Black Hills Nebraska Gas 2025 SSIR

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III. SCOPE AND SUMMARY OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to evaluate the revenue requirements proposed by Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy (“BH Natural Gas,” BHE, or “Company”) and to present the effect of the Public Advocate’s recommended ratemaking adjustments on the Company’s revenue requirements. I will also address the renewal of the SSIR, the Deferred Accounting treatment of the Manufactured Gas Plant expenses and Insurance Premiums, the proposed refund of the Excess Deferred Income Taxes (EDIT), and recovery of rate case expenses.

A. Introduction of Public Advocate’s Witnesses

Q. PLEASE INTRODUCE THE PUBLIC ADVOCATE’S WITNESSES AND SUMMARIZE THE TOPICS FOR THEIR RESPECTIVE TESTIMONIES IN THIS PROCEEDING.

A. In addition to my testimony, the Public Advocate is sponsoring testimony of the following expert witnesses in this proceeding.

- **S. Keith Berry, PhD**, presents testimony concerning the Company’s cost of common equity, cost of debt, and capital structure.
- **William Dunkel** presents testimony concerning the Company’s proposed changes to depreciation accrual rates.
- **Howard Solganick, PE**, presents testimony concerning class cost of service, revenue allocation, rate design, Weather Normalization Adjustment Rider, Tariff changes, and the Company’s HEAT Incentives.

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- **Charlie Fijnvandraat, PE**, presents testimony concerning the Company's Operational Strategies, Risk Management and Cost Controls; McCook MGP Site Management; Results of Virtual/Desktop Field Audit, and 2026 SSIR Project review.

B. Overview of Recommended Revenue Requirements**Q. PLEASE SUMMARIZE YOUR RECOMMENDED REVENUE INCREASE.**

A. I recommend an *increase* of no more than \$7,378,446 (Total Company), \$16,685,209 (Jurisdictional) as compared to the Company's approximately \$27.5 million (Total Company), \$34.9 million (Jurisdictional) requested increase to the Company's distribution base rates. The following table compares the Company's revenue requirement request to my recommendation on Schedule 1 of Exhibit DHM-2.

Table 1: Recommended Revenue Deficiency

	<u>Total Company</u>	<u>Jurisdictional</u>
Company's Revenue Deficiency	\$ 27,514,594	\$ 34,923,246
Recommended Adjustment	(20,136,147)	(18,238,036)
Recommended Revenue Deficiency (Sufficiency)	<u>\$ 7,378,446</u>	<u>\$ 16,685,209</u>

As discussed later in my testimony, I acknowledge that this recommendation will change after the Company updates its forecasted plant additions and retirements to reflect the actual year-end December 31, 2025, amounts. The update will affect many of the variables used to calculate final revenue requirement and associated rates.

Q. WHAT ADJUSTMENTS ARE REFLECTED IN YOUR RECOMMENDED REVENUE REQUIREMENT?

A. The following table summarizes my recommended adjustments to the Company's revenue request as provided in Exhibit DHM-2.

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[START CONFIDENTIAL]

**Table 2: Summary of Recommended Adjustments and the Effect on
Rate Base, Operating Income, and Revenue Deficiency**

Company's Request Recommended Adjustments	Confidential			Confidential		
	Total Company			Jurisdictional		
	Rate Base	Operating Income	Revenue Deficiency (Sufficiency)	Rate Base	Operating Income	Revenue Deficiency (Sufficiency)
	\$ 898,989,017	\$ 47,723,620	\$ 27,514,594	\$ 785,247,119	\$ 33,425,807	\$ 34,923,246
Adjustment 1 Accumulated Deferred Income Taxes	\$ (13,503,293)	\$ -	\$ (1,249,779)	\$ (12,949,020)	\$ -	\$ (1,198,479)
Adjustment 2 Prepayments (Confidential)	(259,364)	-	(24,005)	(226,963)	-	(21,006)
Adjustment 3 Cash Working Capital Work Paper	(3,303,445)	-	(305,746)	(3,091,568)	-	(286,136)
Adjustment 4 Annualized Customer Growth		919,753	(1,212,628)		919,752	(1,212,627)
Adjustment 5 Bad Debt		64,440	(84,960)		55,671	(73,399)
Adjustment 6 Direct Labor		497,106	(655,398)		432,345	(570,016)
Adjustment 7 Service Company Allocated Labor		1,198,919	(1,580,689)		1,068,010	(1,408,094)
Adjustment 8 Corrected Payroll Tax		35,343	(46,598)		30,905	(40,746)
Adjustment 9 Incentive Compensation (Confidential)		892,102	(1,176,172)		778,239	(1,026,052)
Adjustment 10 Severance		51,696	(68,157)		45,204	(59,598)
Adjustment 11 Employee Recognition Programs (Confidential)		314,902	(415,176)		275,357	(363,038)
Adjustment 12 Pooled Medical Insurance		155,444	(204,941)		135,924	(179,206)
Adjustment 13 Insurance		220,397	(290,578)		192,722	(254,091)
Adjustment 14 D&O Liability Insurance		79,063	(104,239)		69,133	(91,147)
Adjustment 15 Advertising		6,390	(8,425)		5,532	(7,293)
Adjustment 16 Public Awareness Campaign		151,696	(200,000)		132,401	(174,561)
Adjustment 17 Alternate Forms of Payment		183,088	(241,388)		177,656	(234,227)
Adjustment 18 Stored Gas Property Tax		29,495	(38,887)		25,811	(34,030)
Adjustment 19 Depreciation	5,503,752	4,174,481	(4,994,360)	5,170,575	3,921,773	(4,692,020)
Adjustment 20 Western NE Savings (Confidential)						
Adjustment 21 MGP Soil Sample Testing		105,293	(138,821)		92,071	(121,388)
Adjustment 22 Interest Synchronization		(107,933)	142,302		(99,843)	131,636
Impact of Recommended Cost of Capital	-	-	(7,230,039)	-	-	(6,315,280)
Recommended Adjustments Total	\$ (11,562,350)	\$ 8,977,335	\$ (20,136,147)	\$ (11,096,976)	\$ 8,264,152	\$ (18,238,036)
Recommended Totals	\$ 887,426,667	\$ 56,700,955	\$ 7,378,446	\$ 774,150,143	\$ 41,689,959	\$ 16,685,209

[END CONFIDENTIAL]

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C. Summary of Exhibits

**Q. ARE YOU PRESENTING ANY EXHIBITS IN CONNECTION WITH YOUR
DIRECT TESTIMONY IN THIS PROCEEDING?**

A. Yes. In addition to my qualifications in Exhibit DHM-1, Exhibit DHM-2 includes my Revenue Requirement schedules. Exhibits DHM-3 through DHM-20 are copies of selected documents referenced in my testimony.

Q. HOW ARE THE REVENUE REQUIREMENT SCHEDULES ORGANIZED?

A. The schedules in Exhibit DHM-2 are organized into summary schedules and adjustment schedules. The schedules include Schedules 1, 1.1, 2, 3, 4, 4.1, and 5, along with adjustment-supporting schedules starting with Schedule 5.1.

Q. WHAT INFORMATION IS PROVIDED IN SCHEDULE 1?

A. Schedule 1 provides a summary comparison of the Company's and my revenue requirements and revenue deficiency calculations. It reflects the cumulative impact of the recommended adjustments and presents the revenue requirement necessary for the Company to earn the recommended rate of return on my recommended rate base.

Q. WHAT DOES SCHEDULE 1.1 SHOW?

A. Schedule 1.1 calculates the Gross Revenue Conversion Factor (GRCF), which grosses up the income deficiency to account for taxes. This factor recognizes that the Company must collect more than one dollar in gross revenue for each dollar of net operating income due

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1 to taxation. The schedule also reflects the reduction in the State of Nebraska corporate
2 income tax rate to 3.99% effective in 2027.¹

3 Q. WHAT INFORMATION DOES SCHEDULE 2 PROVIDE?

4 A. Schedule 2 details the Company's proposed test year rate base and the effects of my
5 recommended adjustments—addressed separately in my testimony—used to derive the
6 recommended rate base.

7 Q. WHAT IS SUMMARIZED IN SCHEDULE 3?

8 A. Schedule 3 outlines the Company's proposed test year net operating income and the effects
9 of my adjustments, which are also addressed separately in my testimony, used to derive
10 my net operating income.

11 Q. WHAT DO SCHEDULES 4 AND 4.1 SHOW?

12 A. Schedule 4 summarizes the capital structure and cost of capital proposed by the Company,
13 along with the corresponding figures supported by the Public Advocate's witness, Dr. S.
14 Keith Berry, which are used to calculate the weighted average cost of capital or rate of
15 return. Schedule 4.1 isolates the revenue deficiency impact resulting from the difference
16 between the Company's proposed rate of return and the recommended rate of return.

**17 Q. WHAT INFORMATION IS CONTAINED IN SCHEDULE 5 AND THE
18 SUPPORTING SCHEDULES BEGINNING WITH 5.1?**

¹ The State of Nebraska corporate income taxes have been reduced over the last several years from 7.81% to 5.20% in 2025. The rate will be further reduced to 4.55% in 2026 and 3.99% in 2027.

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1 A. Schedule 5 summarizes the recommended adjustments to rate base and net operating
2 income (revenues less expenses). Supporting schedules beginning with Schedule 5.1
3 provide detailed calculations and explanations for these adjustments.

IV. REVENUE REQUIREMENTS**A. Establishment of Current Base Rate Revenue Requirement**

6 **Q. WHEN WAS THE COMPANY'S CURRENT DISTRIBUTION BASE RATE
7 REVENUE REQUIREMENT ESTABLISHED?**

8 A. The Company's current rates were established in Docket No. NG-109. The Company
9 proposed a test year ending December 31, 2019, and sought an increase of \$17.3 million.
10 The Company and the Nebraska Public Advocate negotiated a Joint Stipulation and
11 Agreement, which initially established an annual revenue requirement for Black Hills of
12 \$11.1 million, to be recovered through its general retail gas rates. This amount was later
13 adjusted through December 31, 2020, in Black Hills's January Report to a final figure of
14 \$10,688,337.²

B. Company's Requested Revenue Increase

16 **Q. WHAT REVENUE INCREASE IS THE COMPANY REQUESTING?**

17 A. The Company's Application requests a total jurisdictional distribution revenue increase of
18 approximately \$34.9 million.³

² NG-109 Order Approving Stipulation and Settlement Agreement (January 26, 2021), pages 1 and 4.

³ Direct Testimony of Brook N. Bassell-Herman at 9:8–10.

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**Q. WHAT DOES THE COMPANY STATE ARE THE PRIMARY DRIVERS OF
THE RATE REVIEW APPLICATION?**

A. The Company states that the primary drivers for the BH Nebraska Gas General Rate Review Application focus on four key areas:

- Recovery of capital infrastructure investments made since the 2020 rate review that are not eligible for recovery through the System Safety Integrity Rider (SSIR), as well as incorporation of SSIR investments made since 2020 into base rates
- Renewal of the SSIR Renewal
- Impacts of inflation, including to increased operating and maintenance expenses, material costs, insurance costs, and labor costs
- Increased cost of debt due to higher interest rates⁴

Q. IS THE COMPANY SEEKING APPROVAL OF OTHER RATE APPLICATION PROPOSALS, AND WHERE HAVE THOSE OTHER PROPOSALS BEEN ADDRESSED IN THE PUBLIC ADVOCATE'S WITNESSES TESTIMONY?

A. Yes. The Company is seeking approval of three regulatory mechanisms:

- SSIR: renewal of the existing SSIR mechanism as well as approval of proposed 2026 SSIR projects [Testimony of Donna Mullinax and Charlie Fijnvandraat]
- High Efficiency Assistance Tool (HEAT): approval of recovery of the third-party administrative costs in the annual spending cap [Testimony of Howard Solganick]
- Weather Normalization Adjustment Rider (WNA): approval of a new proposed Weather Normalization Adjustment Rider [Testimony of Howard Solganick]

⁴ Application (May 1, 2025), v.–vi.

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1 The Company is also seeking Deferred Accounting Treatment approval:

- 2 • Manufactured Gas Plant (MGP): One Deferred Accounting Treatments would
3 authorize BH Nebraska Gas to establish a regulatory asset to record and track costs for
4 future recovery of BH Nebraska Gas costs for Manufactured Gas Plant research,
5 testing, environmental monitoring cleanup, and other appropriate or necessary
6 remediation costs. [Testimony of Donna Mullinax and Charlie Fijnvandraat]
- 7 • Insurance Premiums: This Deferred Accounting Treatment would authorize BH
8 Nebraska Gas to establish a regulatory asset to record and track costs for future
9 recovery of insurance premium cost increases. [Testimony of Donna Mullinax]

10 The Company also proposes other Rate Application items:

- 11 • EDIT: BH Nebraska Gas proposes to refund Excess Deferred Income Taxes due to
12 state of Nebraska tax changes. [Testimony of Donna Mullinax]
- 13 • Rate Area Adjustment: BH Nebraska Gas proposes to move the town of Western, NE
14 from Rate Area Five to Rate Area Three. [Testimony of Howard Solganick]
- 15 • Rate Case Expenses: BH Nebraska Gas proposes to recover rate case expenses to be
16 incurred throughout this proceeding. [Testimony of Donna Mullinax]
- 17 • Tariff Changes: BH Nebraska Gas proposes several tariff changes [Testimony of
18 Howard Solganick and Donna Mullinax].⁵

19

⁵ Direct Testimony of Brook N. Bassell-Herman at 22:17–20.

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V. TEST YEAR

Q. WHAT TEST YEAR IS BEING USED IN THIS CASE?

A. The Company's Base Year is the twelve months ending on December 31, 2024 ("Base Year"), reflecting actual financial performance as recorded in the Company's financial records. The Test Year is derived by taking the Base Year and adjusting it for known and measurable changes as well as applying normalization adjustments and an annualized adjustment to correct for out-of-period billing entries. My calculations for the revenue requirement use the same Test Year.

VI. ADJUSTMENTS TO RATE BASE

Q. WHAT RATE BASE DOES THE COMPANY PROPOSE?

A. The Company proposes a Total Company adjusted rate base of \$898,989,017 (\$785,247,119 Jurisdictional).⁶

Q. WHAT IS INCLUDED IN THE COMPANY'S PROPOSED RATE BASE?

A. The Company's rate base consists of net plant investment (gross plant less accumulated provision for depreciation), working capital (including cash working capital (CWC), materials and supplies, and prepayments. Other rate base items include accumulated deferred income taxes (ADIT), Customer Advances, Customer Deposits, and Regulatory Liabilities (EDIT).⁷ Rate Base is adjusted to include pro forma plant additions and retirements through December 31, 2025.

⁶ Direct Exhibit SKJ-2 Revenue Requirements Study.

⁷ Direct Exhibit SKJ-2 – Revenue Requirement Study, Schedules C, D, E, and F.

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Q. ARE ADJUSTMENTS TO THE COMPANY'S PROPOSED RATE BASE RECOMMENDED?

A. Yes. The following adjustments to rate base items are recommended.

- Plant in Service
- Accumulated Depreciation
- Accumulated Deferred Income Taxes
- Prepayments
- Cash Working Capital

1. Plant in Service

Q. WHAT PLANT-IN-SERVICE BALANCE IS INCLUDED IN THE COMPANY'S RATE REQUEST FOR THE ADJUSTED TEST YEAR?

A. The Company's proposed net plant as of December 31, 2025, is shown in the table below:

Table 3: Company's Proposed Net Plant in Service as of 12/31/2025⁸

		2025			
	12/31/24	Additions	Retirements	Existing Assets	12/31/25
Plant in Service	\$ 1,237,550,582	\$ 127,804,559	\$(20,891,908)		\$ 1,344,463,233
Accumulated Depreciation	322,184,914	2,214,214	(21,558,768)	33,801,207	336,641,567
	<u>\$ 915,365,668</u>	<u>\$ 125,590,345</u>	<u>\$ 666,860</u>	<u>\$ (33,801,207)</u>	<u>\$ 1,007,821,666</u>

Source: Direct Exhibit SKJ-2, Schedule D-1, E-1

Q. WHAT PLANT HAS THE COMPANY INCLUDED IN RATE BASE?

In addition to the plant that was in service as of December 31, 2024, the Company includes \$127.8 million of Construction Work in Progress (CWIP) that is planned to go into service during calendar year 2025 and associated retirements of \$(2.2 million).

Q. WHAT PLANT CAN BE INCLUDED IN RATE BASE UNDER COMMISSION RULES?

⁸ Direct Exhibit SKJ-2, Schedule D-1 and E-1 and Direct Testimony of Lori Mack at 7:3–15.

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A. Commission rules state

NEBRASKA ADMINISTRATIVE CODE
TITLE 291 - NEBRASKA PUBLIC SERVICE COMMISSION
CHAPTER 9 – NATURAL GAS AND PIPELINE RULES AND
REGULATIONS
005.06D COMPLETION AND DEDICATION OF PROPERTY.

The rate base shall ordinarily consist only of those items which are used and useful in providing service to the public. This may include items completed and dedicated to commercial service for which construction will be commenced and completed within one year or less from the end of the test year. The Commission may also determine that property which has not been completed and dedicated to commercial service may be used and useful and included in the rate base. In determining whether construction work in progress should be included in the rate base, the Commission may consider whether projects under construction are prudent.

**Q. WHAT CHALLENGES WERE YOU FACED REGARDING THE
COMMISSION’S RULES AND THE COMPANY’S REQUEST TO INCLUDE
PROJECTED PLANT INCLUDED IN RATE BASE?**

A. I was faced with the same challenge I faced in the last general rate case. Commission rules allow “those items which are used and useful in providing service to the public. This may include items completed and dedicated to commercial service for which construction will be commenced and completed within one year or less from the end of the test year.”⁹ Applying the Commission rules to this proceeding, prudent plant additions through the end of 2025 would be allowed in rate base.

⁹ Commission Rule 005.06d Completion and Dedication of Property.

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1 However, the Public Advocate's testimony is due in August 2025 when much of
2 the projected plant does not meet the following criteria for inclusion in rate base when my
3 testimony must be filed.

- 4 • Used and Useful: Only plant currently providing or capable of providing utility
5 service to the consuming public is allowed in rate base.
- 6 • Prudent Investment: Only plant prudently purchased or constructed is allowed in rate
7 base, or, to put it another way, any amounts determined to be acquired or constructed
8 with either: (a) Fraudulent intentions; or (b) In a manner that is obviously wasteful are
9 excluded from rate base.

10 In addition, the Company's proposed 2025 plant additions—when completed, used, and
11 useful—will likely differ from the forecasted amount included in the Company's rate base.

12 **Q. HOW WAS PROJECTED PLANT IN SERVICE ADDRESSED IN THE PRIOR**
13 **RATE CASE?**

14 A. In the prior rate case (NG-109), Black Hills sought to include projected 2020 capital
15 investments totaling \$102 million in rate base. I initially recommended disallowing \$35
16 million of these capital investments and included the plant completed by July 1, 2020, in
17 rate base. During settlement, the parties agreed that Black Hills had provided evidence that
18 the 2020 investments are substantially complete and will be in service by the end of 2020,
19 and therefore should be included in rate base in an amount up to \$110 million.¹⁰ On
20 December 15, 2020, a workshop was held for the purpose of updating the Commission as
21 to the status of Construction Works in Progress (CWIP). Black Hills provided updated,
22 year-end, December 31, 2020, numbers to its final calculated expenses and rates.¹¹

¹⁰ NG-109 Order Approving Stipulation and Settlement Agreement (January 26, 2021), page 9.

¹¹ NG-109 Order Approving Stipulation and Settlement Agreement (January 26, 2021), page 3.

Public**Q. HOW IS CWIP HANDLED IN OTHER JURISDICTIONS?**

A. The treatment of CWIP by public service commissions in the U.S. is mixed. Some states and the federal government allow utilities to include CWIP in rates under specific conditions to ease financing for large infrastructure projects and prevent rate shock. Others maintain stricter exclusions and avoid including CWIP in rate base to protect consumers from risk and unnecessary costs.

Q. WHAT ARE YOUR SPECIFIC CONCERNS ABOUT INCLUDING CWIP IN RATE BASE?

A. Allowing CWIP in rate base in general rate proceedings places the risk of project delays, cost overruns, and cancellations onto ratepayers rather than utility shareholders. If a project is abandoned, consumers could pay a return of and return on assets that provide no service. In addition, early cost recovery can reduce a utility's financial discipline and increase incentives for unnecessary construction. Excluding CWIP from rate base until completion ensures that only assets serving customers are included, keeping rates fair and reducing stranded cost risk.

Q. WHAT DO YOU RECOMMEND REGARDING THE PROJECTED PLANT THAT THE COMPANY SEEKS TO INCLUDE IN RATE BASE?

I am uncomfortable allowing Construction Work in Progress (CWIP) in rate base, and the Commission's rules and the rate case schedule make it difficult for the Public Advocate's witnesses to effectively confirm that the projected 2025 plant additions meet the criteria of used and useful and prudence. However, to conform to Commission rules, I reluctantly recommend accepting the Company's proposed plant in service and retirements. To avoid

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any of the pitfalls of including plant that is not used and useful and prudent, I recommend that before the Commission issues a decision, a workshop be held to update the status of the CWIP and associated retirements and to provide updated, actual year-end December 31, 2025, amounts to calculate final revenue requirement and associated rates.

2. Accumulated Depreciation

Q. PLEASE EXPLAIN THE ADJUSTMENT TO ACCUMULATED DEPRECIATION?

A. Public Advocate's witness Willian Dunkel is recommending several changes to the Company's proposed depreciation accrual rates which result in a reduction to depreciation expense. The change in depreciation expense results in a *reduction* to the Accumulated Depreciation As shown on Schedule 5.19, rate base is *increased* by \$5,503,752 (Total Company) and \$5,170,575 (Jurisdictional).

Q. ARE THERE OTHER CHANGES THAT SHOULD BE MADE TO THE ACCUMULATED DEPRECIATION?

A. Yes. As discussed in the Plant in Service section, the Company's update to actual year-end December 31, 2025, amounts will also result in modifications to Accumulated Depreciation.

3. Adjustment 1: Accumulated Deferred Income Tax

Q. PLEASE EXPLAIN THE PURPOSE OF INCLUDING ACCUMULATED DEFERRED INCOME TAXES (ADIT) IN RATE BASE.

Public

1 A. Regulated utilities employ provisions of the tax code—such as liberalized depreciation and
2 repair allowances—that accelerate deductions and reduce current income tax expense in
3 periods where book expense exceeds tax expense. During these periods, utilities still record
4 deferred income tax expense as a cost of service. The associated deferred tax activity
5 represents an accrued liability owed to the government, which will be remitted as the book-
6 tax differences reverse over time. Accordingly, the ADIT balance is often referred to as an
7 interest-free loan from the government. The accelerated deductions permissible under the
8 tax code are intended to incentivize taxpayers to use the interest-free loan for investment,
9 construction, and other economy-stimulating activities. For ratemaking purposes, the
10 utility's rate base is generally reduced by the ADIT balance.

11 **Q. IN REVIEWING THE UNDERLYING BOOK-TAX DIFFERENCES (OR TAX**
12 **DEDUCTIONS) THAT MAKE UP THE ADIT OFFSET IN RATE BASE, DID**
13 **YOU NOTICE ANYTHING OUT OF THE ORDINARY?**

14 A. Yes. The Company includes ADIT of \$(88,443,843) in rate base (a negative amount that
15 reduces rate base.) However, upon reviewing the components of ADIT, I found numerous
16 book-tax differences included in that total. Characteristically, these book-tax differences
17 bear a direct relationship to neither plant in service nor rate base. Instead, they arise from
18 differences between financial reporting under the accrual method of accounting, as
19 required by Generally Accepted Accounting Principles (GAAP), and the tax code, which
20 applies its own rules for deriving taxable income. For example, the Company includes a
21 book-tax difference for Bad Debt Reserve of \$1,397,164, which increases rate base. Under
22 GAAP, companies must accrue losses from uncollectible receivables when a loss is

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1 probable and can be reasonably estimated. In contrast, the tax code permits a deduction for
2 bad debt only when the charge-off actually occurs.

3 **Q. SHOULD NON-PLANT-RELATED ADIT ITEMS BE EXCLUDED FROM RATE**
4 **BASE?**

5 A. Yes. If an asset or other item is not included in rate base, then any related ADIT should
6 likewise be excluded from rate base. Thus, ADIT items not directly related to a component
7 of rate base should be excluded. The book-tax differences that give rise to these non-plant-
8 related ADIT items are expense-related and tend to fluctuate, in contrast to plant-related
9 items, which accumulate predictably over the long term.

10 **Q. WHAT IS THE COMMISSION'S PRECEDENT REGARDING INCLUDING**
11 **NON-PLANT ADIT IN RATE BASE?**

12 A. The Commission addressed this issue in its NG-109 Order approving the stipulation and
13 settlement agreement in the last recent general rate case:

14 Non-Plant ADIT

15 The parties also reached an agreement regarding the treatment of
16 non-plant accumulated deferred income tax ("ADIT") in rate base.
17 At hearing, Ms. Mullinax testified that she initially had some
18 concerns regarding its inclusion in rate base. Ms. Mullinax noted
19 that Black Hills' request to include non-plant ADIT in rate base was
20 a departure from past precedent. She explained that typically, non-
21 plant items are more volatile in nature and therefore are not included
22 in a utility's rate base. Ms. Mullinax testified that the parties
23 ultimately agreed that Black Hills would remove volatile non-plant
24 ADIT items from rate base. Ms. Mullinax recommended that non-
25 plant ADIT items should never be included in rate base in future rate
26 case proceedings.

27 The Commission has reviewed the settlement of this issue and finds
28 it to be just and reasonable. The Commission notes, however, that
29 volatile items generally should not be included in rate base. The
30 inclusion of non-plant ADIT items in rate base in future rate review

proceedings will be considered a departure from Commission precedent and will require clear explanation, justification, and reasoning to depart from that precedent.¹²

Q. WHAT DO YOU RECOMMEND REGARDING NON-PLANT ADIT IN RATE BASE?

A. Consistent with past precedent, I recommend removing the non-plant book-tax differences from rate base. As shown on Schedule 5.1, rate base is *reduced* by \$13,503,293 (Total Company) and \$12,949,020 (Jurisdictional).

Q. SHOULD OTHER CHANGES BE MADE TO THE ACCUMULATED DEFERRED INCOME TAXES?

A. Yes. As discussed in the Plant in Service section, the Company's update to actual year-end December 31, 2025, balances will also result in corresponding modifications to ADIT.

4. Adjustment 2: Prepayments

Q. WHAT DID THE COMPANY INCLUDE IN PREPAYMENTS IN RATE BASE?

A. The Company included the following prepayment items in rate base.

[START CONFIDENTIAL]

Table 4: Prepayments Included Within Rate Base¹³

Prepaid Insurance	
Prepaid Federal Taxes	
Prepaid Other-Rent	
Prepaid Other-Actuarial Services	
Prepaid Dues & Subscriptions	
	\$ 259,364

[END CONFIDENTIAL]

¹² Docket No. NG-109 Order Approving Stipulation and Settlement Agreement (January 26, 2021), page 11.

¹³ BHE response to PA 11-264 and CONFIDENTIAL Attachment PA 11-264 - Prepayments (Exhibit DHM-3).

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Q. PLEASE EXPLAIN YOUR RECOMMENDED ADJUSTMENT TO PREPAYMENTS.

A. Like Cash Working Capital, Prepayments are another Working Capital component. The Company has included prepaid items for expense categories that are also reflected in its Cash Working Capital calculation, resulting in an overstatement of rate base. By including both Prepayments and Cash Working Capital in rate base, the Company is effectively requesting a double recovery of its return on these items. My adjustment removes the Prepayments from rate base to eliminate the double count. As shown on Schedule 5.3, rate base is *reduced* by \$259,364 (Total Company), \$226,963 (Jurisdictional).

Q. PLEASE ELABORATE.

A. Since the funds to pay insurance, taxes, rent, and dues/subscriptions are components of distribution expense and are included in the Cash Working Capital calculation, the Company is already earning a return on the timing (or lead) of these payments. Including both Cash Working Capital and Prepayments in rate base results in ratepayers effectively paying a return on the same items twice.

Q. IS YOUR RECOMMENDATION TO EXCLUDE PREPAYMENTS FROM RATE BASE CONSISTENT WITH SOUND RATEMAKING PRINCIPLES?

A. Yes. My recommendation is supported by *Accounting for Public Utilities*:

“For ratemaking purposes, working capital is a measure of the amount of funding needed to satisfy the level of the daily operating expenditures and a variety of non-plant investments that are necessary to sustain the on-going operations of the utility. The ratemaking measure of working capital is designed to identify these ongoing average funding requirements over a test period. Working capital is included as a component of rate base: therefore, it is critical to calculate the appropriate working capital estimated in order to set fair rates.

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Regulatory commissions vary as to the identification of individual components of working capital; however, in general, the components are: (1) fuel inventory; (2) materials and supplies (M&S); (3) prepayments; and (4) cash working capital.”¹⁴

“Prepayments as a component of working capital represents an investment of funds that are generally included in the rate base if that investment has not been recognized elsewhere, such as in Cash Working Capital” [emphasis added].¹⁵

The referenced source continues

“If the rate base is to be correctly measured, the cash working capital component must be compatible with the other rate base components. If this principle is not recognized and applied, the rate base will not function as intended.”¹⁶

5. Adjustment 3: Cash Working Capital

Q. PLEASE EXPLAIN YOUR RECOMMENDED CASH WORKING CAPITAL ADJUSTMENT.

A. Cash Working Capital was developed through the preparation of a lead-lag study. The lead-lag is applied to each component of the cost of service to quantify the cash working capital requirement associated with that cost-of-service item. I used the same lead-lag amounts developed by the Company and updated the Cash Working Capital balance to reflect my adjustments to expenses discussed throughout this testimony.

¹⁴ Robert L. Hahne and Gregory E. Aliff, *Accounting for Public Utilities* (LexisNexis, Release 37, December 2021), page 5-1–5-2 (Exhibit DHM-4).

¹⁵ Robert L. Hahne and Gregory E. Aliff, *Accounting for Public Utilities* (LexisNexis, Release 37, December 2021), page 5-3 (Exhibit DHM-4).

¹⁶ Robert L. Hahne and Gregory E. Aliff, *Accounting for Public Utilities* (LexisNexis, Release 35, December 2021), page 5-4 (Exhibit DHM-4).

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In addition, I recommend that the Cash Working Capital component for Gas Purchases-PGA be removed and transferred to the PGA. I also recommend that Gas Purchases related to ChoiceGas Supplier Payments be removed from Cash Working Capital and directly assigned to customers participating in the ChoiceGas program. As shown on Schedule 5.3, the adjustment to Working Capital reduces Rate Base by \$3,303.445 (Total Company), \$3,091,568 (Jurisdictional).

6. *Impact of Rate Base Adjustments*

Q. WHAT IS THE IMPACT OF THE RECOMMENDED ADJUSTMENTS TO THE COMPANY'S REQUESTED RATE BASE?

A. The Company proposes a Total Company rate base of \$898,989,017 (\$785,247,119 Jurisdictional). The recommended adjustments *reduce* Total Company rate base to \$887,426,667 and Jurisdictional rate base to \$774,150,143.

VII. ADJUSTMENTS TO OPERATING INCOME

Q. WHAT NET OPERATING INCOME HAS THE COMPANY PROPOSED?

A. The Company proposes a Total Company adjusted net operating income of \$47,723,620 (\$33,425,807 Jurisdictional).¹⁷

Q. ARE ADJUSTMENTS TO THE COMPANY'S PROPOSED OPERATING INCOME RECOMMENDED?

A. Yes. Adjustments to these operating income components are recommended.

- Annualized Customer Growth Revenue
- Bad Debt

¹⁷Direct Exhibit SKJ-2 Revenue Requirements Study.

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- Direct Labor Costs
- Service Company Allocated Labor Costs
- Corrected Payroll Tax
- Incentive Compensation
- Severance
- Employee Recognition Programs
- Pooled Medical Insurance
- Insurance
- Director and Officer (D&O) Liability Insurance
- Advertising
- Public Awareness Campaign
- Alternate Forms of Payment
- Property Taxes
- Stored Gas Property Tax
- Depreciation
- Reclassification of Western NE from Rate Area Five to Rate Area Three Savings
- MGP Soil Sample Testing
- Interest Synchronization

1. Adjustment 4: Annualized Customer Growth Revenue

**Q. PLEASE EXPLAIN THE COMPANY'S CUSTOMER GROWTH REVENUE
ADJUSTMENT.**

A. The Company has included an adjustment to its revenues for incremental growth to reflect the expected additional customers associated with growth-related capital being added to rate base.¹⁸ The adjustment is based on the forecasted number of customers from December

¹⁸ Direct Testimony of Lori J. Mack at 8:7–11.

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31, 2024, through the Test Year and increases revenues accordingly. The total revenue increase from customer growth is \$1,326,576.¹⁹

Of this amount, the Company projects an increase of \$1,245,606 in Residential revenues due to growth in the number of bills and therms. In addition, the Customer Growth Adjustments include a reclassification for a customer that was part of the Jurisdictional Commercial class during the base year but moved to the Non-Jurisdictional Negotiated Distribution class for the Test Year. This adjustment removed \$13,530 from Jurisdictional revenues and added \$94,500 to Non-Jurisdictional revenues.²⁰

Q. WHAT IS YOUR RECOMMENDATION REGARDING INCREMENTAL CUSTOMER GROWTH REVENUE ADJUSTMENT?

A. The Company's adjustment for residential customer growth reflects an increasing number of customer bills throughout 2025, as shown in the following table.²¹

Table 5: Company's Pro Forma Residential Customer Bill Growth

Line No.	Customer Class	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Residential	572	1,143	1,715	2,287	2,858	3,430	4,001	4,573	5,145	5,716	6,288	6,860	44,588

I recommend that the Company's pro forma revenue increase should be annualized to reflect the additional 44,488 residential customer bills for a full year. If the Company is getting a return on and return of the approximate \$23.89 million in growth related capital²² in its revenue requirement, then a full year of the additional revenue associated with that investment should also be included in the revenue requirements. As shown on Schedule

¹⁹ Direct Testimony of Samantha K. Johnson at 30:18–24.

²⁰ Direct Testimony of Ethan J. Fritel at 15:22–16:9 and Direct Exhibit SKJ-2, Schedule I-6.

²¹ Direct Exhibit EJF-4 Customer Growth Adjustment, page 2 of 2.

²² Direct Testimony of Lori Mack at 8:3.

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5.4, the adjustment *increases* residential revenues by \$1,212,628 (Total Company), \$1,212,628 (Jurisdictional).

2. Adjustment 5: Bad Debt

Q. PLEASE EXPLAIN THE ADJUSTMENT FOR BAD DEBT.

A. The Company's bad debt expense is calculated as a percent to overall revenue. The Company's average uncollectible rate of 0.449% is based on a three-year average of net write-offs from January 1, 2022, through December 31, 2024, and a three-year average of billed revenue over that same period.²³ I used the same uncollectible rate to adjust bad debt to reflect the revised revenue after applying my recommended ratemaking adjustments. As shown on Schedule 5.5, the adjustment *reduces* Bad Debt by \$84,960 (Total Company), \$76,438 (Jurisdictional).

3. Adjustment 6: Direct Labor Costs

Q. HOW DID THE COMPANY DEVELOP THE PRO FORMA DIRECT LABOR COSTS?

A. The Company adjusted base year direct labor costs by \$2,044,010 to reflect contracted wage increases for union employees, 4% merit increases for non-union employees implemented in March 2025, AIP costs representing 100% of targeted payout, and associated benefits. Overtime, call-out, and standby pay are based on actual Base Year amounts, assuming a full complement of 341.5 budgeted employees.²⁴

²³ Direct Testimony of Samantha K. Johnson at 20:11–19.

²⁴ Direct Testimony of Samantha K. Johnson at 15:20–16:8.

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1 **Q. PLEASE EXPLAIN YOUR CONCERN REGARDING THE COMPANY’S PRO**
2 **FORMA ANNUALIZED WAGES, SALARIES, AND BENEFITS.**

3 A. My concern is that the Company has included costs for a full complement of budgeted
4 employees. If the Company does not achieve a full complement of employees, ratepayers
5 will be paying for labor and benefit costs that will not exist. While the open budgeted
6 positions may be filled, there will likely be other positions vacated.

7 The Company’s O&M labor costs include \$608,823 associated with 12 open,
8 budgeted, direct-charged positions.²⁵

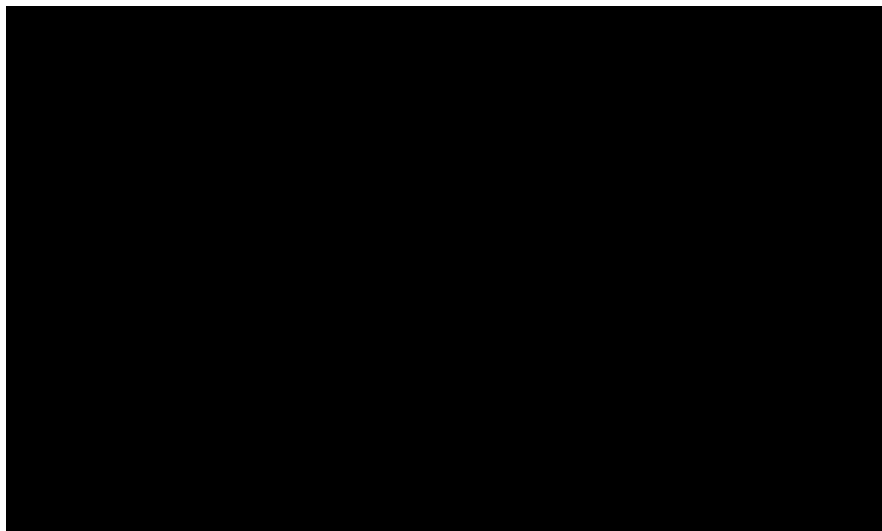
9 **Q. IS IT UNUSUAL TO HAVE OPEN POSITIONS?**

10 A. Absolutely not. What is unusual is having a full complement of employees every day of
11 the year—which is what the Company is asking ratepayers to fund. The Company provided
12 budgeted full-time equivalents (FTEs) or headcount by month for the last three years, as
13 shown in the following chart. The consistent difference between budgeted and actual
14 headcount clearly demonstrates that open positions are a normal and ongoing occurrence.

²⁵ WP Employee Exp Confidential SKJ WP-14 – Direct Exhibit SKJ-2, Sched H-5.

1 [START CONFIDENTIAL]

2 **Figure 1: Budgeted and Actual Headcount by Month 2022–2024²⁶**

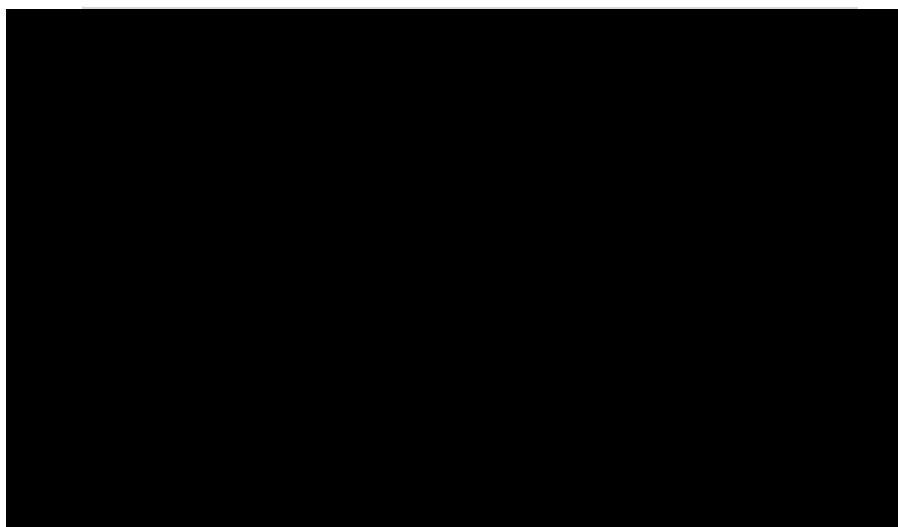


3
4 [END CONFIDENTIAL]

5 Presented another way, the following chart shows the number of open positions for
6 each month of the last three years.

7 [START CONFIDENTIAL]

8 **Figure 2: Open Positions by Month 2022–2024²⁷**



9
10 [END CONFIDENTIAL]

²⁶ BHE Response to PA-50 with Confidential Attachment (Exhibit DHM-5) and WP Headcount Confidential Attachment PA 1-50 – Employee Counts.

²⁷ BHE Response to PA-50 with Confidential Attachment (Exhibit DHM-5) and WP Headcount Confidential Attachment PA 1-50 – Employee Counts.

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Q. WHAT DO YOU RECOMMEND REGARDING DIRECT LABOR COSTS FOR OPEN POSITIONS FOR DIRECT-CHARGE EMPLOYEES?

A. While the 12 positions may eventually be filled, other positions will likely become vacated. Over the past three years, the Company has averaged more than 25 open budgeted positions each month. Ratepayers should not be required to fund labor costs associated with positions that are not filled. I recommend removing the labor costs associated with the 12 open positions—an amount that is significantly less than the Company’s historical average of 25 monthly vacancies. As shown on Schedule 5.6, labor costs are *reduced* by \$608,823 (Total Company), \$529,510 (Jurisdictional). The schedule also shows the effect on payroll taxes.

4. Adjustment 7: Service Company Allocated Labor Costs

Q. HOW DID THE COMPANY DEVELOP THE PRO FORMA SERVICE COMPANY ALLOCATED LABOR COSTS?

A. The Service Company allocated charges include annualized 2025 merit increases, AIP and STIP payouts at 100%, and an increased headcount from delayed hiring in 2024 and the reorganization of certain teams. These factors result in an increase in allocated Service Company labor costs of \$2,280,782.²⁸ The Company’s workpaper reports 1,214 actual positions but includes costs for 1,308.5 budgeted positions.²⁹ This results in 94.5 open positions being included in the Company’s pro forma Service Company allocated labor costs, adding \$1,468,360 under the line item labeled as “Adjustment for Shared Services Headcount.”

²⁸ Direct Testimony of Samantha K. Johnson at 19:5–21.

²⁹ SKJ WP-16 – Direct Exhibit SKJ-2, Sched H-7.

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Q. HOW MANY OPEN POSITIONS HAS THE SERVICE COMPANY HAD OVER THE LAST FOUR YEARS?

A. The Company provided the number of open Service Company positions over the last four years.³⁰

Table 6: BHSC Allocated-Open Positions 2021-2024

BHSC Allocated Employees

Year	# of Openings	# of Filled Positions	Notes
2021	166	148	77 vacancies carried over into 2022
2022	480	309	118 vacancies carried over into 2023
2023	269	168	51 vacancies carried over into 2024
2024	250	175	36 vacancies carried over into 2025

Q. WHAT DO YOU RECOMMEND REGARDING THE LABOR COSTS FOR OPEN POSITIONS FOR SERVICE COMPANY ALLOCATED EMPLOYEES?

A. Over the last four years, the Service Company has had between 166 and 480 open Service Company positions, with an average of more than 291 open positions. Despite this, the Company has included costs for 94.5 open Service Company positions in its filing. While these positions may eventually be filled, others will become vacant. Given the Company's consistent history of open budgeted positions, ratepayers should not be required to fund labor costs associated with the 94.5 open positions—an amount significantly lower than the Company's historical average of open positions. I recommend removing the labor costs associated with the 94.5 open positions. As shown on Schedule 5.7, allocated labor costs

³⁰ BHE Response to PA 11-275 with Attachment (Exhibit DHM-6).

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are *reduced* by \$1,468,360 (Total Company), \$1,308,030 (Jurisdictional). The schedule also shows the effect on payroll taxes.

5. Adjustment 8: Corrected Payroll Taxes

Q. WHAT DID YOU OBSERVE REGARDING THE COMPANY’S CALCULATION FOR PRO FORMA PAYROLL TAXES?

A. The Company applied the FICA tax adjustment of 7.65% to the Direct Labor “Net O&M Payroll Changes” of \$2,044,010. However, the “Net O&M Payroll Change” includes the following Company-funded employee benefits that would not be subject to payroll taxes.

- Retirement Contribution
- 401k Match
- Medical
- Dental
- AD&D
- Life Insurance

The Allocated Service Company Labor Expenses adjustment of \$2,280,782, used to calculate the FICA tax, included \$370,553 for benefits charged to Account 926 (Employee Pensions and Benefits) that would not be subject to payroll tax.

Applying payroll taxes to these non-payroll items, results in an overstated payroll tax. As shown on Schedule 5.8, correcting the FICA Tax calculation to exclude non-payroll-related amounts,³¹ *reduces* payroll taxes by \$46,597 (Total Company), \$40,746 (Jurisdictional).

³¹ The Payroll Tax Correction excludes the Payroll Tax adjustment that adjusted on Schedule 5.6 Direct Labor and Schedule 5.7 Service Company Allocated Labor.

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6. Adjustment 9: Incentive Compensation

Q. WHAT INCENTIVE COMPENSATION PLANS DOES THE COMPANY HAVE?

A. The Company has the following incentive compensation plans.

- Annual Incentive Plan (AIP)
- Short-Term Incentive Plant (STIP)
- Long-Term Incentive Plan (LTIP)

**Q. WHO PARTICIPATES IN THE ANNUAL INCENTIVE PLAN (AIP), AND
WHAT GOALS MUST BE MET BEFORE AN AWARD IS MADE?**

A. AIP is awarded to employees below the Director level who meet annually reviewed performance metrics and goals.³² Performance goals for 2025 have specific metrics that include financial, customer experience, reliability, safety, and people and culture.³³ The table below summarizes the Company's 2025 Annual Incentive Scorecard Metrics and weightings.

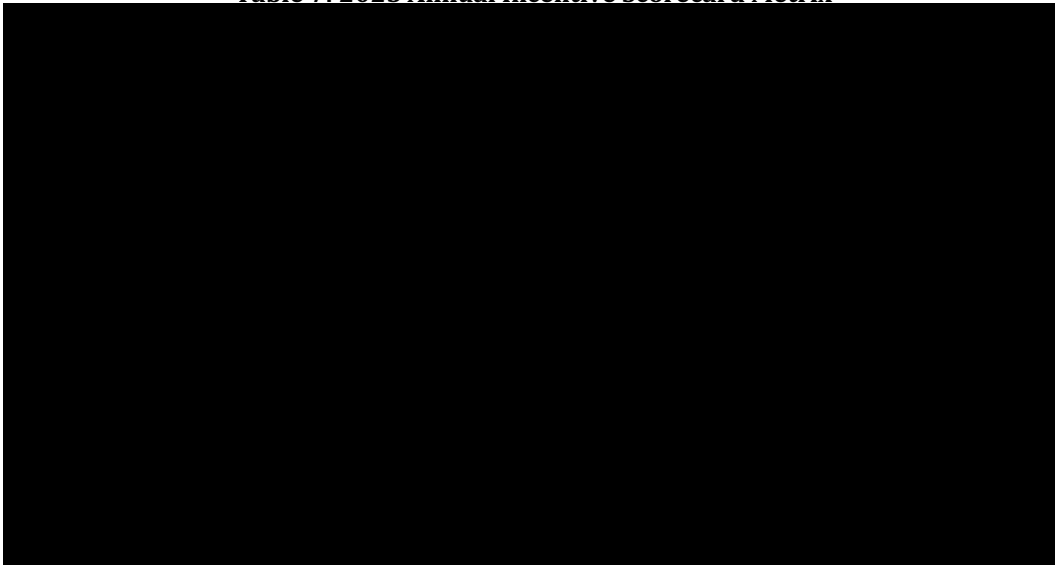
³² Direct Testimony of Kris J. Pontious at 8:5–11.

³³ Direct Testimony of Kris J. Pontious at 8:11–12.

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[START CONFIDENTIAL]

Table 7: 2025 Annual Incentive Scorecard Metrix³⁴



[END CONFIDENTIAL]

Q. WHAT IS YOUR RECOMMENDATION REGARDING RECOVERY OF AIP?

A. While I have concerns about an excessive focus on shareholder-related goals—such as Earnings per Share (EPS)—the Company’s AIP performance goals appear to be appropriately balanced among customer, employee, and company-focused objectives, and should be included in the cost of service. In addition, I believe that the average employee participating in AIP has minimal influence on EPS. Accordingly, I recommend including AIP in the cost of service.

Q. WHO PARTICIPATES IN THE SHORT-TERM INCENTIVE PLAN (STIP), AND WHAT GOALS MUST BE MET BEFORE AN AWARD IS MADE?

³⁴ Modified from Confidential Direct Exhibit KJP-2, 2025 AIP Scorecard.

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1 A. STIP is awarded to employees at the Director level and is calculated as a percentage of
2 eligible earnings, determined by salary grade. Directors share the same performance
3 metrics and goals as those used in the AIP.³⁵

4 **Q. WHAT IS YOUR RECOMMENDATION REGARDING RECOVERY OF STIP?**

5 A. Employees who are at the Director level or above have more influence on earnings. I
6 recommend that the amount of STIP that is related to EPS be transferred to shareholders
7 who receive the benefit of EPS.

8
9 **Q. WHAT IS THE EFFECT OF YOUR RECOMMENDATION REGARDING STIP**
10 **INCENTIVE COMPENSATION?**

11 A. As shown on Schedule 5.9, removing the amount of STIP related to EPS reduces labor
12 costs by \$566,863 (Total Company), \$493,430 (Jurisdictional).

13 **Q. WHO PARTICIPATES IN THE LONG-TERM INCENTIVE PLAN (LTIP), AND**
14 **WHAT GOALS MUST BE MEET BEFORE AN AWARD IS MADE?**

15 A. LTIP is awarded to Executive level employees and includes two forms of equity grants,
16 restricted stock and performance share awards.³⁶ The following figure is a snapshot from

³⁵ Direct Testimony of Kris J. Pontious at 10:2–5.

³⁶ Direct Testimony of Kris J. Pontious at 12:8–12.

Black Hills Corporation's 2025 Proxy Statement. Performance Share Units are awarded based on the achievement of the goals listed.

Figure 3: LTIP Performance Plan Metrics

The Committee approved the metrics for the performance share unit portion of our Long-Term Incentive Plans as follows:

Performance Plan Metrics			
Plan	Metrics and Weighting	Definition	Rationale
2022-2024 Plan	60% rTSR	Relative Total shareholder return	Directly aligns with shareholders and reflects our performance relative to peers
	20% Average EPS as adjusted	Diluted earnings per share calculated in accordance with GAAP, adjusted for material, non-recurring events (such as impairment charges, one-time tax events, external acquisition costs, changes to accounting rules, etc.)	Aligns with long-term performance
	20% Average Cost to Serve	Non-fuel operations and maintenance (O&M) expense divided by Utility margin (a non-GAAP measure ⁽³⁷⁾ which represents revenue less cost of sales), adjusted for material, non-recurring events (such as impairment charges, external acquisition costs, changes to accounting rules, etc.)	Drives growth goals while balancing capital deployment with increasing customer rates
2023-2025 Plan and 2024-2026 Plan	70% rTSR	Relative Total shareholder return	Directly aligns with shareholders and reflects our performance relative to peers
	10% Average EPS as adjusted	Diluted earnings per share calculated in accordance with GAAP, adjusted for material, non-recurring events (such as impairment charges, one-time tax events, external acquisition costs, changes to accounting rules, etc.)	Aligns with long-term performance
	10% Average Cost to Serve	Non-fuel operations and maintenance (O&M) expense divided by Utility margin (a non-GAAP measure ⁽³⁷⁾ which represents revenue less cost of sales), adjusted for material, non-recurring events (such as impairment charges, external acquisition costs, changes to accounting rules, etc.)	Drives growth goals while balancing capital deployment with increasing customer rates
	10% Emissions Reduction	Natural gas emissions reduction by 2035	Aligns with sustainability goals

For the 2023–2025 Plan, 70% is weighted to Total Shareholder Return, 10% relates to Earnings Per Share, 10% is weighted to Average Cost to Service, and 10% is weighted to Emissions Reduction.³⁷

Q. WHAT IS YOUR RECOMMENDATION REGARDING WHO SHOULD BEAR THE COST OF LONG-TERM INCENTIVE COMPENSATION?

A. I recommend that the costs of long-term incentive compensation be borne by shareholders, who are the primary beneficiaries of the incentive metrics—70% or which are tied to Total Shareholder Return and 20% to Earnings per Share (EPS). These LTIP goals, focusing on shareholder returns, are driven by increases in net income and overall profitability and are therefore aligned with the interests of the Company's shareholders. There is a significant

³⁷ Black Hills Corporation Notice of 2025 Annual Meeting of Shareholders and Proxy Statement, page 30 (Exhibit DHM-7).

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monetary incentive for management to prioritize these shareholder-focused goals in order to achieve payouts through restricted stock and performance share grants. While the remaining goals—10% for Cost to Serve and 10% Emission Reduction—are laudable, I recommend disallowing recovery of LTIP costs related to them as well.

**Q. PLEASE EXPLAIN YOUR REASONING FOR RECOMMENDING
DISALLOWING OF LTIP AWARDS BASED ON COST TO SERVE AND
EMISSION REDUCTION.**

A. While cost to serve and emission reduction are laudable goals, the LTIP awards are restricted stock and performance share grants. Stock ownership can twist focus toward performance that drives stock growth. Once stock is awarded, an incentive exists to increase the value of the stock through focus on profitability. Shareholders should fund the awards that incentivize management toward performance that benefit shareholders.

**Q. WHAT IS THE EFFECT OF YOUR RECOMMENDATIONS REGARDING LTIP
INCENTIVE COMPENSATION?**

A. As shown on Schedule 5.9, removing all LTIP reduces labor costs by \$1,132,809 (Total Company), \$988,304 (Jurisdictional).

**Q. PLEASE EXPLAIN THE ADJUSTMENT TO PAYROLL TAXES ASSOCIATED
WITH INCENTIVE COMPENSATION CASH AWARDS.**

A. A portion of incentive compensation is awarded as cash and would be subject to payroll taxes. The reduction in the cash award would also reduce the payroll taxes associated with them. As shown on Schedule 5.9, payroll taxes would be *reduced* by \$43,365 (Total Company), \$37,747 (Jurisdictional).

Public**7. Adjustment 10: Severance**

Q. WHAT HAS THE COMPANY INCLUDED IN ITS COST OF SERVICE FOR SEVERANCE?

A. The Company included allocated severance of \$68,157 in its cost of service. Severance was paid to employees who were in the following positions.³⁸

[START CONFIDENTIAL]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[END CONFIDENTIAL]

Q. DID THE COMPANY PROVIDE AN EXPLANATION FOR WHY SEVERANCE WAS PAID TO THESE EMPLOYEES?

A. When asked to provide the circumstances that resulted in severance pay for each of the positions, the Company provided a general and vague explanation.

There are a multitude of reasons as to the circumstances in which an employee is provided with severance pay. All severance pay provided is appropriate and according to Black Hills Severance Benefits Policy, negotiated union contract agreements (if applicable), or other agreement made between the Company and impacted employee. The policy allows the Company to provide severance based on management discretion or other unique circumstances with terms outside the scope of the policy.³⁹

³⁸ BHE Response to PA-274 and Confidential Attachment (Exhibit DHM-8).

³⁹ BHE Response to PA-274 and Confidential Attachment (Exhibit DHM-8).

Public

1 In following up on the response, I again asked for the specific circumstances that resulted
2 in severance pay for each individual given severance. The Company objected to the
3 request:

4 OBJECTION: BH Nebraska Gas objects to this request to the extent
5 that it calls for detailed severance data that is not relevant nor is it
6 likely to lead to relevant data. BH Nebraska Gas also objects to this
7 request to the extent that it requires BH Nebraska Gas to provide
8 data that is not in the form that presently exists.⁴⁰
9

10 The provided response also referred to the original response to PA-274 previously quoted.

11 **Q. WHAT DO YOU RECOMMEND REGARDING SEVERANCE?**

12 A. The Company has an obligation to support its request. The Company is unwilling or unable
13 to provide support for the allocated \$68,157 in severance that it is asking Nebraska
14 ratepayers to fund. There are circumstances like layoffs or reductions in workforce where
15 saved payroll expense would find its way into lower rates that could justify severance
16 payments as a legitimate cost of service. Involuntary resignations, on the other hand, may
17 involve subpar performance, and customers should not be required to bear an
18 underperforming employee's payroll and the severance cost incurred to remove that same
19 employee.

20 Since the Company did not provide specific information explaining the
21 circumstances that led to each severance payout, I recommend disallowing the allocated
22 severance costs. Ratepayers have already funded the salaries of employees for the work
23 they performed. They should not also be required to fund severance payments made to
24 employees who were terminated or who resigned to avoid termination. Shareholders—not

⁴⁰ BHE Response to PA-336 (Exhibit DHM-9).

Public

ratepayers—should bear the cost of poor hiring decisions. If severance is the least-cost method of removing an underperforming employee, the Company may pursue that option to reduce its costs to shareholders, but it should not expect ratepayers to fund the expense. As shown on Schedule 5.10, A&G expenses are *reduced* by \$68,157 (Total Company), \$59,598 (Jurisdictional).

8. Adjustment 11: Employee Recognition Programs

Q. PLEASE DESCRIBE THE COMPANY’S EMPLOYEE RECOGNITION PROGRAMS.

A. The Company stated that it has four programs to reward employees and recognize teamwork, years of service, and exemplary performance:

- Energize!—a peer-to-peer recognition program in which employees can award points to other employees that can be redeemed for assorted merchandise
- Service Awards—awarded for reaching certain length-of-service milestones
- Project Equity—restricted stock awards to employees who work on projects (above and beyond their normal scope of responsibilities) that have a substantial impact on the enterprise
- Non-Executive Equity Program (Restricted Stock)—an annual discretionary equity program in which senior management can award restricted stock to recognize employees critical to the current and future performance of the company⁴¹

Q. WHAT IS YOUR CONCERN REGARDING THE COMPANY’S EMPLOYEE RECOGNITION PROGRAMS?

A. I do not have a concern about the programs. Rewarding employees boosts morale and motivation and encourages continued improvement. My concern is that the \$570,559 that

⁴¹ Direct Testimony of Kris J. Pontious at 13:14–14:14.

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the Company has included in its proposed cost of service for these programs is significantly higher than the cost of recognition awards over the past several years. The following table summarizes the awards over the last four years and the average of those four years.

[START CONFIDENTIAL]

Table 8: Employee Recognition Program Awards (2021–2024)⁴²

Year	Energize!	Service Awards	Project Equity	Non-Executive Equity Program	Total
2021					
2022					
2023					
2024					
Average					
Amounts included in Cost of Service					
Direct					
Allocated					
Avg-Base Year					

Source: PA-232 and Confidential Attachment

[END CONFIDENTIAL]

I recommend that the cost of service reflect an average of the prior four years. As shown on Schedule 5.11, this adjustment *reduces* A&G expenses by \$415,176 (Total Company), \$363,038 (Jurisdictional).

9. Adjustment 12: Pooled Medical Insurance

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT FOR POOLED MEDICAL INSURANCE.

A. The Company states that pooled medical benefit costs have been adjusted to reflect the 2025 level of expense, resulting in an increase of \$813,971. This adjustment is based on an assumed ongoing annual increase of 9–12%.⁴³ A review of the supporting workpaper

⁴² BHE Response to PA-232 and Confidential Attachment (Exhibit DHM-10)

⁴³ Direct Testimony of Samantha K. Johnson at 20:6–8.

Public

1 reveals that the Pooled Medical Insurance also includes an adjustment for projected
2 budgeted headcount. As discussed earlier, it is not appropriate for ratepayers to fund costs
3 associated with vacant positions. Even if those positions are eventually filled, the Company
4 has historically maintained a consistent level of vacancies. Therefore, consistent with my
5 adjustments to Direct Labor Costs and Service Company Allocated Costs, I have removed
6 the portion of the medical cost adjustment related to increased headcount. As shown on
7 Schedule 5.12, A&G expenses are *reduced* by \$204,942 (Total Company), \$179,205
8 (Jurisdictional).

9 ***10. Adjustment 13: Insurance***

10 **Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT FOR INSURANCE**
11 **PREMIUMS.**

12 A. The Company has included an increase in allocated insurance premiums of \$951,642,⁴⁴
13 based on the 2024–2025 Total Policy Cost Premiums and a projected 10% increase for the
14 second half of 2025.⁴⁵

15 **Q. HAS INSURANCE BEEN TRENDING UP?**

16 A. Yes. As shown in the following table, insurance premiums have increased between 7.33%
17 and 17.88% from 2019 through 2023. The 2024 insurance premiums experienced a drastic
18 63.0% increase for total premiums over the prior year. The allocated insurance premiums
19 increased by 85.7% from the previous year. The 63% increase in allocated premiums from
20 the 2023 to 2024 could be an anomaly.

⁴⁴ Direct Exhibit SKJ-2. Schedule H-7.

⁴⁵ SKJ WP-16 – Direct Exhibit SKJ-2, Sched H-7, Tab Insurance Summary

[START CONFIDENTIAL]

Table 9: Total and Allocated to NEG Insurance Premium (2019–2024)⁴⁶

Year	Total	Year to Year		Allocated	Year to Year	
		Change	% Change		Change	% Change
2019						
2020			17.88%			-12.4%
2021			15.50%			16.7%
2022			7.33%			11.5%
2023			13.73%			11.8%
2024			63.00%			85.7%

Source: Confidential Attachment PA18-295

[END CONFIDENTIAL]

Q. HOW DID THE COMPANY DEVELOP ITS PRO FORMA INSURANCE COST IN THIS PROCEEDING?

A. The Company based its pro forma insurance costs using the 2024 Total Policy Cost Premiums plus 10% for the second half of 2025.⁴⁷ The Company stated “Leading into policy renewals, it is difficult to estimate renewal terms offered by insurance companies across our program. Based on historical insurance renewals at Black Hills for multiple lines of insurance coverage, a baseline annual increase of 10% has been established.”⁴⁸

Q. WHAT DO YOU RECOMMEND REGARDING INSURANCE PREMIUMS?

A. The Company’s adjustment adds an additional 10% to the likely anomalous increase of 63% in 2024. In addition, the Company’s 10% increase is not a known and measurable adjustment. I recommend rejecting the 10% and incorporating the actual known and

⁴⁶ BHE Response to PA-295 and Confidential Attachment PA 18-295 (Exhibit DHM-11).

⁴⁷ SKJ WP-16 – Direct Exhibit SKJ-2, Sched H-7, Tab Insurance Summary.

⁴⁸ BHE Response to PA-272 (Exhibit DHM-12).

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measurable premiums when they are known later in this proceeding. As shown on Schedule 5.13, A&G expenses are *reduced* by \$290,578 (Total Company), \$254,090 (Jurisdictional).

11. Adjustment 14: Directors and Officers (D&O) Liability Insurance

Q. PLEASE EXPLAIN THE D&O LIABILITY INSURANCE THAT THE COMPANY HAS INCLUDED IN ITS COST OF SERVICE.

A. The Company stated that \$178,872 of allocated D&O Liability Insurance was included in the 2025 Test Year. The policy is held at the Service Company level, and costs are allocated to BH Nebraska Gas. However, the workpaper, supporting the Company's insurance adjustment (discussed later), reports that \$208,476 of 2024 D&O Liability Insurance premiums were used to develop the Company's proposed cost of service.⁴⁹

Q. WHAT IS THE PURPOSE OF D&O LIABILITY INSURANCE?

A. The policy covers wrongful acts of Directors and Officers. The Company stated, "The policy defines wrongful acts as the following: wrongful act means an actual or alleged breach of duty, neglect, error, or misstatement, misleading statement, or omission actually or allegedly caused, committed, or attempted by any Director or Officer which acting individually or collectively as such."⁵⁰

Q. ARE YOU AWARE OF THE ARGUMENT THAT BECAUSE D&O LIABILITY INSURANCE IS A LEGITIMATE BUSINESS EXPENSE, ITS COSTS SHOULD BE FULLY RECOVERED FROM RATEPAYERS?

⁴⁹ WP Shared Services SKJ WP-16 – Direct Exhibit SKJ-2, Sched H-7, Tab Insurance Summary and BHE Response to PA-234, (Exhibit DHM-13), Attachment PA 11-272a-Insurance Policy Type (Exhibit DHM-12).

⁵⁰ BHE Response to PA-234 without Confidential Attachment (Exhibit DHM-13).

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1 A. Yes. However, this argument is not persuasive. In ratemaking, not all legitimate business
2 expenses are recoverable from ratepayers. For instance, both lobbying and advertising
3 aimed at building a company's image are considered legitimate business expenses but not
4 typically recoverable from ratepayers.

5 **Q. WHAT IS YOUR RECOMMENDATION REGARDING D&O LIABILITY**
6 **INSURANCE?**

7 A. I recommend that the cost of D&O Liability Insurance be split 50/50 between ratepayers
8 and shareholders, as the insurance benefits both groups.

- 9 • Shareholders benefit: D&O insurance protects officers and directors from liability, and
10 when utilized, payouts reduce costs that would otherwise not be recoverable from
11 ratepayers.

- 12 • Ratepayer benefit: The insurance enables directors and officers to make decisions
13 without fear of personal liability, which benefits ratepayers indirectly.

14 As a result, it is reasonable for shareholders to bear a portion of the cost. The adjustment
15 removes 50% of the D&O Liability Insurance expense. As shown on Schedule 5.14, this
16 adjustment *reduces* A&G expenses by \$104,238 (Total Company), \$91,148
17 (Jurisdictional).

18 **Q. HOW WAS THE D&O LIABILITY INSURANCE ADDRESSED IN THE PRIOR**
19 **RATE CASE?**

20 A. In the Stipulation in NG-109, the parties agreed that Black Hills and ratepayers would split
21 the cost of Directors and Officers liability insurance.⁵¹

⁵¹ NG-109 Order Approving Stipulation and Settlement Agreement (January 26, 2021), page 10.

Public

12. Adjustment 15: Advertising

**Q. PLEASE EXPLAIN YOUR RECOMMENDED ADJUSTMENT TO
ADVERTISING EXPENSES.**

A. The Company identified \$379,982 in per book advertising expenses and removed \$243,431, leaving a balance for recovery of \$136,552.⁵² The Company states that “the advertising expenses included in the RRS Model are those designed to encourage safety, promote hiring, or educate consumers on the rates, energy conservation, and significant weather events of the Company.”⁵³ I reviewed the advertising expenses the Company seeks to recover and found an additional \$8,425 of promotional advertising that should be removed.⁵⁴

⁵² Direct Exhibit SKJ-2 – Revenue Requirements Study, Schedule H-2.

⁵³ Direct Testimony of Smantha K. Hohnson at 14:9–12.

⁵⁴ BHE response to PA-267 with Attachment (Exhibit DHM-14).

- Promotional Items for Public Awareness Campaign—\$3,915.

Figure 4: Public Awareness Promotional Items



- League of Nebraska Municipalities-2024 Directory Advertising—\$510

Figure 5: Directory Advertising



- Trail Trek Even Ad-NatGas Awareness—\$4,000

Figure 6: NatGas Awareness Radio Advertising

Transcript
00:00:03 Speaker 1
We all have.
00:00:04 Speaker 1
Decisions to make when it comes to energy these days.
00:00:08 Speaker 1
We want to reduce carbon emissions and we want efficient and reliable energy like natural gas. Restricting our options will not lead to a cleaner energy future.
00:00:19 Speaker 1
We need all energy sources, including natural gas, to create the solution, visit blackhillsenergy.com/fuel the future.

As shown on Schedule 5.15, the recommended adjustment *reduces* advertising expenses by \$8,425 (Total Company), \$7,293 (Jurisdictional).

13. Adjustment 16: Public Awareness Campaign

Q. WHAT DOES THE COMPANY PROPOSE REGARDING FUNDING FOR A PUBLIC AWARENESS CAMPAIGN?

A. The Company's federally mandated Public Awareness Program includes activities to educate the public, appropriate government organizations, and persons engaged in excavation-related activities.⁵⁵ The Company's base year expenses were \$143,947. The Company proposes an increase of \$200,000 to reduce third-party damages through an enhanced education and awareness campaign.⁵⁶

Q. WHAT DO YOU RECOMMEND REGARDING THE REQUEST FOR THIS ADDITIONAL SPENDING?

⁵⁵ Direct Testimony of Kevin M. Jarosz at 27:11–22.

⁵⁶ Direct Testimony of Kevin M. Jarosz at 29:10–16.

Public

1 A. I recommend removing the Company's forecasted, discretionary spending to enhance
2 public awareness. Rates should be established based on actual test year expense with
3 known and measurable changes. Allowing forecasted, discretionary spending puts
4 ratepayers at risk for paying for costs that may never be incurred. The Company's request
5 for additional public awareness funding implies that it will be implemented only if the costs
6 are recoverable. If enhancing public awareness contributes to providing safe, reliable, and
7 affordable natural gas service, the Company should have already implemented the
8 program.

9 In addition, the Company stated, "All parties will benefit from enhanced safety,
10 improved reliability, and cost savings that come with a reduction in third party damages to
11 the Company's natural gas system."⁵⁷ The Company is asking ratepayers to fund an
12 additional \$200,000 but has not reflected any savings for the lower operational expenses
13 from improved reliability and cost savings. As shown on Schedule 5.16 the adjustment
14 *reduces* operating expenses by \$200,000 (Total Company), \$174,562 (Jurisdictional).

15 ***14. Adjustment 17: Alternate Forms of Payment***

16 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT FOR ALTERNATE FORMS OF**
17 **PAYMENT.**

18 A. The Commission allows the Company to recover processing costs associated with credit
19 cards and Automated Clearing House (ACH) transactions. This policy enables customers
20 to pay their bills using credit cards or ACH without incurring a separate fee. The
21 Company's testimony states that it is seeking a 15.5% increase in alternate form of payment

⁵⁷ Direct Testimony of Kevin M. Jarosz at 30:16-18.

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expense, based on the average increase over the past three years.⁵⁸ However, the actual effect of the Company's proposed adjustment is a 40% increase in processing fees over the Company's 2024 base year amount of \$597,715.⁵⁹

Table 10: Increase in Alternate Forms of Payment Expenses

2024 Actual Base Year	\$ 597,715	
Requested Increase	241,388	40%
Requested Recovery	<u>\$ 839,103</u>	

The Company's proposed increase in payment processing fees is speculative. There is no guarantee that credit card usage will continue to increase. Rates should be established based on actual test year expense with known and measurable changes. A speculative increase in usage is neither known nor measurable. In addition, the Company has not reflected any savings associated with the reduction in costs from the projected change in payment method (for example, a reduction in the Company's processing costs for payments made by check after customers switch to credit cards). I recommend rejecting the Company's proposed increase in payment processing costs. Allowing speculative, forecasted spending puts ratepayers at risk for paying for costs that may never be incurred. As shown on Schedule 5.17, my adjustment *reduces* Customer Record & Collection Expenses by \$241,388 (Total Company), \$234,228 (Jurisdictional).

15. Property Taxes

Q. PLEASE EXPLAIN WHAT THE COMPANY IS SEEKING REGARDING PROPERTY TAXES.

⁵⁸ Direct Testimony of Samantha K. Johnson at 21:12–24.

⁵⁹ SKJ WP-18 – Direct Exhibit SKJ-2, Sched H-9.

Public

1 A. The Company is requesting recovery of property taxes of \$1,302,270 associated with the
2 pro forma Intangible, Transmission, Distribution, and General plant balances (Other Utility
3 Plant is not included) as of 12/31/2025, using a property tax rate of 0.6733%.⁶⁰

4 **Q. ARE THERE CHANGES THAT SHOULD BE MADE TO THE PROPERTY TAX**
5 **EXPENSE?**

6 A. Yes. As discussed in the Plant in Service section, the Company's update to actual year-end
7 December 31, 2025, balances will also result in corresponding modifications to property
8 taxes.

9 ***16. Adjustment 18: Stored Gas Property Taxes***

10 **Q. PLEASE EXPLAIN WHAT THE COMPANY IS SEEKING REGARDING**
11 **STORED GAS PROPERTY TAXES.**

12 A. The Company seeks recovery of property tax expense on a storage gas facility located in
13 Oklahoma that was incorrectly charged to another affiliate during 2008–2023. A portion
14 of this stored natural gas is used to serve Nebraska customers (approximately 48% is
15 allocated to Iowa and 52% is allocated to Nebraska). The Company discovered the error
16 while preparing for a rate case in Kansas. The total amount of underreported property taxes
17 from 2008 through 2023 is \$528,494; however, only \$116,664 falls within Nebraska's five-
18 year statute of limitations, which prevents recovery of amounts beyond that period. The
19 Company seeks to recover through a three-year amortization, resulting in an annual
20 expense of \$38,888.⁶¹

⁶⁰ Direct Exhibit SKJ-2, Schedule L-1.

⁶¹ Direct Testimony of Kenneth L. Crouch at 14:12–16:23 and Direct Exhibit SKJ-2, Schedule L-2.

Public

Q. WHAT IS YOUR RECOMMENDATION REGARDING THE RECOVERY OF THE STORED GAS PROPERTY TAX?

A. The Company's property taxes related to stored gas costs should be recovered through the PGA, not through base rates. As shown on Schedule 5.18, the adjustment *reduces* property taxes by \$38,888 (Total Company), \$34,030 (Jurisdictional).

17. Adjustment 19: Depreciation Expense

Q. PLEASE EXPLAIN THE ADJUSTMENT TO DEPRECIATION EXPENSE.

A. Public Advocate's witness Willian Dunkel recommends several changes to the Company's proposed depreciation accrual rates. Mr. Dunkel's recommended depreciation rates increase the annual depreciation expense by more than \$4 million over the currently approved depreciation rates but are less of an increase than what the Company proposes, (see Figure 1 in Mr. Dunkel's testimony). I have reflected his revised rates in my recommended annual depreciation expense. As shown on Schedule 5.19, Depreciation expense is *reduced* from the Company's proposal by \$5,503,752 (Total Company) and \$5,170,575 (Jurisdictional). The change in depreciation expense also results in a reduction to Accumulated Depreciation, which increases rate base as compared to the Company's proposal.

Q. ARE THERE OTHER CHANGES THAT SHOULD BE MADE TO THE DEPRECIATION EXPENSE?

A. Yes. As discussed in the Plant in Service section, the Company's update to actual year-end December 31, 2025, balances will also result in corresponding modifications to depreciation expense.

Public

18. Adjustment 20: Reclassification of Western, NE from Rate Area Five to Rate Area Three Savings

Q. Please explain the Company's proposal to move Western, NE from Rate Area Five to Rate Area Three and its effect on the Company's revenue requirements.

A. As discussed in the testimony of Howard Solganick, the Company proposes to reclassify Western, NE, from Rate Area Five to Rate Area Three. Mr. Solganick supports the reclassification. However, the Company has not reflected the annual savings of [START CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] in the Company's revenue requirements.⁶² The adjustment is shown on Schedule 3.20 and *reduces* operating expenses by [START CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].

19. Adjustment 21: MGP Soil Sample Testing

Q. PLEASE EXPLAIN YOUR ADJUSTMENT REGARDING MGP SOIL SAMPLE TESTING.

A. The adjustment regarding MGP Soil Sample Testing is discussed later in this testimony in the section regarding the Company's request for Deferred Accounting Treatment—Research and Remediation of the Former Citizens Manufactured Gas Plant (MGP). As shown on Schedule 5.21, the recommended adjustment reduces operating expenses by \$138,821 (Total Company), \$121,388 (Jurisdictional).

⁶² BHE Response to PA-249 and Confidential Attachment (Exhibit DHM-15) and BHE Response to PA-282 (Exhibit DHM-16).

20. Adjustment 22: Interest Synchronization

Q. PLEASE EXPLAIN YOUR RECOMMENDED ADJUSTMENT TO INTEREST SYNCHRONIZATION.

A. The interest synchronization adjustment synchronizes the rate base and cost of capital with the tax calculation using the recommended weighted cost of debt. The adjustment, shown on Schedule 5.22, *increases* income taxes, by \$107,933 (Total Company), \$99,843 (Jurisdictional).

21. Impact of Recommended Adjustments on Net Operating Income

Q. WHAT IS THE IMPACT OF THE RECOMMENDED ADJUSTMENTS TO THE COMPANY'S OPERATING INCOME?

A. The Company's proposed Total Company net operating income is \$47,723,620 (\$33,425,807 Jurisdictional). The recommended adjustments *increase* net operating income to \$56,700,955 (Total Company), \$41,689,959 (Jurisdictional).

VIII. REGULATORY MECHANISM– SYSTEM SAFETY AND INTEGRITY RIDER
(SSIR) MECHANISM RENEWAL

Q. WHAT DOES THE COMPANY PROPOSE REGARDING THE SSIR?

A. The Company seeks to renew the SSIR for another five years.⁶³

Q. IS THE COMPANY PROPOSING CHANGES TO THE SSIR?

⁶³ Direct Testimony of Tatyana V. Bannan at 8:5–6.

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A. The Company is not proposing any changes to the SSIR.⁶⁴ However, the Company requests a minor change to Tariff Sheet No. 131 to present the SSIR charge as a separate line item on a customer's bill instead of including it in the Customer Charge. The following figure presents the requested change to the tariff.

Figure 7: Proposed SSIR Tariff Language Change

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy Nebraska Natural Gas Tariff Filed with the Nebraska Public Service Commission		Third Fourth Revised Sheet No. 131 Cancels Second Third Sheet No. 131
RATE SCHEDULES AND OTHER CHARGES SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)		
SSIR ADJUSTMENT CALCULATION (continued)	System Safety and Integrity Rider Charge = $((A \pm B \pm C) * D) / E$ Where: A = Eligible System Safety and Integrity Costs B = SSIR True-Up Amount C = Deferred SSIR Balance D = Customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case E = Applicable number of bills for the particular customer class B. The calculated rate shall be an adjustment to the Customer Charge <u>separate line item</u> applicable to the Company's Jurisdictional Residential, Commercial, and Commercial – EO customers.	

I recommend accepting the tariff language change to show the SSIR Rider as a separate line item on a customer's bill.

Q. DID THE COMPANY FILE AN SSIR APPLICATION FOR 2026?

A. Yes. The Company filed an SSIR Application for 2026 on May 1, 2025, with its general rate request filing. The Company explained that it normally files its SSIR application on August 1 of each year. However, because the SSIR mechanism and associated charge are subject to renewal and potential expansion under this Rate Review Application, the Company is including its proposed 2026 SSIR as part of this proceeding, with an effective date aligned with final rates or January 1, 2026—whichever is later.⁶⁵ Beginning with the

⁶⁴ Direct Testimony of Tatyana V. Bannan at 8:3–6.

⁶⁵ Direct Testimony of Tatyana V. Bannan at 8:15–21.

Public

next SSIR application, the Company proposes returning to its standard filing schedule, submitting the application annually by August 1 for implementation on January 1 of the following year.⁶⁶

Q. DOES THE SSIR APPLICATION FOR 2026 COMPLY WITH THE LANGUAGE OF THE APPROVED SSIR TARIFF?

A. Similar to its reviews of prior SSIR Applications (NG-112, NG-112.1, NG-112.2, NG-112.3 and NG-112.4), Blue Ridge reviewed the 2026 SSIR Application for compliance with the approved SSIR Tariff. Blue Ridge's report is attached as Exhibit DHM SSIR-1. Blue Ridge found that except for the Company using the Weighted Average Cost of Capital, depreciation accrual rates, and CCOS/Rate Design (including splitting out the Commercial class between Small Commercial and Large Commercial) it has proposed in the general rate case, the 2026 SSIR Application is compliant with the SSIR Tariff.

Q. WHAT IS SSIR RATE HAS THE COMPANY PROPOSED AND WHAT IS BLUE RIDGE'S RECOMMENDED SSIR RATE FOR 2026?

A. The Company is seeking approval of the following SSIR Rates in 2026.

Table 11: 2026 SSIR Rate—Company Proposed and Blue Ridge's Recommended

Description	Residential	Small Commercial	Large Commercial
Company Proposed	\$ 0.6900	\$ 1.2100	\$ 6.5300
Blue Ridge Recommended	Pending	Pending	Pending

Blue Ridge's recommended 2026 SSIR rate is pending the Commission's final decision on many of the variables that are include in the SSIR revenue requirements calculation, including the Weighted Average Cost of Capital, depreciation accrual rates, and

⁶⁶ Direct Testimony of Tatyana V. Bannan 9:11–14.

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CCOSS/Rate Design (including splitting out the Commercial class between Small Commercial and Large Commercial).

Q. DOES THE COMPANY PLAN TO UPDATE THE SSIR TO BE CONSISTENT WITH THE COMMISSIONS' FINAL DECISION?

A. Yes. When asked, the Company stated, "The Company plans to update the SSIR inputs and recalculate the 2026 SSIR rate to reflect the Commission's final order, including any changes to the proposed WACC, depreciation rates, and CCOSS. The Company will complete any necessary updates in advance of the 2026 SSIR going into effect."⁶⁷

Q. DO YOU HAVE ANY ADDITIONAL FINDINGS OR RECOMMENDATIONS REGARDING THE RENEWAL OF THE SSIR?

A. Blue Ridge has the following recommendations:

1. Blue Ridge recommends the Commission approve the continuation of the SSIR.
2. While the Commission authorized transferring spend within categories in NG-112.3, Blue Ridge found that the Commission has not specifically approved cross-category budget flexibility and that flexibility is not reflected in the approved SSIR Tariff. Nevertheless, the Commission approved all the projects and estimated budget amounts. Therefore, Blue Ridge does not believe the cross-category spending for specifically approved projects is a compliance issue. However, Blue Ridge recommends modifying the SSIR Tariff to allow flexibility to swap amounts approved by SSIR category to another SSIR category as long as the projects have been reviewed and approved as part of the Application review process. Each such swap will be identified, and an explanation will be given as to why the original project could not be completed and an alternate project was used.

⁶⁷ BHE Response to NG-124 PA-319 (Attachment DHM SSIR-2).

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3. Blue Ridge recommends that the SSIR revenue requirements be revised to reflect the weighted average cost of capital that is approved in the current general rate case (NG-124) to calculate the return on rate base.
4. Blue Ridge recommends that the SSIR revenue requirements be revised to allocate plant based on the CCOS that is approved in the current general rate case (NG-124).
5. Blue Ridge recommends that the SSIR revenue requirements be revised to calculate Depreciation Expense and Accumulated Depreciation using the depreciation rates that are approved in current general rate case (NG-124). The approved depreciation rates should also be used to calculate the ADIT associated with book and tax depreciation differences.
6. Blue Ridge recommends accepting the Company's change to the tariff to present the SSIR rate as a separate line item on the bill instead of including it in the customer charge.
7. Blue Ridge recommends accepting the Company's proposal to split out the Commercial class between Small Commercial and Large Commercial.
8. Blue Ridge recommends the Company provide updated SSIR revenue requirement schedules that reflect the final Commission decisions before the 2026 SSIR rate goes into effect.

**IX. DEFERRED ACCOUNTING TREATMENT—RESEARCH AND REMEDIATION
OF THE FORMER CITIZENS MANUFACTURED GAS PLANT (MGP)**

**Q. WHAT IS THE COMPANY SEEKING REGARDING DEFERRED
ACCOUNTING TREATMENT FOR THE MANUFACTURED GAS PLANT
(MGP) RESEARCH AND REMEDIATION COSTS?**

- A. The Former Citizens Gas MGP site located in McCook, Nebraska is currently enrolled in the Nebraska Department of Energy and Environment (NDEE) Voluntary Cleanup Program (VCP), which requires site investigation to satisfy NDEE requirements. Part of

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1 that investigation includes soil and groundwater sampling and analysis which allows the
2 Company to prepare a work remediation plan. The Company is also actively exploring
3 options to identify Potentially Responsible Parties (PRPs) who may have responsibility for
4 the site.⁶⁸ The Company anticipates starting negotiations with the viable candidate in the
5 Third Quarter 2025.⁶⁹

6 The Company stated that anticipated future expenses associated with Site planning
7 and remediation have the potential to be material and beyond the reasonable control of
8 management.⁷⁰ The Company provided a preliminary cost estimate, completed in 2021,
9 indicating a projected cost of [START CONFIDENTIAL] [REDACTED] [END
10 CONFIDENTIAL].⁷¹ The Company requests an accounting order to allow the Company
11 to defer the environmental costs related to research and remediation in a regulatory asset
12 account until a future rate proceeding when all actual environmental research and
13 remediation costs are known.⁷² The Company proposes establishing a base level cost of
14 \$138,821 that corresponds with the amounts included in the RRS and serve as the baseline
15 for the tracking of costs going forward. The difference between actual booked expenses
16 and the base level amounts will be deferred and recorded to the regulatory asset (or
17 liability) account established for that tracker. With a tracker, customers are protected if the
18 actual expenses are less than the amount included in base rates.⁷³

⁶⁸ Direct Testimony of Brooke N. Bassell-Herman at 28:21–29:6.

⁶⁹ BHE Response to PA-214 (Exhibit DHM-18).

⁷⁰ Direct Testimony of Brooke N. Bassell-Herman at 29:14–16.

⁷¹ BHE Response to PA-213, Confidential Attachment (Exhibit DHM-19).

⁷² Direct Testimony of Brooke N. Bassell-Herman at 29:15–19.

⁷³ Direct Testimony of Samantha K. Johnson at 42:9–43:4.

Public

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING DEFERRED**
2 **ACCOUNTING TREATMENT FOR THE FORMER CITIZENS GAS MGP SITE**
3 **RESEARCH AND REMEDIATION COSTS?**

4 A. I recommend accepting the Company's proposal for an accounting order to allow the
5 Company to defer the actual environmental costs related to research and remediation in a
6 regulatory asset account until a future rate proceeding when all actual environmental
7 research and remediation costs are known. The deferred amount should be subject to
8 review and audit prior to approval for recovery.

9 However, as discussed earlier, I recommend removing the annual soil sample
10 testing expenses of \$138,821 from base rates and instead recommend that it be included in
11 the deferred asset. When a responsible third party is identified that party should assume
12 responsibility for the testing. Nebraska ratepayers should not be required to fund costs that
13 are expected to be transferred to a third party. As shown on Schedule 5.21, operating
14 expenses are *reduced* by \$138,821 (Total Company), \$121,388 (Jurisdictional).

15 **X. DEFERRED ACCOUNTING TREATMENT-INSURANCE PREMIUMS**

16 **Q. WHAT IS THE COMPANY SEEKING REGARDING DEFERRED**
17 **ACCOUNTING TREATMENT FOR INSURANCE PREMIUMS?**

18 A. The Company states that insurance rates have become more volatile and is requesting
19 deferred accounting treatment to allow it to defer and track future changes in insurance
20 costs in a regulatory asset account, relative to the base level of \$3,589,329 established in
21 this case. The Company asserts that anticipated future expenses may be material and
22 beyond the reasonable control of management. The Company is requesting an accounting
23 order to capture those expenses as they are incurred over the next few years, with the

Public

intention of seeking recovery and amortization of the deferred balance in a future rate proceeding.⁷⁴

Q. WHAT DO YOU RECOMMEND REGARDING DEFERRED ACCOUNTING TREATMENT FOR INSURANCE PREMIUMS?

A. As discussed earlier, Insurance premiums did increase significantly between 2023 and 2024. However, the increase may be an anomaly. I recommend rejecting the Company's request for deferred accounting treatment for insurance premiums. Allowing deferred accounting treatment to record annual changes for routine expenses inappropriately transfers risk from shareholders to ratepayers. If granted, the Company could be emboldened to request deferred accounting treatment for other routine expenses. If insurance premiums or other costs increase significantly over the next few years, the Company can file another general rate case.

XI. EXCESS DEFERRED INCOME TAX (EDIT) REFUND

Q. PLEASE EXPLAIN THE REFUND OF EDIT.

A. The State of Nebraska corporate income tax rates have been reduced from 7.81% in 2021 to 5.20% in 2025. The rate will be further reduced to 4.55% in 2026 and 3.99% in 2027. The lower 2027 tax rate was used in the calculation of ADIT. The reduction in the state income tax rate requires a re-measurement of Accumulated Deferred Income Taxes (ADIT) that results in an Excess Deferred Income Taxes (EDIT) of \$7,365,162 that will be returned to customers.⁷⁵ The Company proposes to refund the \$7,365,162 through the existing

⁷⁴ Direct Testimony of Brooke N. Bassell-Herman at 31:9–22.

⁷⁵ Direct Testimony of Kenneth L. Crouch at 13:2–14:7.

Public

1 State Regulatory Assessment charge over thirty-six (36) months, subject to a final true-up
2 and tax rate changes resulting from pending state legislation.⁷⁶

3 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE EDIT REFUND?**

4 A. I believe that the Company's proposal is not unreasonable and should be adopted by the
5 Commission.

6 **XII. RATE CASE EXPENSES**

7 **Q. WHAT HAS THE COMPANY PROPOSED REGARDING THE RECOVERY OF**
8 **EXPENSES ASSOCIATED WITH THIS PROCEEDING?**

9 A. The Company estimated rate review expenses of \$595,000 and proposes recovering those
10 costs over thirty-six (36) months through the State Regulatory Assessment charge. At the
11 end of thirty-six (36) months, the surcharge would be discontinued.⁷⁷

12 **Q. WHAT IS YOUR RECOMMENDATION?**

13 A. I recommend that the Company's proposed methodology for recovery of rate review
14 expenses through the State Regulatory Assessment surcharge be approved and terminated
15 at the end of thirty-six (36) months. However, the amount recovered should be based on
16 actual costs incurred but limited to the Company's estimated \$595,000.

17 **XIII. CONCLUSION**

18 **Q. IN CONCLUSION, WHAT IS THE RECOMMENDED BASE REVENUE**
19 **RECOMMENDATION?**

⁷⁶ Direct Testimony of Brooke N. Bassell-Herman at 32:7–10.

⁷⁷ Direct Testimony of Tatyana V. Bannan at 20:3–21.

Public

1 A. I recommend an *increase* of no more than \$7,378,446 (Total Company), \$16,685,209
2 (Jurisdictional) to the Company's distribution base rates. However, I also acknowledge that
3 this recommendation will change after the Company updates its forecasted plant additions
4 and retirements to reflect the actual year-end December 31, 2025, amounts. The update
5 will affect many of the variables used to calculate final revenue requirement and associated
6 rates.

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

8 A. Yes.

Professional Experience and Qualifications

Donna H. Mullinax, CPA, CIA

Summary

Mrs. Mullinax has over forty-five years of financial, management and consulting experience. She is President of Blue Ridge Consulting Services, Inc. Prior to becoming President, she held the position of Vice President and Chief Financial Officer for Blue Ridge and her former employer. She has served on various Boards of Directors. She has extensive experience in project management; regulatory and litigation support; financial, administration, and human resource management. She has performed numerous financial, compliance and management audits. She has supported, as well as, provided expert witness testimony in both regulatory and civil proceedings. Mrs. Mullinax has designed and implemented accounting and business systems and developed policy and procedure manuals to support those systems.

Key Qualifications and Selected Professional Experience

Financial, Administration, and Human Resource Management

As Chief Financial Officer and Vice President she was responsible for all aspects of financial, administration, and human resources. Her responsibilities included accounting, cash management, budgeting, tax planning and preparation, fixed assets, human resources, and employee benefits. Records under her control have been subject to an IRS compliance audit with no findings.

Project Management

Mrs. Mullinax has successfully managed numerous projects controlling cost, schedule, and scope. These projects included management, financial, and compliance audits, M&A due diligence reviews, economic viability studies, prudence reviews, and litigation/regulatory support for construction contract claims and regulatory proceedings. She has worked with diverse team members and reconciled various viewpoints while maintaining effective working relationships among cross-functional teams.

Financial, Compliance, and Management Auditing

Mrs. Mullinax is a skilled auditor. She has performed numerous financial, compliance, and management audits for governmental entities, businesses, and public utilities. As a CPA and CIA, she is knowledgeable about sound internal control processes and procedures and has made numerous recommendations for modifications to provide reasonable assurance regarding the achievement of objectives related to effectiveness and efficiency of operations, reliability of financial records, and compliance with laws and regulations.

She has also conducted detailed base rates revenue requirements and rider compliance audits. She has analyzed financial information and budget projections, performed risk identification, and evaluated performance against industry benchmarks. Her extensive professional experience allows her to effectively analyze and evaluate methods and procedures and to thoroughly document her findings. She has successfully testified to her audit findings.

- ❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska
 - Application NG-107 Deferred Accounting Order to Record and Preserve Costs Related to the COVID-19 Pandemic, April 2020–August 2020

Project Manager. Led the review of the Company's request for an accounting order

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

- Application NG-0095 Effects of Tax Cuts and Jobs Act of 2017 Nebraska Gas Utility Company, LLC and Black Hills Gas Distribution, LLC, March 2018–May 2018

Project Manager. Led the review of the Company's proposed refund to ratepayers related to the tax-rate change.

- Application NG-0078.1, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, November 2014– February 2015
- Application NG-0078.2, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, October 2015– January 2016
- Application NG-0078.3, System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska (formerly SourceGas Distribution LLC), October 2016–December 2016.
- Application NG-0078.4, System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2017–December 2017.
- Application NG-0078.5 Extension of the System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, June 2018–December 2018.
- Application NG-0078.6 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2018–December 2018.
- Application NG-0078.7 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2019–December 2019.
- Application NG-112.1 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2021–December 2021.
- Application NG-112.2 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2022–December 2022.
- Application NG-112.3 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2023–December 2023
- Application NG-112.4 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2024–December 2024

Project Manager and Lead Auditor. Led the review of the Company's applications for a system safety and integrity rider for compliance to the Commission directives. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed plant to be placed in service and the verification of planned versus actual plant placed in service for the prior year. Summarized the transactional testing results and calculated the impact to the customer charge.

- Application No. NG-0072, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC March 2013–May 2013.
- Application NG-0072.1, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC May 2014–August 2014.
- Application No. NG-0074, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of Black Hills/Nebraska Gas Utility Company, LLC, d/b/a Black Hills Energy, July–November 2013.

Project Manager and Lead Auditor. Led the review of the Company's applications for an infrastructure system replacement cost recovery charge for compliance to the Nebraska Natural Gas Regulation Act. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of plant work order supporting the requested recovery of utility plant in

Professional Experience and Qualifications

Donna H. Mullinax, CPA, CIA

service. Summarized the transactional testing results and calculated the impact to the customer charge.

❖ On behalf of the Staff of the Public Utilities Commission of Ohio (PUCO)

Gas Plant in Service and Capital Spending Prudence Audits

Columbia Gas of Ohio

- Case No. 17-2202-GA-ALT, May 2018–October 2018
- Case No. 19-0438-GA-RDR, April 2019–August 2019
- Case No. 20-49-GA-RDR, February 2020–June 2020
- Case No. 21-23-GA-RDR, February 2021–June 2021
- Case No. 22-621-GA-RDR, February 2022–August 2022
- Case No. 23-621-GA-RDR, February 2023–August 2023
- Case No. 24-621-GA-RDR, February 2024–July 2024
- Case No. 25-0621-GA-RDR, February 2025–June 2025

Dominion Energy Ohio/East Ohio Gas d/b/a Enbridge Gas Ohio

- Case No. 19-468-GA-ALT, October 2019–August 2020
- Case No. 21-0619-GA-RDR, April 2021–July 2021
- Case No. 22-619-GA-RDR, March 2022–July 2022
- Case No. 23-619-GA-RDR, March 2023–July 2023
- Case No. 25-619-GA-RDR, March 2025–July 2025

Duke Energy Ohio

- Case No. 19-664-GA-RDR, March 2020–August 2020
- Case No. 21-618-GA-RDR, June 2021–November 2021
- Case No. 22-618-GA-RDR, March 2022–September 2022
- Case No. 23-618-GA-RDR, April 2023–August 2023
- Case No. 24-618-GA-RDR, March 2024–August 2024
- Case No. 25-0618-GA-RDR, March 2025–present

Northeast Ohio Natural Gas

- Case No. 25-609-GA-RDR, May 2020–present

Vectren Energy Delivery of Ohio d/b/a CenterPoint Energy Ohio

- Case Nos. 20-0099-GA-RDR and 20-0101-GA-RDR, March 2020–September 2020
- Case No. 21-620-GA-RDR, February 2021–June 2021
- Case No. 23-620-GA-RDR, March 2023–July 2023
- Case No. 24-620-GA-RDR, February 2024–June 2024
- Case No. 25-0620-GA-RDR, February 2025–June 2025

Project Manager and Lead Auditor. Led the review to determine if the company has accurately determined and account for its plant in service balance. Also reviewed the necessity, reasonableness, and prudence of the Company's capital expenditures and associated assets and recovery through infrastructure riders.

Electric Distribution Infrastructure Rider Compliance Audits

AEP-Ohio

- Case No. 13-0419-EL-RDR, March–August 2013

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

- Case No. 16-0021-EL-RDR, March–August 2016
- Case No. 17-0038-EL-RDR, April–November 2017
- Case No. 18-0230-EL-RDR, April 2018–August 2018
- Case No. 20-0169-EL-RDR, May 2020–August 2020
- Case No. 21-0016-EL-RDR, May 2021–September 2021
- Case No. 22-0089-EL-RDR, May 2022–September 2022
- Case No. 23-106-EL-RDR, April 2023–September 2023

Duke Energy Ohio

- Case No. 23-0549-EL-RDR, August 2023–January 2024
- Case No. 24-637-EL-RDR, September 2024–February 2025

First Energy

- Case No. 11-5428-EL-RDR, November 2011–April 2012
- Case No. 12-2885-EL-RDR, December 2012–July 2013
- Case No. 13-2100-EL-RDR, December 2013–April 2014
- Case No. 14-1929-EL-RDR, December 2014–May 2015
- Case No. 15-1739-EL-RDR, January 2016–July 2016
- Case No. 16-2041-EL-RDR, January 2017–November 2017
- Case No. 17-2009-EL-RDR, December 2017–May 2018
- Case No. 18-1542-EL-RDR, December 2018–April 2019
- Case No. 19-1887-EL-RDR, January 2020–August 2020
- Case No. 20-1629-EL-RDR, December 2020–November 2021
- Case No. 21-1038-EL-RDR, January 2022–May 2022
- Case No. 22-0892-EL-RDR, January 2023–May 2023
- Case No. 23-0893-EL-RDR, January 2024–June 2024
- Case No. 24-0920-EL-RDR, January 2025–May 2025

Dayton Power & Light

- Case No. 15-1830-EL-AIR: Plant in Service Balance Audit of Dayton Power and Light Company, April 2017–August 2018.
- Case No. 19-439-EL-RDR, April 2019–October 2019
- Case No. 23-1106-EL-RDR, February 2024–September 2024
- Case No. 24-1135-EL-RDR, March 2025–present
- Case No. 24-389EL-RDR, June 2025–present

Project Manager and Lead Auditor. Led the review to ensure the accuracy and reasonableness of the Companies' compliance with its Commission-approved infrastructure cost recovery rider filings. The reviews included a detailed mathematical verification and validation of the support of the riders' revenue requirements model, development of sensitivity analysis that supported the PPS sampling techniques used to isolate specific plant work order for further testing. Summarized the transactional testing results and calculated the impact to the rider's revenue requirements. Detailed variance analyses of historical data with investigations into any significant changes.

Distribution Rate Case Audits

- Case No. 07-0829-GA-AIR Dominion East Ohio, November 2007–July 2008
- Case No. 07-0589-GA-AIR Duke Energy Ohio, November 2007–February 2008

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

- Case No. 08-0072-GA-AIR Columbia Gas of Ohio, April–August 2008
Lead Auditor and assistant project manager. Performed a comprehensive rate case audit of companies' gas rate filings to validate the filings, provided conclusions and recommendations concerning the reliability of the information, and supported Staff in its evaluation of the reasonableness of the filing.
- Case No. 24-0468-EL-AIR First Energy, June 2024–present
- Project Manager, Lead Auditor. Performed a comprehensive rate case audit of companies' electric rate filings to validate the filings, provided conclusions and recommendations concerning the reliability of the information, and supported Staff in its evaluation of the reasonableness of the filing.
- ❖ Before the New Hampshire Public Utilities Commission on behalf of Staff
 - Docket No. DE 16-822 Public Service of New Hampshire d/b/a Eversource Energy. Project Manager and Lead Auditor. Led the review of the Company's revised cash working capital study in its 2017 Energy Service rate calculations. February 2017–May 31, 2017.
- ❖ On behalf of the Massachusetts Department of Public Utilities, Case No. D.P.U. 08-110, regarding the Petition and Complaint of the Massachusetts Attorney General for an Audit of New England Gas Company (NEGC), February–August 2010. Lead Auditor and Assistant Project Manager. Conducted a management audit on how NEGC manages its accounting and financial reporting functions and whether sufficient controls are in place to ensure that the information included in the company's filings can be reasonably relied upon for setting rates – areas reviewed included general accounting, financial reporting, and internal controls; plant accounting; income tax; accounts receivable; accounts payable; cash management; payroll; cost allocations; and capital structure.
- ❖ On behalf of the Staff of the Connecticut Public Utilities Regulatory Authority (PURA)
 - Management Audit of Yankee Gas Services Company. June 2014–April 3, 2015. Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management and financial operations. Lead auditor for scope areas of accounting and financial reporting, internal audit practices, and capital/O&M budgeting.
 - Diagnostic Management Audit of Connecticut Light and Power Company, July 2008–June 2009, Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management, system operations, financial operations, marketing operations, human resources, customer service, external relations, and support services. In addition, supported an in-depth review of the development and implementation process of the company's new customer information system.
- ❖ Before the Oregon Public Utilities Commission (ORPUC), Docket No. UP 205: Examination of NW Natural's Rate Base and Affiliated Interests Issues, Co-sponsored between NW Natural, ORPUC Staff, Northwest Industrial Gas Users, Citizens Utility Board, August

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

2005-January 2006, Lead Auditor and Assistant Project Manager. Examined NW Natural's Financial Instruments, Deferred Taxes, Tax Credits, and Security Issuance Costs to ensure Company compliance with orders, rules, and regulations of the ORPUC and with Company policies.

Partial List of Reports and Publications

- Compliance Audit of the 2019 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 28, 2020
- Audit of the Capital Expenditure Program for the 2019 Annual Adjustment to the CEP Rider for Columbia Gas of Ohio, Inc. June 17, 2020
- Audit of the Capital Expenditure Program and Infrastructure Replacement Program for Vectren Energy Delivery of Ohio, Inc. June 17, 2020
- Compliance Audit of the 2019 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, June 5, 2020
- Audit of the Plant in-Service and Used and Useful (Rider AU) for Duke Energy Ohio, Inc., July 6, 2020.
- Plant in Service and Capital Spending Audit of the East Ohio Gas Company d/b/a Dominion Energy Ohio, for the Period Covering April 1, 2007 through December 31, 2018, April 27, 2020.
- Review and Recommendation Regarding Black Hills Nebraska Gas, LLC Application for a Deferred Accounting Order (COVID-19 Pandemic) June 1, 2020
- Examination of Black Hills Gas Distribution, LLC Application to Adjust System Safety and Integrity Costs in 2020 on Behalf of the Nebraska Public Advocate, December 9, 2019
- Compliance Audit of the Distribution Investment Rider (DIR) for the Period Covering October 1, 2015, through January 21, 2019, of The Dayton Power & Light company, September 11, 2019
- Audit of the Capital Expenditure Program for the 2018 Annual Adjustment to the CEP Rider for Columbia Gas of Ohio, Inc. July 10, 2019
- Compliance Audit of the 2018 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 30, 2019
- Examination of Black Hills Gas Distribution, LLC Application to Adjust System Safety and Integrity Costs in 2019 on Behalf of the Nebraska Public Advocate, December 7, 2018
- Prudence Audit of Plant in Service and Capital Expenditure Program Spending for Columbia Gas of Ohio, September 3, 2018
- Compliance Audit of the 2017 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 23, 2018
- Compliance Audit of the 2017 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, May 11, 2018
- Examination of Black Hills Gas Distribution, LLC Application to Increase Eligible System Safety and Integrity Costs in 2018 on Behalf of the Nebraska Public Advocate, December 11, 2017

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

- Audit of Plant in Service for Dayton Power & Light's Application to Increase Rates, September 28, 2107
- Compliance Audit of the 2016 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 9, 2017
- Review of Public Service Company of New Hampshire d/b/a Eversource Energy Cash Working Capital and Lead-lag Methodology, May 31, 2017
- Compliance Audit of the 2016 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, May 1, 2017
- Examination of Black Hills Gas Distribution, LLC Application for Recovery of 2017 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, December 2, 2016
- Compliance Audit of the 2015 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 5, 2016
- Compliance Audit of the 2015 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 22, 2016
- Examination of SourceGas Distribution LLC Application for Recovery of 2015 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, January 8, 2015
- Compliance Audit of the 2014 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 30, 2015
- Management Audit of Yankee Gas Services Company, April 3, 2015
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, June 30, 2014
- Compliance Audit of the 2013 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 9, 2014
- Examination of the Infrastructure System Replacement Cost Recovery Charge of Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, October 4, 2013
- Compliance Audit of the 2012 Distribution Investment Rider (DIR) of Columbus Southern Power and Ohio Power Company d/b/a AEP-Ohio, June 19, 2013
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, May 16, 2013
- Compliance Audit of the 2012 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 22, 2013
- Compliance Audit of the Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 12, 2012
- Revenue Requirements Audit of New England Gas Company, May 12, 2011
- Accounting and Financial Reporting Review of New England Gas Company, August 5, 2010
- Management Audit of The Connecticut Light & Power Company, May 29, 2009
- Report of Conclusions and Recommendations on the Financial Audit of the Columbia Gas of Ohio, Inc. in Regard to Case No. 08-0074-GA-AIR, August 13, 2008

Professional Experience and Qualifications

Donna H. Mullinax, CPA, CIA

- Report of Conclusions and Recommendations on the Financial Audit of the East Ohio Gas Company d/b/a Dominion East Company in Regard to Case No. 07-0829-GA-AIR, April 16, 2008
- Report of Conclusions and Recommendations on the Financial Audit of Duke Energy Ohio, Inc. in Regard to Case No. 07-0589-GA-AIR, December 17, 2007
- Report of Conclusions and Recommendations of NW Natural's Rate Base and Affiliated Interest Issues in Support of Oregon Public Utilities Commission Docket UM1148, December 23, 2005

Regulatory and Civil Litigation

She has provided or supported civil or regulatory testimony in Arizona, Colorado, Connecticut, Delaware, Illinois, Maryland, Michigan, Missouri, New Hampshire, New York, North Carolina, North Dakota, Pennsylvania, South Carolina, Texas, and Utah. She has also served as an advisor to public service commissioners in the District of Columbia and Connecticut. In addition to providing analytical support, she has served as an expert witness and routinely works with other highly specialized expert witnesses. She has developed defensible analyses and testimony in connection with rate cases, audit findings, and other regulatory issues. She has also supported various civil litigations including delay and disruption construction claims and financial fraud. She has supported counsel with interrogatories, depositions, and hearings/trials support.

Regulatory Proceedings

- ❖ Before the West Virginia Public Service Commission
 - Case No. 23-0280-G-42T, Mountaineer Gas Company. general rate case August 2023–November 2023. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.
 - Case No. 23-0460-E-42T Monongahela Power Company and The Potomac Edison Company. September 2023–January 2024. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.
- ❖ Before the New Hampshire Public Utilities Commission on behalf of Staff (Reorganized as the New Hampshire Department of Energy, Regulatory Support Division)
 - Docket No. DE 16-384 – Unitil Energy Systems, Inc. general rate case. July 2016–January 2017
 - Docket No. DE 16-383 – Liberty Utilities (Granite State Electric) general rate case. July 2016–January 2017
 - Docket No. DE 19-064 Liberty Utilities (Granite State Electric) Distribution Service Rate Case, May 2019–August 2020
 - Docket No. DE 19-067 Eversource Energy Distribution Service Rate Case, May 2019–December 2020
 - Docket No. DG 20-105 Liberty Utilities (EnergyNorth Electric) Distribution Service Rate Case, October 2020–July 2021

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

- Docket No. DE 21-030 Unifil Energy Systems, Inc., Distribution Service Rate Case, July 2021–May 2022
- Docket No. DW 20-184 Aquarion Water Company of NH Distribution Service Rate Case, April 2021–July 2022
- Docket No. DG 21-104 Northern Utilities, Inc. of New Hampshire Distribution Service Rate Case, November 2021–July 2022
- Docket No. DE 23-039 Liberty Utilities (Granite State Electric) Rate Case, June 2023—present
- Docket No. DG 23-067 Liberty Utilities (EnergyNorth) Rate Case, August 2023—present
- Docket No. DE 24-070 Eversource Energy Distribution Service Rate Case, June 2024—present

Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Supported Staff with Settlement discussions.

- Docket No. DW 18-047 Abenaki Water Company, Inc.
- Docket No. DW 18-054 Aquarion Water Company of NH, Inc.
- Docket No. DW 18-056 Lakes Region Water Company, Inc.

Project Manager and Expert Witness. Led the review and reporting of the Company's tax rate change effect compliance filings following passage of the Tax Cut and Jobs Act of 2017 and changes to state taxes. December 2018–August 2019.

- Docket No. DG 17-0048 – Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities general rate case. June 2017–December 2018.

Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Supported Staff with Settlement discussions. Also evaluated the Company's calculated Rate Effects on the Federal and State Corporate Tax Reductions provided during Settlement.

- Docket No. DG 17-0070 Northern Utilities, Inc. Rate Effects on the Federal and State Corporate Tax Reductions. January 2018– February 2018.

Project Manager. Led the review of the Company's proposed changes in its revenue requirement to reflect the change in federal and state corporate income tax rates. Supported Staff with Settlement discussions.

- ❖ Before the Kentucky Public Service Commission on behalf of the Office of Attorney General, Louisville/Jefferson County Metro Government, and Lexington-Fayette Urban County Government

- Case No. 2018-00294, Kentucky Utilities, October 2018–May 2019.
- Case No. 2018-00295 Louisville Gas and Electric Company, October 2018–May 2019.

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

Expert Witness testifying to the Company's revenue requirements.

- ❖ Before the Pennsylvania Public Utility Commission on behalf of the Office of Consumer Advocate
 - Docket No. R-2018-3000019, The York Water Company, May 2018–November 2018. Expert Witness testifying to the Company's revenue requirements.
- ❖ Before the Massachusetts Department of Public Utilities on behalf of the Massachusetts Attorney General Office
 - D.P.U. 16-106, Fitchburg Gas and Electric Light Company d/b/a Unitil. January 2017–May 2017. Expert Witness reviewing the Company's Capital Cost Adjustment filing for compliance to the Department's Order.
- ❖ Before the Arizona Corporation Commission (ACC) on behalf of Staff
 - Docket No. E-04204A-15-0142, UNS Electric, Inc. general rate case August 2015–January 2017. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.
 - Docket No. E-01933A-15-0322, Phase I, Tucson Electric Power Company, general rate case January 2016–August 2016. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Supported Staff during Settlement of revenue requirements.
 - Docket No. E-01933A-19-0028, Tucson Electric Power Company, general rate case January 2019–August 2020. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.
- ❖ Before the Arizona Corporation Commission (ACC) on behalf of the Residential Utility Consumer Office
 - Docket No. W-01445A-22-0286, Arizona Water Company. general rate case March 2023–January 2024. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.
- ❖ Before the Connecticut Public Utilities Regulatory Authority
 - Docket No. 18-05-10 Yankee Gas Services Company d/b/a Eversource Energy general rate case July 2018– February 2019

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

- Docket No. 18-05-16 Connecticut Natural Gas Corporation (CNG) general rate case July 2018– February 2019

Project Manager supporting a team of experts assisting Staff in its regulatory oversight of Yankee Gas and CNG with a focus on revenue forecasting, rate mechanisms, and rate design; depreciation; rate base analysis; cash working capital; and environmental remediation. Team developed interrogatories, summarized parties' positions, and developed questions for cross examination.

- ❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska

- Application NG-0078, SourceGas Distribution, LLC May 2014–November 2014. Project Manager, Lead Auditor, and Expert Witness. Led the review of the Companies' applications to replace its infrastructure system replacement (ISR) cost recovery charge with a prospective System Safety and Integrity Rider (SSIR). The SSIR was subject to a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed projects supporting the requested recovery of utility plant in service.
- Application NG-0084, Black Hills Holdings, Inc. acquisition of SourceGas Holdings, LLC, October 2015–December 2015. Project Manager and Expert Witness. Led the analysis of the impact of the proposed acquisition on whether it would be consistent with the public interest and not adversely affect the utility's ability to service its ratepayers.
- Application NG-0088, SourceGas Distribution LLC, December 2015–March 2016. Project Manager and Expert Witness. Led the evaluation of the company's request for regulatory asset treatment related to net buyout costs of gas-supply-related contracts. Supported the Public Advocate during Settlement discussions.
- Application NG-0090, Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, December 2016–August 2017. Project Manager and Expert Witness. Led the evaluation of the Company's Farm Tap Safety Proposal. Supported the Public Advocate during Settlement discussions.
- Application NG-0093, Black Hills Energy/Nebraska Gas Utility LLC d/b/a Black Hills Energy, September 2017–March 2018. Project Manager and Expert Witness. Led the evaluation of the Company's request for approval of accounting and regulatory treatment related to a regulatory asset comprised of increased location costs with the ALLO Fiber Optics Project.
- Application NG-0109 Black Hills Energy/Nebraska Gas Utility LLC d/b/a Black Hills Energy, June 2020–January 2021. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.

- ❖ On behalf of the Commissioners and Staff of the District of Columbia Public Service Commission (DCPSC)

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

- Formal Case No. 1053 Pepco base electric rates case, February 2007–June 2008
- Formal Case No. 1076 Pepco base electric rates case, July 2009–December 2009
- Formal Case No. 1087 Pepco base electric rates case, September 2011–December 2012
- Formal Case No. 1093 Washington Gas Light Company (WGL) base gas rates case, July 2011–July 2013. Project Manager.
- Formal Case No. 1103 Potomac Electric Power Company (Pepco) base electric rate case, June 2013–August 2014. Project Manager.
- Formal Case No. 1137 Washington Gas Light Company (WGL) base gas rates case, May 2016–March 2017.
- Formal Case No. 1139 Pepco base electric rates case, October 2016–November 2017.
- Formal Case No. 1150/1151 Pepco base electric rate case, March 2018–November 2018. (includes rate impact associated with Tax-Change Effect)
- Formal Case No. 1151 Washington Gas Light Company's Application for Approval of Reduction of Distribution Rates to Reflect the Tax Cuts and Jobs Act of 2017 March 2018–July 2018
- Formal Case No. 1156 Potomac Electric Power Company (Pepco) base electric rate case, December 2019–December 2022
- Formal Case No. 1162 Washington Gas Light Company (WGL) base gas rates case, July 2020–November 2021
- Formal Case No. 1169 Washington Gas Light Company (WGL) base gas rates case, August 2022–January 2024

Lead Consultant advising Commissioners and Staff of the Office of Technical and Regulatory Analysis regarding Companies' proposed rate base, net operating income and revenue requirements. Assessed the companies' and Intervenor's positions on various issues and provided defensible recommendations for the Commissioners' consideration. Developed "what if" revenue requirement model used during Commission deliberations to analyze the impact of various adjustments. Supported the drafting of the Commission's Order and supplied the revenue requirement schedules to support the final decision. Supported the Commissioners' legal team in addressing motions for reconsideration.

- Formal Case No. 1032 Pepco base electric rates case, January–March 2005.
Senior Technical Consultant and Assistant Project Manager. Reviewed and evaluated Company's compliance filings for class cost of service and revenue requirements for distribution service pursuant to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.
 - Formal Case No. 1016 WGL natural gas base rates case, June–December 2003. Senior Technical Consultant and Project Manager. Analyzed and recommended adjustments regarding the company's proposed increase to base rates – advised the Commission on party positions during deliberations Review and evaluation of company's depreciation study filed with the Commission.
- ❖ Before the Missouri Public Service Commission, Case No. HR-2011-0241, on behalf of the City of Kansas City: Veolia Energy Company 2011 and 2012 electric base rates case, July–September 2011. Senior Technical Consultant. Analyzed Company's proposed net operating income, rate base, and revenue requirements. Supported testifying witness

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

with drafted testimony and development of a model to calculate an alternative revenue requirement incorporating recommended adjustments.

- ❖ Before the North Dakota Public Service Commission, Case No. PU-10-657/PU-11-55: Northern States Power Company (NSP) 2011 and 2012 electric base rates case, April–November 2011. On behalf of the Commission Staff, Lead Consultant and Assistant Project Manager. Led the analysis of NSP’s rate increase filings and supported adjustments for the Commission’s consideration. Developed a model to calculate the appropriate revenue requirements and exhibits to support Staff recommended adjustments.
- ❖ Before the Connecticut Public Utilities Regulatory Authority (PURA), Docket 10-02-13: Aquarion Water Company base rates case, on behalf of the PURA, April–August 2010. Senior Technical Consultant and Assistant Project Manager. Reviewed the expense component of the company’s revenue requirement and recommended adjustments for Staff consideration.
- ❖ Before the of the Delaware Public Service Commission on behalf of Staff
 - Docket No. 06-284: DPL’s gas base rates case, October 2006–March 2007. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company’s filings, checked the mathematical accuracy of the Company’s revenue requirements calculations, and provided analytical support to testifying witness.
 - Docket No. 09-414: Delmarva Power & Light Company (DPL) electric base rates case, September 2009–May 2010. Expert Witness and Assistant Project Manager. Analyzed the company’s rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
- ❖ Before the Michigan Public Service Commission (MIPSC) on behalf of the Michigan Attorney General
 - Case No. U-14547 Consumers Energy Company base gas rates case, December 2005–April 2006. Expert Witness and Assistant Project Manager. Analyzed Company’s rate increase filings and provided testimony offering adjustments for Commission consideration related to the rate base and revenue requirements.
 - Case No. U-15506: Consumers Energy Company base gas rates case, May–November 2008. Expert Witness and Assistant Project Manager. Analyzed the company’s rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – proceeding was settled through negotiations.
 - Case No U-15244 Detroit Edison electric base rates case, September 2007–October 2008.
 - Case No. U-15245 Consumers Energy Company base gas rates case, July 2007–April 2008.

Senior Technical Consultant and Assistant Project Manager. Analyzed the Company’s filings, checked the mathematical accuracy of the Company’s revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Maryland Public Service Commission (MDPSC)

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

- Case No. 9062 Chesapeake Utilities Corporation gas base rates case, on Behalf of the Maryland Office of People's Counsel, May 2006–August 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – participated in settlement negotiations that were ultimately accepted by all parties.
 - Case No. 9092 Pepco electric base rates case, on behalf of the Staff of the MDPSC, December 2006–June 2007. Expert Witness and Assistant Project manager. Analyzed Company's rate increases filings and provided direct and rebuttal testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
 - ❖ Before the Illinois Commerce Commission, Case No. 05-0597, on behalf of the Illinois Citizens Utility Board, Cook County State Attorney's Office and City of Chicago, November 2005–May 2006. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
 - ❖ Before the Hawaii Public Utilities Commission (HPUC), Docket No. 05-0075: Instituting a Proceeding to Investigate Kauai Island Utility Cooperative's Proposed Revised Integrated Resource Planning and Demand Side Management Framework, On behalf of the Staff of the HPUC, June–November 2005. Senior Technical Consultant and Assistant Project Manager. Conducted and reported on the results of an industry survey of other cooperatives and Commissions to obtain an overview of how other entities approach the specific issues identified within this docket.
 - ❖ Before the Public Utilities Commission of the State of Colorado (COPUC), Docket No. 04A-050E: Review of the Electric Commodity Trading Operations of Public Service Company of Colorado (PSCo), On behalf of the COPUC Staff, March–September 2004. Expert Witness and Assistant Project Manager. Performed a transaction audit of PSCo's electric commodity trading operations and submitted testimony describing the process used to conduct the investigation, a summary of the audit findings, and discussion of the significance of the findings.
 - ❖ Before the New York Public Service Commission, Case No. 00-E-0612: Proceeding on Motion of the Commission to Investigate the Forced Outage at Consolidated Edison Company of New York, Inc.'s Indian Point No. 2 Nuclear Generation Facility, On behalf of Consolidated Edison Company of New York, Inc., October 2000–September 2003. Project Manager. Supervised cross functional teams to assist scheduling and nuclear engineering experts with responses to interrogatories and the development of three comprehensive rebuttal testimonies on the prudence of extended outages at the Indian Point 2 nuclear power plant. The proceeding settled prior to filing of testimony.
- Civil Litigation**
- ❖ ADF Construction vs. Kismet, On Behalf of ADF Construction, December 2003–February 2004. Assistant Project Manager for a delay and disruption construction claim related to a large hotel complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages.
 - ❖ On behalf of New Carolina Construction, July 2002–January 2003
 - New Carolina Construction vs. Atlantic Coast

Professional Experience and Qualifications Donna H. Mullinax, CPA, CIA

- New Carolina Construction vs. Acousti
Project Manager for a delay and disruption claim related to construction of a large high school complex in South Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ State of Nevada Bureau of Consumer Protection, September-December 2003. Assistant Project Manager for damage assessment project related to potential litigation regarding the Western Market Manipulation.
- ❖ Oakwood Homes, On behalf of Oakwood Homes, February 1999–May 2000. Assistant Project Manager for a delay and disruption claim related to the construction of a large manufacturing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute was settlement through mediation.
- ❖ McMillan Carter, On behalf of McMillan Carter, June–September 2002. Project Manager for a delay and disruption claim related to construction of a large high school complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ Fluor Daniel Inc. vs. Solutia, Inc., On behalf of Fluor Daniel, May 2000–August 2001. Assistant Project Manager for a delay and disruption construction claim related to large chemical processing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute proceeded through mediation.
- ❖ First National Bank of South Carolina vs. Pappas, On Behalf of First National Bank of South Carolina, 1991–1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Supported counsel and expert witnesses during civil proceeding.
- ❖ First Union vs. Pappas, On Behalf of First Union, 1991–1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Dispute was settled out of court.

Testimony Proffered

Before the Arizona Corporation Commission

- UNS Electric, Inc. – Docket No. E-04204A-15-0142
- Tucson Electric Power Company–Docket No. E-01933A-15-0239
- Tucson Electric Power Company–Docket No. E-01933A-19-0028
- Arizona Wager Company–Docket No. W-01445A-22-0286

Before the Colorado Public Utilities Commission

- Public Service Company of Colorado–Docket No. 04A-050E

Before the Delaware Public Service Commission

- Delmarva Power & Light Company–Docket No. 09-414

Before the Kentucky Public Service Commission

- Kentucky Utilities Company–Case No. 2018-00294
- Louisville Gas and Electric Company–Case No. 2018-00295

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

Before the Maryland Public Service Commission

- Chesapeake Utilities Corporation–Case No. 9062
- Potomac Electric Power Company–Case No. 9092

Before the Michigan Public Service Commission

- Consumers Energy Company–Case No. U-14547
- Consumers Energy Company–Case No. U-15506

Before the Public Service Commission of Nebraska

- SourceGas Distribution LLC –Docket No. NG-0078
- Black Hills Utility Holdings, Inc. and Source Gas Holdings Inc.–Docket No. NG-0084
- SourceGas Distribution LLC–Docket No. NG-0088
- Black Hills Energy–Docket No. NG-0090
- Black Hills Energy–Docket No. NG-109

Before the New Hampshire Public Utilities Commission

- Unil Energy Systems, Inc.–Docket No. DE 16-384
- Liberty Utilities (Granite State Electric) Corp.–Docket No. DE 16-383
- Liberty Utilities (EnergyNorth Natural Gas) Corp.–Docket No. DG 17-0048
- Liberty Utilities (Granite State Electric)–Docket No. DE 19-064
- Eversource Energy–Docket No. DE 19-057
- EnergyNorth–Systems, Inc.–Docket No. DE 21-030
- Aquarion Water Company of New Hampshire–Docket No. DW 20-184
- Liberty Utilities (Granite State Electric)–Docket No. DE 23-039
- Eversource Energy–Docket No. DE 24-070

Before the Public Utilities Commission of Ohio

- FirstEnergy – Case No. 24-0468-EL-AIR

Before the Pennsylvania Public Service Commission

- The York Water Company - Docket No. R-018-3000019

Before the West Virginia Public Service Commission

- Mountaineer Gas Company-Case No. 23-0280-G-42T
- Monongahela Power Company and The Potomac Edison Company- Case No. 23-0460-E-42T

System Implementation

Mrs. Mullinax has worked with various business and local governmental entities to design and implement accounting and business systems that addressed real world problems and concerns. She has developed accounting policy and procedure manuals for county governments, a library, and a water utility.

Professional Experience

Blue Ridge Consulting Services, Inc.: 2004 - Present

President

Vice President and Chief Financial Officer

Senior Technical Consultant / Expert Witness

Hawks, Giffels & Pullin, Inc.: 1993 - 2004

Vice President and Chief Financial Officer

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

Executive Consultant
Controller

Cherry, Bekaert & Holland, CPAs: 1991 - 1993

Accounting Supervisor
Senior Accountant
Staff Accountant

Smith, Kline and French Pharmaceutical Company: 1988 - 1991

Professional Sales Representative

Milliken & Company: 1979 - 1988

Quality Assurance Manager
Technical Cause Analyst
Department Manager

Professional Certification

Certified Public Accountant (CPA), State of South Carolina - 1993
Certified Financial Planner (CFP) - 1994, Retired 2021
Certified Internal Auditor (CIA) - 2006
Chartered Global Management Account (CGMA) - 2012

Professional Affiliations

Member of the American Institute of Certified Public Accountants (AICPA)
Member of the South Carolina Association of Certified Public Accountants (SCACPA)
Member of the Institute of Internal Auditors (IIA)
Member of the Western Carolinas Chapter of the Institute of Internal Auditors (WCIIA)

Education

Clemson University, B.S. Administrative Management with honors, 1978
Clemson University, M.S. in Management, 1979
College for Financial Planning, 1994
NARUC Utility Rate School, 32nd Annual Eastern

Updated August 12, 2025

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

List of Schedules

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2	Schedule 1.1	Computation of Gross Up for Income Taxes
3	Schedule 2	Rate Base
4	Schedule 3	Operating Income
5	Schedule 4	Rate of Return Calculation
6	Schedule 4.1	Impact of Recommended Rate of Return on Company's Revenue Deficiency
7	Schedule 5	Ratemaking Adjustments (Confidential)
8	Schedule 5.1	Adjustment 1 Accumulated Deferred Income Taxes
9	Schedule 5.2	Adjustment 2 Prepayments (Confidential)
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14	Schedule 5.6	Adjustment 6 Direct Labor
15	Schedule 5.7	Adjustment 7 Service Company Allocated Labor
16	Schedule 5.8	Adjustment 8 Corrected Payroll Tax
17	Schedule 5.9	Adjustment 9 Incentive Compensation (Confidential)
18	Schedule 5.10	Adjustment 10 Severance
19	Schedule 5.11	Adjustment 11 Employee Recognition Programs (Confidential)
20	Schedule 5.12	Adjustment 12 Pooled Medical Insurance
21	Schedule 5.13	Adjustment 13 Insurance
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23	Schedule 5.15	Adjustment 15 Advertising
24	Schedule 5.16	Adjustment 16 Public Awareness Campaign
25	Schedule 5.17	Adjustment 17 Alternate Forms of Payment
26	Schedule 5.18	Adjustment 18 Stored Gas Property Tax
27	Schedule 5.19	Adjustment 19 Depreciation
28	Schedule 5.19 WP	Adjustment 19 Depreciation Expense Work Paper
29	Schedule 5.20	Adjustment 20 Western NE Savings (Confidential)
30	Schedule 5.21	Adjustment 21 MGP Soil Sample Testing
31	Schedule 5.22	Adjustment 22 Interest Synchronization

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Twelve Months Ending December 31, 2025

Summary of Company vs. Recommended Jurisdictional Revenue Deficiency (Sufficiency)

Line	Description	Total Company			Jurisdictional		
		Company	Adjustment	Recommended	Company	Adjustment	Adjusted
		(A)	(B)	(C)	(D)	(E)	(F)
1	Rate Base	\$ 898,989,017	\$(11,562,350)	\$ 887,426,667	\$785,247,119	\$(11,096,976)	\$774,150,143
2	Rate of Return	7.63%	-0.61%	7.02%	7.63%	-0.61%	7.02%
3	Return Requirement	68,592,862	(6,295,510)	62,297,352	59,914,355	(5,569,015)	54,345,340
4	Adjusted Net Operating Income	47,723,620	8,977,335	56,700,955	33,425,807	8,264,152	41,689,959
5	Income Deficiency (Sufficiency)	20,869,242	(15,272,845)	5,596,397	26,488,548	(13,833,168)	12,655,381
6	Income Tax Effect	6,645,351	(4,863,302)	1,782,049	8,434,697	(4,404,869)	4,029,828
7	Revenue Deficiency (Sufficiency)	<u>\$ 27,514,594</u>	<u>\$(20,136,147)</u>	<u>\$ 7,378,446</u>	<u>\$ 34,923,246</u>	<u>\$(18,238,036)</u>	<u>\$ 16,685,209</u>
8	Percent of Original Request			26.82%			47.78%

Notes and Sources

Column B: Exhibit SKJ-2, Statement A

Column B Line 6: Deficiency Gross Up for Taxes from Schedule 1.1

Column C: Line 1: DHM Schedule 2

Column C, Line 2: DHM Schedule 4

Column C, Line 4: DHM Schedule 3

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124

Schedule 1.1

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Twelve Months Ending December 31, 2025

Computation of Gross Up for Income Taxes

<u>Line</u>	<u>Description</u>	<u>Company</u>	<u>Adjustment</u>	<u>Adjusted Amount</u>
		(A)	(B)	(C)
1	State Tax Rate	3.99%		3.99%
2	Federal Statutory Tax rate	21.00%		21.00%
3	Federal Effective Tax rate (1-State rate*Federal rate)	20.16%		20.16%
4	Total Composite Tax rate	24.15%		24.15%
5	Revenue Requirement Gross-Up Factor	75.85%		75.85%
6	Revenue Conversion Factor	1.31843		1.31843

Notes and Sources

Column A - Exhibit SKJ-2 - Revenue Requirements Study, References and Statement M

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 2
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Twelve Months Ending December 31, 2025

Rate Base

Line	Description	Total Company			Jurisdictional		
		Company	Adjustment	Recommended	Company	Adjustment	Adjusted
		(A)	(B)	(C)	(D)	(E)	(F)
1	Rate Base						
2	Plant in Service	\$ 1,344,463,233	\$ -	\$ 1,344,463,233	\$ 1,175,965,016	\$ -	\$ 1,175,965,016
3	Accumulated Depreciation & Amortization	(336,641,567)	5,503,752	(331,137,815)	(294,043,401)	5,170,575	(288,872,826)
4	Net Plant in Service	<u>\$ 1,007,821,666</u>	<u>\$ 5,503,752</u>	<u>\$ 1,013,325,418</u>	<u>\$ 881,921,614</u>	<u>\$ 5,170,575</u>	<u>\$ 887,092,190</u>
5	Working Capital						
6	Cash Working Capital	\$ (405,504)	\$ (3,303,445)	\$ (3,708,949)	\$ (156,393)	\$ (3,091,568)	\$ (3,247,962)
7	Material and Supplies	6,037,584	-	6,037,584	5,280,909	-	5,280,909
8	Prepayments	259,364	(259,364)	0	226,963	(226,963)	0
9	Total Working Capital	<u>\$ 5,891,444</u>	<u>\$ (3,562,809)</u>	<u>\$ 2,328,635</u>	<u>\$ 5,351,479</u>	<u>\$ (3,318,532)</u>	<u>\$ 2,032,947</u>
10	Other Rate Base Items						
11	Accumulated Deferred Income Taxes	\$ (101,069,777)	\$ (13,503,293)	\$ (114,573,070)	\$ (88,443,843)	\$(12,949,020)	\$ (101,392,862)
12	Excess/Deficient Deferred Income Taxes (Jurisdictional Only)	(11,220,770)	-	(11,220,770)	(11,220,770)	-	(11,220,770)
13	Customer Deposits	(2,433,546)	-	(2,433,546)	(2,361,362)	-	(2,361,362)
14	Total Other Rate Base Items	<u>\$ (114,724,093)</u>	<u>\$ (13,503,293)</u>	<u>\$ (128,227,386)</u>	<u>\$ (102,025,974)</u>	<u>\$(12,949,020)</u>	<u>\$ (114,974,994)</u>
15	Total Rate Base	<u><u>\$ 898,989,017</u></u>	<u><u>\$ (11,562,350)</u></u>	<u><u>\$ 887,426,667</u></u>	<u><u>\$ 785,247,119</u></u>	<u><u>\$(11,096,976)</u></u>	<u><u>\$ 774,150,143</u></u>

Notes and Sources

Columns A and D, Lines 1–3: Exhibit SKJ-2, Statement B
Columns A and D, Lines 5–16: Exhibit SKJ-2, Statement M
Columns B and E: DHM Schedule 5

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 3
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Twelve Months Ending December 31, 2025

Operating Income

Line	Description	Total Company			Jurisdictional		
		Company	Adjustment	Recommended	Company	Adjustment	Adjusted
		(A)	(B)	(C)	(D)	(E)	(F)
1	Revenues						
2	Total Sales-Jurisdictional	\$ 145,184,890	\$ 1,212,628	\$ 146,397,518	\$ 145,184,890	\$ 1,212,628	\$146,397,518
3	Total Sales-Non Jurisdictional	33,126,306	-	33,126,306	-	-	-
4	Other Revenues	6,143,391	-	6,143,391	5,485,646	-	5,485,646
5	Total Revenues	<u>\$ 184,454,586</u>	<u>\$ 1,212,628</u>	<u>\$ 185,667,214</u>	<u>\$ 150,670,535</u>	<u>\$ 1,212,628</u>	<u>\$151,883,163</u>
6	Expenses						
7	O&M Expense	\$ 78,551,861	\$ (4,974,138)	\$ 73,577,723	\$ 68,808,905	\$ (4,394,069)	\$ 64,414,836
8	Depreciation and Amortization	41,004,376	(5,503,752)	35,500,624	36,047,454	(5,170,575)	30,876,878
9	Taxes other than Income Taxes	11,607,374	(287,755)	11,319,619	10,155,504	(253,095)	9,902,409
10	Income Taxes	5,567,355	3,000,938	8,568,293	2,232,866	2,766,215	4,999,081
11	Total Operating Expenses	<u>\$ 136,730,967</u>	<u>\$ (7,764,706)</u>	<u>\$ 128,966,260</u>	<u>\$ 117,244,728</u>	<u>\$ (7,051,524)</u>	<u>\$110,193,204</u>
12	Operating Income	<u><u>\$ 47,723,620</u></u>	<u><u>\$ 8,977,334</u></u>	<u><u>\$ 56,700,955</u></u>	<u><u>\$ 33,425,807</u></u>	<u><u>\$ 8,264,152</u></u>	<u><u>\$ 41,689,959</u></u>

Notes and Sources

Columns A and D, Lines 1-4: Exhibit SKJ-2, Statement B

Columns A and D, Lines 6-11: Exhibit SKJ-2, Statement B

Columns B and E: DHM Schedule 5

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124

Schedule 4

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Twelve Months Ending December 31, 2025

Rate of Return Calculation

Line	Description	Capital Structure	Cost %	Weighted Cost %	Pre-Tax Rate of Return	
					Tax Factor	Pre-Tax Cost
		(A)	(B)	(C)	(E)	(F)
<u>Company Proposed Rate of Return</u>						
1	Long-Term Debt	49.48%	4.71%	2.33%	1.000000	2.330%
2	Preferred Stock	0.00%	0.00%	0.00%	1.318428	0.000%
3	Common Equity	50.52%	10.50%	5.30%	1.000000	5.300%
4	Total	<u>100.00%</u>		<u>7.63%</u>		<u>7.63%</u>
<u>Recommended Rate of Return</u>						
5	Short-Term Debt	50.00%	4.61%	2.31%	1.000000	2.310%
6	Long-Term Debt	0.00%	0.00%	0.00%	1.318428	0.000%
7	Common Equity	50.00%	9.42%	4.71%	1.000000	4.710%
8	Total	<u>100.00%</u>		<u>7.02%</u>		<u>7.02%</u>

Notes and Sources

Lines 1-4: SKJ-2, Statement G

Lines 5-8: Testimony of Dr. S. Keith Berry

NEBRASKA PUBLIC SERVICE COMMISSION

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Twelve Months Ending December 31, 2025

Impact of Recommended **Rate of Return** on Company's Revenue Deficiency

Line	Description	Total Company		
		Company (A)	Adjustment (B)	Recommended (C)
1	Total Rate Base	\$ 898,989,017		\$ 898,989,017
2	Rate of Return	7.63%	-0.61%	7.02%
3	Return Requirement	\$ 68,592,862	\$ (5,483,833)	\$ 63,109,029
4	Net Operating Income	\$ 47,723,620		\$ 47,723,620
5	Income Deficiency	\$ 20,869,242		\$ 15,385,409
6	Revenue Conversion Factor	1.31843		1.31843
7	Revenue Deficiency	\$ 27,514,595	\$ (7,230,039)	\$ 20,284,555

Notes and Sources

Column A: Summary Totals from Schedule 1

Line 2: Schedule 2

NEBRASKA PUBLIC SERVICE COMMISSION

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Twelve Months Ending December 31, 2025

Rate-making Adjustments (Confidential)

Docket No. NG-124

Schedule 5

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			Schedu e 5.1 Ad ustment 1	Schedu e 5.2 Ad ustment 2	Schedu e 5.3 Ad ustment 3	Schedu e 5.4 Ad ustment 4	Schedu e 5.5 Ad ustment 5	Schedu e 5.6 Ad ustment 6	Schedu e 5.7 Ad ustment 7	Schedu e 5.8 Ad ustment 8
Line	Description	Company	Accum ated Deferred Income Taxes	Prepayments (Conf dent a)	Cash Work ng Cap ta	Annua zed Customer Growth	Bad Debt	Drect Labor	Servc Company Allocated Labor	Corrected Payroll Tax
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	<u>TOTAL COMPANY</u>									
1	<u>Rate Base</u>									
2	Plant n Serv ce	\$ 1,344,463,233								
3	Accum ated Deprec at on & Amortzat on	(336,641,567)								
4	Net P lant n Serv ce	\$ 1,007,821,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Work ng Cap ta									
6	Cash Work ng Cap ta	\$ (405,504)			(3,303,445)					
7	Matera and Supp es	6,037,584								
8	Prepayments	259,364		(259,364)						
9	Tota Work ng Cap ta	\$ 5,891,444	\$ -	\$ (259,364)	\$ (3,303,445)	\$ -	\$ -	\$ -	\$ -	\$ -
10	Other Rate Base Items									
11	Accum ated Deferred Income Taxes	\$ (101,069,777)	(13,503,293)							
12	Excess/Def cent Deferred Income Taxes	(11,220,770)								
13	Customer Depos ts	(2,433,546)								
14	Tota Other Rate Base Items	\$ (114,724,093)	\$ (13,503,293)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Total Rate Base	\$ 898,989,017	\$ (13,503,293)	\$ (259,364)	\$ (3,303,445)	\$ -	\$ -	\$ -	\$ -	\$ -

13	<u>Operating Income</u>									
14	<u>Revenues</u>									
15	Total Sales-Jurisdictional	\$ 145,184,890			\$ 1,212,628					
	Total Sales-Non Jurisdictional	33,126,306								
16	Other Revenues	6,143,391								
17	Total Revenues	\$ 184,454,586	\$ -	\$ -	\$ -	\$ 1,212,628	\$ -	\$ -	\$ -	\$ -
18	<u>Expenses</u>									
19	O&M Expense	\$ 78,551,861					(84,960)	(608,823)	(1,468,360)	
20	Depreciation and Amortization	41,004,376						(46,575)	(112,330)	(46,597)
21	Taxes other than Income Taxes	11,607,374								
28	Income Taxes	5,567,355				292,875	20,520	158,292	381,770	11,254
29	Total Operating Expenses	\$ 136,730,967	\$ -	\$ -	\$ -	\$ 292,875	\$ (64,440)	\$ (497,106)	\$ (1,198,919)	\$ (35,343)
30	Operating Income	\$ 47,723,620	\$ -	\$ -	\$ -	\$ 919,753	\$ 64,440	\$ 497,106	\$ 1,198,919	\$ 35,343

			Schedu e 5.1 Ad ustment 1	Schedu e 5.2 Ad ustment 2	Schedu e 5.3 Ad ustment 3	Schedu e 5.4 Ad ustment 4	Schedu e 5.5 Ad ustment 5	Schedu e 5.6 Ad ustment 6	Schedu e 5.7 Ad ustment 7	Schedu e 5.8 Ad ustment 8
Line	Description	Company	Accumu ated Deferred Income Taxes	Prepayments (Conf dent a)	Cash Worki ng Cap ta	Annua zed Customer Growth	Bad Debt	Drect Labor	Serve e Company Allocated Labor	Corrected Payro Tax
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	JURISDICTIONAL									
1	Rate Base									
2	Plant n Serv ce	\$ 1,175,965,016								
3	Accumu ated Deprec at on & Amortz at on	(294,043,401)								
4	Net Plant n Serv ce	\$ 881,921,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Worki ng Cap ta									
6	Cash Worki ng Cap ta	\$ (156,393)			(3,091,568)					
7	Matera and Supp es	5,280,909								
8	Prepayments	226,963		(226,963)						
9	Total Worki ng Cap ta	\$ 5,351,479	\$ -	\$ (226,963)	\$ (3,091,568)	\$ -	\$ -	\$ -	\$ -	\$ -
10	Other Rate Base Items									
11	Accumu ated Deferred Income Taxes	\$ (88,443,843)		(12,949,020)						
12	Excess/Def c ent Deferred Income Taxes	(11,220,770)								
13	Customer Depos ts	(2,361,362)								
14	Total Other Rate Base Items	\$ (102,025,974)	\$ (12,949,020)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Total Rate Base	\$ 785,247,119	\$ (12,949,020)	\$ (226,963)	\$ (3,091,568)	\$ -	\$ -	\$ -	\$ -	\$ -

13	<u>Operating Income</u>									
14	<u>Revenues</u>									
15	Total Sales-Jurisdictional	\$ 145,184,890			\$ 1,212,628					
	Total Sales-Non Jurisdictional									
16	Other Revenues	5,485,646								
17	Total Revenues	\$ 150,670,536	\$ -	\$ -	\$ -	\$ 1,212,628	\$ -	\$ -	\$ -	\$ -
18	<u>Expenses</u>									
19	O&M Expense	\$ 68,808,905					(76,438)	(529,510)	(1,308,030)	
20	Depreciation and Amortization	36,047,454						(40,507)	(100,064)	(40,746)
21	Taxes other than Income Taxes	10,155,504								
28	Income Taxes	2,232,866				292,876	20,767	137,672	340,084	9,841
29	Total Operating Expenses	\$ 117,244,728	\$ -	\$ -	\$ -	\$ 292,876	\$ (55,671)	\$ (432,345)	\$ (1,068,010)	\$ (30,905)
30	Operating Income	\$ 33,425,807	\$ -	\$ -	\$ -	\$ 919,752	\$ 55,671	\$ 432,345	\$ 1,068,010	\$ 30,905

NEBRASKA PUBLIC SERVICE COMMISSION

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Twelve Months Ending December 31, 2025

Ratemaking Adjustments (Confidential)

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Schedule 5

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Line	Description	Schedule 5.9 Adjustment 9	Schedule 5.10 Adjustment 10	Schedule 5.11 Adjustment 11	Schedule 5.12 Adjustment 12	Schedule 5.13 Adjustment 13	Schedule 5.14 Adjustment 14	Schedule 5.15 Adjustment 15	Schedule 5.16 Adjustment 16	Schedule 5.17 Adjustment 17
		Incentive Compensation (Confidential)	Severance	Employee Recognition Programs (Confidential)	Pooled Medical Insurance	Insurance	D&O Liability Insurance	Advertising	Public Awareness Campaign	Alternate Forms of Payment
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
TOTAL COMPANY										
1	<u>Rate Base</u>									
2	Plant in Service									
3	Accumulated Depreciation & Amortization									
4	Net Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Working Capital									
6	Cash Working Capital									
7	Materials and Supplies									
8	Prepayments									
9	Total Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Other Rate Base Items									
11	Accumulated Deferred Income Taxes									
12	Excess/Deficient Deferred Income Taxes									
13	Customer Deposits									
14	Total Other Rate Base Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Total Rate Base	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	<u>Operating Income</u>									
14	<u>Revenues</u>									
15	Total Sales-Jurisdictional									
16	Total Sales-Non Jurisdictional									
17	Other Revenues									
18	Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	<u>Expenses</u>									
20	O&M Expense	\$ (1,132,809)	\$ (68,157)	\$ (415,176)	\$ (204,942)	\$ (290,578)	\$ (104,238)	\$ (8,425)	\$ (200,000)	\$ (241,388)
21	Depreciation and Amortization									
22	Taxes other than Income Taxes	(43,365)								
23	Income Taxes	284,072	16,461	100,274	49,498	70,181	25,175	2,035	48,304	58,300
24	Total Operating Expenses	\$ (892,102)	\$ (51,696)	\$ (314,902)	\$ (155,444)	\$ (220,397)	\$ (79,063)	\$ (6,390)	\$ (151,696)	\$ (183,088)
25	Operating Income	\$ 892,102	\$ 51,696	\$ 314,902	\$ 155,444	\$ 220,397	\$ 79,063	\$ 6,390	\$ 151,696	\$ 183,088
Line	Description	Schedule 5.9 Adjustment 9	Schedule 5.10 Adjustment 10	Schedule 5.11 Adjustment 11	Schedule 5.12 Adjustment 12	Schedule 5.13 Adjustment 13	Schedule 5.14 Adjustment 14	Schedule 5.15 Adjustment 15	Schedule 5.16 Adjustment 16	Schedule 5.17 Adjustment 17
		Incentive Compensation (Confidential)	Severance	Employee Recognition Programs (Confidential)	Pooled Medical Insurance	Insurance	D&O Liability Insurance	Advertising	Public Awareness Campaign	Alternate Forms of Payment
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
JURISDICTIONAL										
1	<u>Rate Base</u>									
2	Plant in Service									
3	Accumulated Depreciation & Amortization									
4	Net Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Working Capital									
6	Cash Working Capital									
7	Materials and Supplies									
8	Prepayments									
9	Total Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Other Rate Base Items									
11	Accumulated Deferred Income Taxes									
12	Excess/Deficient Deferred Income Taxes									
13	Customer Deposits									
14	Total Other Rate Base Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Total Rate Base	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	<u>Operating Income</u>									
14	<u>Revenues</u>									
15	Total Sales-Jurisdictional									
16	Total Sales-Non Jurisdictional									
17	Other Revenues									
18	Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	<u>Expenses</u>									
20	O&M Expense	\$ (988,304)	\$ (59,598)	\$ (363,038)	\$ (179,205)	\$ (254,090)	\$ (91,148)	\$ (7,293)	\$ (174,562)	\$ (234,228)
21	Depreciation and Amortization									
22	Taxes other than Income Taxes	(37,747)								
23	Income Taxes	247,813	14,394	87,681	43,281	61,368	22,015	1,761	42,161	56,572
24	Total Operating Expenses	\$ (778,239)	\$ (45,204)	\$ (275,357)	\$ (135,924)	\$ (192,722)	\$ (69,133)	\$ (5,532)	\$ (132,401)	\$ (177,656)
25	Operating Income	\$ 778,239	\$ 45,204	\$ 275,357	\$ 135,924	\$ 192,722	\$ 69,133	\$ 5,532	\$ 132,401	\$ 177,656

NEBRASKA PUBLIC SERVICE COMMISSION

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Twelve Months Ending December 31, 2025
Rate-making Adjustments (Confidential)

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		Schedu e 5.18 Ad ustment 18	Schedu e 5.19 Ad ustment 19	Schedu e 5.20 Ad ustment 20	Schedu e 5.21 Ad ustment 21	Schedu e 5.22 Ad ustment 22		

Line	Description	Stored Gas Property Tax	Depreciat on	Western NE Savings (Conf dent a)	MGP So Samp e Test ng	Interest Synchronizat on	Total Adjustments	Recommended Totals
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
JURISDICTIONAL								
1	Rate Base							
2	Plant n Serv ce						\$ -	\$ 1,175,965,016
3	Accumu ated Deprecat on & Amortzat on		5,170,575				5,170,575	(288,872,826)
4	Net Plant n Serv ce	\$ -	\$ 5,170,575	\$ -	\$ -	\$ -	\$ 5,170,575	\$ 887,092,190
5	Work ng Cap ta							
6	Cash Work ng Cap ta						\$ (3,091,568)	\$ (3,247,962)
7	Matera and Supp es						-	5,280,909
8	Prepayments						(226,963)	0
9	Total Work ng Cap ta	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,318,532)	\$ 2,032,947
10	Other Rate Base Items							
11	Accumu ated Deferred Income Taxes						\$ (12,949,020)	\$ (101,392,862)
12	Excess/Def c ent Deferred Income Taxes						-	(11,220,770)
13	Customer Depos ts						-	(2,361,362)
14	Total Other Rate Base Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (12,949,020)	\$ (114,974,994)
15	Total Rate Base	<u>\$ -</u>	<u>\$ 5,170,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,096,976)</u>	<u>\$ 774,150,143</u>
13	Operating Income							
14	Revenues							
15	Total Sales-Jursd ct ona						\$ 1,212,628	\$ 146,397,518
16	Total Sales-Non Jursd ct ona						-	5,485,646
17	Other Revenues						-	151,883,163
18	Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,212,628</u>	<u>\$ 151,883,163</u>
19	Expenses							
20	O&M Expense			\$ -	\$ (121,388)		\$ (4,394,069)	\$ 64,414,836
21	Deprecat on and Amortzat on		(5,170,575)				(5,170,575)	30,876,878
22	Taxes other than Income Taxes	(34,030)					(253,095)	9,902,409
23	Income Taxes	8,219	1,248,802		29,317	99,843	2,766,215	4,999,081
24	Total Operating Expenses	<u>\$ (25,811)</u>	<u>\$ (3,921,773)</u>	<u>\$ -</u>	<u>\$ (92,071)</u>	<u>\$ 99,843</u>	<u>\$ (7,051,524)</u>	<u>\$ 110,193,204</u>
30	Operating Income	<u>\$ 25,811</u>	<u>\$ 3,921,773</u>	<u>\$ -</u>	<u>\$ 92,071</u>	<u>\$ (99,843)</u>	<u>\$ 8,264,152</u>	<u>\$ 41,689,959</u>

NEBRASKA PUBLIC SERVICE COMMISSION

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Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 1

Accumulated Deferred Income Taxes

Line	Description		Total Company			Jurisdictional Allocation	Jurisdictional		
			Company	Adjustment	Recommended		Company	Adjustment	Recommended
			(A)	(B)	(C)	(D)	(E)	(F)	(G)
Deferred Income Tax									
1	190300	DT1000 - Vacation	\$ 219,524	\$ (219,524)	\$ -	87.5%	\$ 192,100	\$ (192,100)	\$ -
2	190300	DT1010 - Bad Debt Reserve	1,397,164	(1,397,164)	-	87.5%	1,222,626	(1,222,626)	-
3	190300	DT1020 - Employee Group Insurance	87,008	(87,008)	-	87.5%	76,139	(76,139)	-
4	190300	DT1030 - Bonus	315,473	(315,473)	-	87.5%	276,063	(276,063)	-
5	190300	DT1050 - Workman's Comp	187,625	(187,625)	-	87.5%	164,187	(164,187)	-
6	190300	DT2095 - DT Asset Tax on Tax Fed Gross Up	241,386	(241,386)	-	87.5%	211,231	(211,231)	-
7	190300	DT3010 - Performance Plan	0	(0)	-	87.5%	0	(0)	-
8	190300	DT3076 - Line Extension Dep Gas	(111)	111	-	87.5%	(97)	97	-
9	190300	DT4165 - NOL Carryforward	-	-	-	87.5%	-	-	-
10	190300	DT4466 - PUC Fees	685,784	(685,784)	-	87.5%	600,114	(600,114)	-
11	190998	DT2092 - DTA LT - Svc Co FAS 109 Other	313,008	(313,008)	-	87.5%	273,906	(273,906)	-
12	190300	DT1500 - State Income Tax	551,001	(551,001)	-	87.5%	482,168	(482,168)	-
13	190300	DT2094 - DTA LT - Tax on Tax Gross-Up - State	471,780	(471,780)	-	87.5%	412,844	(412,844)	-
14	190300	DT3020 - State NOL	-	-	-	87.5%	-	-	-
15		Total Deferred Income Tax	\$ 4,469,643	\$ (4,469,643)	\$ -		\$ 3,911,282	\$ (3,911,282)	\$ -
Accumulated Deferred Income Taxes - Property									
17	282300	DT4063 - Accumulated Depreciation	\$ (86,636,630)		\$ (86,636,630)	87.5%	\$ (75,813,727)	\$ -	\$ (75,813,727)
18	282300	DT4094 - DTL LT - Other Property	(221,783)		(221,783)	87.5%	(194,077)	-	(194,077)
19	282300	DT4097 - DTL LT - CWIP	581,717		581,717	87.5%	509,047	-	509,047
20	282998	DT4060 - DTL LT - Svc Co Def Tax Liab Property	(2,070,221)		(2,070,221)	87.5%	(1,811,603)	-	(1,811,603)
21	282300	DT1059 - Accumulated Depreciation - State	(17,145,048)		(17,145,048)	87.5%	(15,003,238)	-	(15,003,238)
22	282300	DT1530 - DT Liability State Other	115,119		115,119	87.5%	100,738	-	100,738
23	282998	DT1500 - DTL LT - Svc Co State Property LT	(129,855)		(129,855)	87.5%	(113,633)	-	(113,633)
24		Total ADIT-Property	\$ (105,506,701)	\$ -	\$ (105,506,701)		\$ (92,326,493)	\$ -	\$ (92,326,493)
Accumulated Deferred Income Taxes - Other									
26	283300	DT1500 - State Income Tax	(5,405)	5,405	-	87.5%	(4,730)	4,730	-
27	283300	DT3018 - FED EFF OF STATE NOL	-	-	-	87.5%	-	-	-
28	283300	DT4040 - PREPAID EXPENSES:	(27,314)	27,314	-	87.5%	(23,901)	23,901	-
29		Total ADIT-Other	\$ (32,719)	\$ 32,719	\$ -		\$ (28,631)	\$ 28,631	\$ -
30		ADIT Included in Rate Base	\$ (101,069,777)	\$ (4,436,924)	\$ (105,506,701)		\$ (88,443,843)	\$ (3,882,650)	\$ (92,326,493)
Excess Deferred Income Taxes (EDIT)									
32	190300	DT2092 - FAS 109 Other	\$ 2,085,246	\$ (2,085,246)	\$ -	100.0%	\$ 2,085,246	\$ (2,085,246)	\$ -
33	254015	DT 5000 - Protected Property (EDFIT)	(18,853,519)		(18,853,519)	100.0%	(18,853,519)	-	(18,853,519)
34	254015	DT 5001 - Non-Protected Plant - Deficient Deferred Income Taxes COR ("DDFIT")	-	-	-	100.0%	-	-	-
35	254015	DT 1525 - State (DDIT)	4,967,403	(4,967,403)	-	100.0%	4,967,403	(4,967,403)	-
36	254015	DT 1500 - State - Non-Protected (EDIT)	-	-	-	100.0%	-	-	-
37	254015	DT 5003 - Non-Protected Non-Property - DDIT	2,062,047	(2,062,047)	-	100.0%	2,062,047	(2,062,047)	-
38	254015	DT 5005 - Regulatory Liability for Non-Refunded ARAM	-	-	-	100.0%	-	-	-
39	254998	DT 5000 - Svc Co Protected Property	(1,433,621)		(1,433,621)	100.0%	(1,433,621)	-	(1,433,621)
40	254998	DT 5001 - Svc Co Non-Protected Plant EDIT	(48,326)	48,326	-	100.0%	(48,326)	48,326	-
41		Excess Deferred Income Taxes (EDIT) in Rate Base	\$ (11,220,770)	\$ (9,066,369)	\$ (20,287,140)		\$ (11,220,770)	\$ (9,066,369)	\$ (20,287,140)
42		ADIT and EDIT Included in Rate Base	\$ (112,290,547)	\$ (13,503,293)	\$ (125,793,840)		\$ (99,664,613)	\$ (12,949,020)	\$ (112,613,632)
43		Impact to Rate Base	\$ (112,290,547)	\$ (13,503,293)	\$ (125,793,840)		\$ (99,664,613)	\$ (12,949,020)	\$ (112,613,632)

Notes and Sources

Column A and E: Direct Exhibit SKKJ-2, Statement C, Schedule C-1, and Statement M
Column D: Direct Exhibit SKJ-2, Statement M

NEBRASKA PUBLIC SERVICE COMMISSION

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 2

Prepayments (Confidential)

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company	Adjustment	Recommended		Company	Adjustment	Recommended
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Prepaid Insurance			\$ -	87.5%			\$ -
2	Prepaid Federal Taxes			-	87.5%			-
3	Prepaid Other-Rent			-	87.5%			-
4	Prepaid Other-Actuarial Services			-	87.5%			-
5	Prepaid Dues & Subscriptions			-	87.5%			-
6		\$ 259,364	\$ (259,364)	\$ -		\$ 226,963	\$ (226,963)	\$ -
7	Impact to Rate Base	\$ 259,364	\$ (259,364)	\$ -		\$ 226,963	\$ (226,963)	\$ -

Notes and Sources

Column A: WP Prepayments from Confidential Attachment PA 11-264 - Prepayments

Column D: Direct Exhibit SKJ-2, Statement M

NEBRASKA PUBLIC SERVICE COMMISSION

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 3

Cash Working Capital

Docket No. NG-124
Schedule 5.3
Page 1 of 1

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Purchased Gas Working Capital	\$ 1,632,755	\$ (1,632,755)	\$ -	99.87%	\$ 1,630,706	\$ (1,630,706)	\$ -
2	Property Tax Working Capital	(7,307,802)	32,277	(7,275,525)	87.51%	(6,394,890)	28,245	(6,366,645)
3	Other Working Capital Allowance	5,269,543	(1,702,967)	3,566,576	87.44%	4,607,791	(1,489,108)	3,118,683
4	Total Working Capital	<u>\$ (405,504)</u>	<u>\$ (3,303,445)</u>	<u>\$ (3,708,949)</u>		<u>\$ (156,393)</u>	<u>\$ (3,091,568)</u>	<u>\$ (3,247,962)</u>
5	Impact to Rate Base	<u>\$ (405,504)</u>	<u>\$ (3,303,445)</u>	<u>\$ (3,708,949)</u>		<u>\$ (156,393)</u>	<u>\$ (3,091,568)</u>	<u>\$ (3,247,962)</u>

Notes and Sources

Column A, D, and E: Direct Exhibit SKJ-2, Statement M

Column B: WP CWC

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 5.3 WP
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Adjustment 3
Cash Working Capital Work Paper

Line	Description	Adjusted		Test Year Expense	Net Days	Factor	Cash Working Capital		Difference
		Test Year Expense	Adjustments				Adjusted	Company	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	Operations & Maintenance Expense								
2	Direct Payroll	\$ 25,334,024	\$ (608,823)	\$ 24,725,201	25.6538	0.0700	\$ 1,730,764	\$ 1,773,382	\$ (42,618)
3	Gas Purchases - PGA	81,637,752	(81,637,752)	-	5.8514	0.0200	-	1,632,755	(1,632,755)
4	O&M Expenses - Direct Materials	4,001,081		4,001,081	10.3139	0.0300	120,032	120,032	-
5	O&M Expenses - Direct Services	6,061,450	(1,679,187)	4,382,263	17.6741	0.0500	219,113	303,073	(83,959)
6	O&M Expenses - Allocated Materials	1,054,518		1,054,518	3.4291	0.0100	10,545	10,545	-
7	O&M Expenses - Allocated Services	13,702,478		13,702,478	3.7480	0.0100	137,025	137,025	-
8	O&M Expenses - Allocated Payroll	22,155,246	(2,601,169)	19,554,078	3.6583	0.0100	195,541	221,552	(26,012)
9	Other O & M	15,782,947		15,782,947	8.8007	0.0200	315,659	315,659	-
10	Total Operation & Maintenance Expense	<u>\$ 169,729,497</u>	<u>\$ (86,526,930)</u>	<u>\$ 83,202,566</u>			<u>\$ 2,728,679</u>	<u>\$ 4,514,023</u>	<u>\$ (1,785,344)</u>
11									
12	Gas Purchases (ChoiceGas Supplier Payments)	<u>\$ 78,094,389</u>	<u>\$ (78,094,389)</u>	<u>-</u>	6.3493	0.0200	<u>\$ -</u>	<u>\$ 1,561,888</u>	<u>\$ (1,561,888)</u>
13									
14	Taxes other than Income Taxes								
15	Property Taxes	\$ 8,804,581	(38,888)	8,765,693	(301.9088)	(0.8300)	\$ (7,275,525)	\$ (7,307,802)	\$ 32,277
16	FICA Taxes - Employer's	2,437,953	(248,867)	2,189,086	25.6538	0.0700	153,236	170,657	(17,421)
17	Unemployment Taxes (FUTA & SUTA)	47,640		47,640	25.6538	0.0700	3,335	3,335	-
18	City Franchise Taxes	10,590,511		10,590,511	(15.6874)	(0.0400)	(423,620)	(423,620)	-
19	Sales Taxes	20,406,852		20,406,852	18.0648	0.0500	1,020,343	1,020,343	-
20	Total Taxes other than Income Taxes	<u>\$ 42,287,537</u>	<u>\$ (287,755)</u>	<u>\$ 41,999,782</u>			<u>\$ (6,522,232)</u>	<u>\$ (6,537,089)</u>	<u>\$ 14,856</u>
21									
22	Current Income Taxes-Federal and State	5,567,355	2,893,005	8,460,360	2.6538	0.0100	84,604	55,674	28,930
23	Interest Synchronization		107,933	107,933	2.6538	0.0100	1,079	11	-
24	Total Income Taxes	<u>\$ 5,567,355</u>	<u>\$ 3,000,938</u>	<u>\$ 8,568,293</u>			<u>\$ 85,683</u>	<u>\$ 55,684</u>	<u>\$ 28,930</u>
25									
26	Total	<u>\$ 295,678,778</u>	<u>\$ (161,908,136)</u>	<u>\$ 133,770,641</u>			<u>\$ (3,707,870)</u>	<u>\$ (405,493)</u>	<u>\$ (3,303,445)</u>

Notes and Sources

Columns A, D, E and G: Exhibit SKJ-2, Schedule F-2

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 5.4
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Adjustment 4

Annualized Customer Growth

Line	Description	Total Company			Jurisdictional Allocation (D)	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Jurisdictional							
2	480 Residential Sales	\$ 1,245,606	\$ 1,212,628	\$ 2,458,234	100%	\$ 1,245,606	\$ 1,212,628	\$ 2,458,234
3	489.3 Revenue from Transportation of Gas	(13,530)		(13,530)	100%	(13,530)		(13,530)
4	Total Jurisdictional	\$ 1,232,076		\$ 2,444,704		\$ 1,232,076		\$ 2,444,704
5	Non-Jurisdictional							
6	489.3 Revenue from Transportation of Gas	94,500		94,500	0%	-		-
7	Total	\$ 1,326,576	\$ 1,212,628	\$ 2,539,204		\$ 1,232,076	\$ 1,212,628	\$ 2,444,704
8	State Income Tax	3.99%		3.99%		3.99%		3.99%
9	Effect on NH income tax expense	\$ 52,930	\$ 48,384	\$ 101,314		\$ 49,160	\$ 48,384	\$ 97,544
10	Federal Taxable	\$ 1,273,646		\$ 2,437,890		\$ 1,182,916		\$ 2,347,160
11	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
12	Effect on Federal income tax expense	\$ 267,466	\$ 244,491	\$ 511,957		\$ 248,412	\$ 244,492	\$ 492,904
13	Total Taxes	\$ 320,396	\$ 292,875	\$ 613,271		\$ 297,572	\$ 292,876	\$ 590,448
14	Impact to Operating Income	\$ 1,006,180	\$ 919,753	\$ 1,925,933		\$ 934,504	\$ 919,752	\$ 1,854,256

Notes and Sources

Column A: Direct Exhibit SKJ-2, Schedule I-6

Column C: WP Customer Growth Direct Exhibit EJF-5,6,7,13-Billing Determinants

Column D: Direct Exhibit SKJ-2, Statement M

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 5.5
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Adjustment 5
Bad Debt

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company	Adjustment	Recommended		Company	Adjustment	Recommended
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Operating Revenues	\$ 184,454,586		\$ 185,667,214		\$ 150,670,535		\$ 151,883,163
2	Revenue Deficiency	27,514,594		7,378,447		34,923,246		16,685,209
3	Adjusted Revenues	\$ 211,969,180		\$ 193,045,661		\$ 185,593,781		\$ 168,568,372
4	Add back SSIR DIIP Revenues	1,391,041		1,391,041		1,391,041		1,391,041
5	Adjusted Revenues	\$ 213,360,221	\$ (18,923,519)	\$ 194,436,702		\$ 186,984,822	\$ (17,025,408)	\$ 169,959,413
6								
7	Average Effective Uncollectible Rate	0.4490%		0.4490%		0.4490%		0.4490%
8								
9	Net Write Off Calculated	\$ 957,915		\$ 872,954		\$ 839,498		\$ 763,060
10								
11	Base Year Uncollectible Accounts (FERC 904)	510,037		510,037	97.0%	494,908		494,908
12								
13	Bad Debt	\$ 447,878	\$ (84,960)	\$ 362,917		\$ 344,590	\$ (76,438)	\$ 268,152
14								
15	State Tax Rate	3.99%		3.99%		7.81%		7.81%
16	Effect on State income tax expense	\$ (17,870)	\$ 3,390	\$ (14,480)		\$ (26,912)	\$ 5,969	\$ (20,943)
17								
18	Federal Taxable	\$ 430,008		\$ 348,437		\$ 317,678		\$ 247,209
19	Federal Income Tax Rate	21%		21%		21%		21%
20	Effect on Federal income tax expense	\$ (90,302)	\$ 17,130	\$ (73,172)		\$ (66,712)	\$ 14,798	\$ (51,914)
21								
22	Total Taxes	\$ (108,172)	\$ 20,520	\$ (87,652)		\$ (93,624)	\$ 20,767	\$ (72,857)
23								
24	Impact to Operating Income	\$ (339,706)	\$ 64,440	\$ (275,265)		\$ (250,966)	\$ 55,671	\$ (195,295)

Notes and Sources

Column A: Direct Exhibit SKJ-2, Schedule H-8
Column C and G: Schedules 1 and 3
Column D: Direct Exhibit SKJ-2, Statement M

Line 4 Average Effective Uncollectible Rate: Direct Exhibit SKJ-2, Schedule H-8

Calendar Year 2022 Net Write-Offs	\$ 1,274,803
Calendar Year 2023 Net Write-Offs	2,062,836
Calendar Year 2024 Net Write-Offs	844,922
Average Net Write Offs	\$ 1,394,187

Billed Revenue - Calendar Year 2022	\$ 327,110,888
Billed Revenue - Calendar Year 2023	339,196,904
Billed Revenue - Calendar Year 2024	265,291,113
Average Billed Revenue (2022 - 2024)	\$ 310,532,968

Average Effective Uncollectible Rate (3 year average) 0.4490%

NEBRASKA PUBLIC SERVICE COMMISSION

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Adjustment 6
Direct Labor

Line	FERC Acct	Description	Total Company			Jurisdictional Allocation (D)	Jurisdictional		
			Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1		Direct Employee Expenses							
2		TRANSMISSION EXPENSE							
3		Operation							
4	850	Operation Supervision & Engineering	\$ (53)	\$ 1	\$ (51)	55.5%	\$ (29)	\$ 1	\$ (28)
5	851	System Control & Load Dispatching	397	(10)	387	52.9%	210	(5)	205
6	856	Materials Expenses	36,339	(916)	35,423	55.5%	20,158	(508)	19,650
7	857	Measuring & Regulating Station Expenses	9,858	(249)	9,609	55.5%	5,468	(138)	5,331
8	859	Other Expenses	(278)	7	(271)	55.5%	(154)	4	(150)
9			<u>\$ 46,264</u>		<u>\$ 45,097</u>		<u>\$ 25,654</u>		<u>\$ 25,007</u>
10		Maintenance							
11	863	Maintenance of Materials	\$ 118,681	\$ (2,993)	\$ 115,688	55.5%	\$ 65,835	\$ (1,660)	\$ 64,175
12	864	Maintenance of Compressor Station Equipment	11,807	(298)	11,509	55.5%	6,550	(165)	6,384
13	866	Maintenance of Communication Equipment	700	(18)	683	55.5%	388	(10)	379
14			<u>\$ 131,188</u>		<u>\$ 127,879</u>		<u>\$ 72,773</u>		<u>\$ 70,938</u>
15		DISTRIBUTION EXPENSE							
16		Operation							
17	870	Operation Supervision & Engineering	\$ 1,891,298	\$ (47,695)	\$ 1,843,603	87.3%	\$ 1,650,746	\$ (41,628)	\$ 1,609,117
18	874	Materials & Services Expenses	8,364,857	(210,944)	8,153,912	87.6%	7,328,264	(184,804)	7,143,461
19	875	Measuring & Regulating Station Expense - General	730,629	(18,425)	712,204	66.1%	482,599	(12,170)	470,429
20	876	Measuring & Regulating Station Expense - Industrial	22,488	(567)	21,921	93.2%	20,963	(529)	20,435
21	877	Measuring & Regulating Station Expense - City Gate Check Station	178,197	(4,494)	173,703	66.1%	117,704	(2,968)	114,736
22	878	Meter & House Regulator Expenses	1,475,233	(37,199)	1,438,035	93.2%	1,375,218	(34,677)	1,340,541
23	879	Customer Installation Expenses	1,074,904	(27,107)	1,047,797	99.6%	1,070,136	(26,987)	1,043,149
24	880	Other Expenses	2,862,421	(72,184)	2,790,236	87.6%	2,506,204	(63,201)	2,443,002
25			<u>\$ 16,600,027</u>		<u>\$ 16,181,412</u>		<u>\$ 14,551,834</u>		<u>\$ 14,184,870</u>
26		Maintenance							
27	887	Maintenance of Materials	\$ 528,255	\$ (13,322)	\$ 514,934	82.3%	\$ 434,657	\$ (10,961)	\$ 423,695
28	888	Maintenance of Compressor Station Equipment	3,587	(90)	3,496	69.3%	2,487	(63)	2,425
29	889	Maintenance of Measuring & Regulating Station Equipment - General	227,886	(5,747)	222,139	82.1%	187,057	(4,717)	182,340
30	890	Maintenance of Measuring & Regulating Station Equipment - Industrial	18,186	(459)	17,727	70.9%	12,888	(325)	12,563
31	891	Maintenance of Measuring & Regulating Station - City Gate Check Station	429,259	(10,825)	418,434	66.1%	283,537	(7,150)	276,386
32	892	Maintenance of Services	467,130	(11,780)	455,350	93.2%	435,460	(10,981)	424,479
33	893	Maintenance of Meters & House Regulators	417,892	(10,538)	407,354	66.1%	276,029	(6,961)	269,068
34	894	Maintenance of Other Equipment	231,305	(5,833)	225,472	99.6%	230,279	(5,807)	224,472
35			<u>\$ 2,323,500</u>		<u>\$ 2,264,906</u>	93.2%	<u>\$ 1,862,393</u>		<u>\$ 1,815,427</u>
36		CUSTOMER ACCOUNTS EXPENSES							
37		Operation							
38	902	Meter Reading Expenses	\$ 578,275	\$ (14,583)	\$ 563,692	97.0%	\$ 561,122	\$ (14,150)	\$ 546,972
39	903	Customer Record & Collection Expenses	197,716	(4,986)	192,730	97.0%	191,852	(4,838)	187,014
40			<u>\$ 775,991</u>		<u>\$ 756,423</u>		<u>\$ 752,974</u>		<u>\$ 733,985</u>
41		SALES EXPENSES							
42		Operation							
43	912	Demonstrating and Selling Expenses	\$ 346,260	\$ (7)	\$ 346,253	85.7%	\$ 296,894	\$ (6)	\$ 296,888
44	913	Advertising Expenses	24,060	(607)	23,453	85.7%	20,630	(520)	20,110
45			<u>\$ 370,320</u>		<u>\$ 369,706</u>		<u>\$ 317,525</u>		<u>\$ 316,998</u>
46		ADMINISTRATIVE AND GENERAL EXPENSES							
47		Operation							
48	920	Administrative & General Salaries	\$ 505,307	\$ 3,406	\$ 508,713	87.4%	\$ 441,851	\$ 2,978	\$ 444,829
49	926	Employee Pensions and Benefits	4,289,494	(103,000)	4,186,495	87.4%	3,750,817	(90,065)	3,660,753
50			<u>\$ 4,794,802</u>		<u>\$ 4,695,208</u>		<u>\$ 4,192,668</u>		<u>\$ 4,105,581</u>
51		Maintenance							
52	932	Maintenance of General Plant	\$ 291,932	\$ (7,362)	\$ 284,570	88.2%	\$ 257,591	\$ (6,496)	\$ 251,095
53			<u>\$ 291,932</u>		<u>\$ 284,570</u>		<u>\$ 257,591</u>		<u>\$ 251,095</u>
54		Total	<u>\$ 25,334,024</u>	<u>\$ (608,823)</u>	<u>\$ 24,725,201</u>		<u>\$ 22,033,411</u>	<u>\$ (529,510)</u>	<u>\$ 21,503,901</u>
55		Payroll Taxes							
56		Total Employee Costs	\$ 25,334,024		\$ 24,725,201		\$ 22,033,411		\$ 21,503,901
57		Payroll Tax Rate	7.65%		7.65%		7.65%		7.65%
58		Total Payroll Taxes	<u>\$ 1,938,053</u>	<u>\$ (46,575)</u>	<u>\$ 1,891,478</u>		<u>\$ 1,685,556</u>	<u>\$ (40,507)</u>	<u>\$ 1,645,048</u>
59		Total Employee Costs and Payroll Tax	\$ 27,272,077	\$ (655,398)	\$ 26,616,679		\$ 23,718,967	\$ (570,017)	\$ 23,148,949
60		State Income Tax	3.99%		3.99%		3.99%		3.99%
61		Effect on Net Income tax expense	<u>\$ (1,088,156)</u>	<u>\$ 26,151</u>	<u>\$ (1,062,005)</u>		<u>\$ (946,387)</u>	<u>\$ 22,744</u>	<u>\$ (923,643)</u>
62		Federal Taxable	\$ 26,183,921		\$ 25,554,674		\$ 22,772,580		\$ 22,225,306
63		Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
64		Effect on Federal Income tax expense	<u>\$ (5,498,623)</u>	<u>\$ 132,141</u>	<u>\$ (5,366,482)</u>		<u>\$ (4,782,242)</u>	<u>\$ 114,928</u>	<u>\$ (4,667,314)</u>
65		Total Taxes	<u>\$ (6,586,779)</u>	<u>\$ 158,292</u>	<u>\$ (6,428,487)</u>		<u>\$ (5,728,629)</u>	<u>\$ 137,672</u>	<u>\$ (5,590,957)</u>
66		Impact to Operating Income	<u>\$ (20,685,298)</u>	<u>\$ 497,106</u>	<u>\$ (20,188,192)</u>		<u>\$ (17,990,338)</u>	<u>\$ 432,345</u>	<u>\$ (17,557,992)</u>

Notes and Sources

Column A: Direct Exhibit SKJ-2, Schedule H-5
Column C: WP Employee Expense Confidential - SKJ WP-14 - Direct Exhibit SKJ-5 (Open positions Excluded)
Column D: Direct Exhibit SKJ-2, Statement M
Line 62: Direct Exhibit SKJ-2, Schedule L-1

NEBRASKA PUBLIC SERVICE COMMISSION

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Adjustment 7
Service Company Allocated Labor

Line	FERC Acct	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
			Company	Adjustment	Recommended		Company	Adjustment	Recommended
			(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	_850	TRANS OPS SUPERV & ENG	\$ 3,569	\$ (3,569)	\$ -	55.5%	\$ 1,980	\$ (1,980)	\$ -
2	_851	TRANS SYS CONTR & LOAD DISPATC	51	(51)	-	52.9%	27	(27)	-
3	_870	DIST OPS SUPERVISION AND ENGIN	(87,984)	87,984	-	87.3%	(76,794)	76,794	-
4	_874	OPER/INSPECT UG DIST MAINS-GAS	656	(656)	-	87.6%	575	(575)	-
5	_880	DIST OPS OTHER EXPENSE	478	(478)	-	87.6%	419	(419)	-
6	_887	PERF UG DISTRIB LINE MAINT-GAS	6	(6)	-	82.1%	5	(5)	-
7	_893	DIST MAINT METERS & HSE REGS	(20,094)	20,094	-	93.2%	(18,731)	18,731	-
8	_901	CUST ACCTS SUPERVISION	10,509	(10,509)	-	97.0%	10,197	(10,197)	-
9	_902	READ METERS	137,469	(137,469)	-	97.0%	133,392	(133,392)	-
10	_903	CUST ACCTS RECORDS & COLLECTIO	125,917	(125,917)	-	97.0%	122,182	(122,182)	-
11	_905	MISC CUSTOMER ACCOUNTS	3,715	(3,715)	-	97.0%	3,605	(3,605)	-
12	_907	CUSTOMER SERVICE SUPERVISION	5,334	(5,334)	-	85.7%	4,574	(4,574)	-
13	_908	CUSTOMER ASSISTANCE EXP	11,149	(11,149)	-	85.7%	9,559	(9,559)	-
14	_909	INFORMATIONAL & INSTRUCT ADS	99	(99)	-	85.7%	85	(85)	-
15	_912	SALES DEMONSTRATING & SELLING	6,020	(6,020)	-	85.7%	5,162	(5,162)	-
16	_920	COMP ABS FLOAT ADJ	953,911	(953,911)	-	87.4%	834,118	(834,118)	-
17	_926	EMPLOYEE PENSIONS & BENEFITS	317,555	(317,555)	-	87.4%	277,676	(277,676)	-
18	_930.2	MISCELLANEOUS GENERAL EXP	(2)	2	-	87.4%	(2)	2	-
19	_932	MAINTENANCE GENERAL PLANT GAS	1	(1)	-	88.2%	1	(1)	-
20			\$ 1,468,360	\$ (1,468,360)	\$ -		\$ 1,308,030	\$ (1,308,030)	\$ -
21		Payroll Taxes							
22		Total Employee Costs	\$ 1,468,360		\$ -		\$ 1,308,030		\$ -
23		Payroll Tax Rate	7.65%		7.65%		7.65%		7.65%
24		Total Payroll Taxes	\$ 112,330	\$ (112,330)	\$ -		\$ 100,064	\$ (100,064)	\$ -
25		Total Employee Costs and Payroll Tax	\$ 1,580,689	\$ (1,580,689)	\$ -		\$ 1,408,094	\$ (1,408,094)	\$ -
26		State Income Tax	3.99%		3.99%		3.99%		3.99%
27		Effect on NH income tax expense	\$ (63,070)	\$ 63,070	\$ -		\$ (56,183)	\$ 56,183	\$ -
28		Federal Taxable	\$ 1,517,619		\$ -		\$ 1,351,911		\$ -
29		Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
30		Effect on Federal income tax expense	\$ (318,700)	\$ 318,700	\$ -		\$ (283,901)	\$ 283,901	\$ -
31		Total Taxes	\$ (381,770)	\$ 381,770	\$ -		\$ (340,084)	\$ 340,084	\$ -
32		Impact to Operating Income	\$ (1,198,919)	\$ 1,198,919	\$ -		\$ (1,068,010)	\$ 1,068,010	\$ -

Notes and Sources

Column A: SKJ WP-16 - Direct Exhibit SKJ-J, Sched H-7

Column D: Direct Exhibit SKJ-2, Statement M

Column C, Line 17, Employee Pensions & Benefits removed on Schedule 5.8 Correction to Payroll Roll Tax Schedule .5.7

NEBRASKA PUBLIC SERVICE COMMISSION

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Adjustment 8
Corrected Payroll Tax

Line	Description	Total Company			Jurisdictional Allocation (D)	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Direct Labor "Net O&M Payroll Changes"	\$ 2,044,010	\$ (291,563)	\$ 1,752,447				
2	FICA Tax Rate	7.65%		7.65%				
3	FICA Tax	\$ 156,367		\$ 134,062	87.4%	\$ 136,730	\$ (19,504)	\$ 117,227
4	Adjustment for Allocated Labor	\$ 2,280,785	\$ (317,553)	\$ 1,963,232				
5	FICA Tax Rate	7.65%		7.65%				
6	FICA Tax	\$ 174,480		\$ 150,187	87.4%	\$ 152,569	\$ (21,242)	\$ 131,327
7	Total FICA Tax	\$ 330,847	\$ (46,597)	\$ 284,249		\$ 289,299	\$ (40,746)	\$ 248,553
8	State Income Tax	3.99%		3.99%				
9	Effect on NH income tax expense	\$ (13,201)	\$ 1,859	\$ (11,342)		\$ (11,543)	\$ 1,626	\$ (9,917)
10	Federal Taxable	\$ 317,646		\$ 272,907		\$ 277,756		\$ 238,636
11	Federal Income Tax Rate	21.00%		21.00%				
12	Effect on Federal income tax expense	\$ (66,706)	\$ 9,395	\$ (57,311)		\$ (58,329)	\$ 8,215	\$ (50,114)
13	Total Taxes	\$ (79,907)	\$ 11,254	\$ (68,653)		\$ (69,872)	\$ 9,841	\$ (60,031)
14	Impact to Operating Income	\$ (250,940)	\$ 35,343	\$ (215,596)		\$ (219,427)	\$ 30,905	\$ (188,522)

Notes and Sources

Column A: SKJ WP-16 - Direct Exhibit SKJ-2, SCHED L-1

Column D: Direct Exhibit SKJ-2, Statement M

Column B, Line 1: Totals from WP Employee Exp Confidential SKJ WP-14 - Direct Exhibit SKJ-2, Sched H-5

	Per Company	Open Positions	Total w/o Open	Non-PR		
Direct Labor "Net O&M Payroll Changes"		Schedule 5.6				
2025 Base Pay	\$ 29,256,963	\$ (826,955)	\$ 28,430,008			
Incentive Payout at 100%	1,596,004	(50,531)	1,545,473			
Retirement Contribution \$	1,295,942	(26,325)	1,269,617	\$ 1,269,617		
401k Match \$	1,676,842	(49,617)	1,627,224	1,627,224		
2025 Medical Annual	5,066,225	(93,744)	4,972,481	4,972,481		
2025 Dental Annual	253,900	(4,820)	249,080	249,080		
2025 AD&D Annual	10,853	(321)	10,532	10,532		
2025 Life Insurance	27,945	(824)	27,121	27,121		
Total	\$ 39,184,673	\$ (1,053,137)	\$ 38,131,536	\$ 8,156,055	21.39%	% of total
Average Capital vs O&M Split	64.65%	64.65%	64.65%			
Total O&M	\$ 25,334,024	\$ (680,883)	\$ 24,653,141			
Total Direct Employee Expenses (per book)	23,290,013		23,290,013			
Adjustment to Direct Employee Expenses	\$ 2,044,011		\$ 1,363,128	\$ 291,563	Company adjustment x 21.39%	

Column B, Line 1: Totals from WP Shared Services SKJ WP-16 - Direct Exhibit SKJ-2, Sched H-7

Allocated Labor			
Adjustment for Shared Services Headcount	\$ 1,468,360	\$ 317,553	Benefits to Account 926
Adjustment for Merit Increase Shared Service	856,568		
Adjustment for AIP/STIP 100%	(44,146)		
	\$ 2,280,782		

Column B, Line 4: Employee Pensions & Benefits removed on Schedule 5.7

\$ (317,555)

NEBRASKA PUBLIC SERVICE COMMISSION

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Schedule 5.9

Adjustment 9

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Incentive Compensation (Confidential)

Line	Description	Total Company			Jurisdictional Allocation (D)	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Incentive Compensation							
2	AIP							
3	Direct Charged				86.7%			
4	Allocated (FERC 920)	1,465,281	-	1,465,281	87.4%	1,281,270	-	1,281,270
5	Total AIP	\$ 2,001,687	\$ -	\$ 2,001,687		\$ 1,746,368	\$ -	\$ 1,746,368
6	STIP							
7	Direct Charged				86.7%			
8	Allocated (FERC 920)	871,879	\$ (261,564)	610,315	87.4%	762,388	\$ (228,716)	533,671
9	Total STIP							
10	LTIP							
11	Direct Charged	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
12	Allocated (FERC 920)	565,946	(565,946)	-	87.4%	494,874	(494,874)	-
13	Total LTIP	\$ 565,946	\$ (565,946)	\$ -		\$ 494,874	\$ (494,874)	\$ -
14	Total Incentive Compensation	\$ 4,457,176	\$ (1,132,809)	\$ 3,324,367		\$ 3,886,009	\$ (988,304)	\$ 2,897,705
15	Payroll Taxes							
16	Total Cash-Based Incentive Compensation	\$ 3,891,230	\$ (566,863)	\$ 3,324,367		\$ 3,391,136	\$ (493,430)	\$ 2,897,705
17	Payroll Tax Rate	7.65%		7.65%		7.65%		7.65%
18	Total Payroll Taxes	\$ 297,679	\$ (43,365)	\$ 254,314		\$ 259,422	\$ (37,747)	\$ 221,674
19								
20	Income Taxes							
21	Total Incentive Comp & Payroll Taxes	\$ 4,754,855	\$ (1,176,174)	\$ 3,578,681		\$ 4,145,431	\$ (1,026,052)	\$ 3,119,380
22								
23	State Income Tax	3.99%		3.99%		3.99%		3.99%
24	Effect on NH income tax expense	\$ (189,719)	\$ 46,930	\$ (142,789)		\$ (165,403)	\$ 40,940	\$ (124,463)
25	Federal Taxable	\$ 4,565,136		\$ 3,435,892		\$ 3,980,028		\$ 2,994,917
26	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
27	Effect on Federal income tax expense	\$ (958,679)	\$ 237,142	\$ (721,537)		\$ (835,806)	\$ 206,873	\$ (628,933)
28	Total Taxes	\$ (1,148,398)	\$ 284,072	\$ (864,326)		\$ (1,001,209)	\$ 247,813	\$ (753,396)
29	Impact to Operating Income	\$ (3,606,457)	\$ 892,102	\$ (2,714,355)		\$ (3,144,222)	\$ 778,239	\$ (2,365,984)

Notes and Sources

Column A, Line 7: WP Employee Exp Confidential SKJ WP-14 - Direct Exhibit SKJ-2, Sched H-5, Tab Payroll Data

STIP

STIP Removed for Open Positions on Sch 5.6

Column A, Line 4: WP Shared Services SKJ WP-3, Sched H-7, Tab Compensation Schedule

LTIP

Equity Compensation

Column A, Line 8: AIP Shared Services SKJ WP-3, Sched H-7, Tab Compensation Schedule

Column A, Line 17: Payroll Tax Rate-Direct Exhibit SKJ-2, Schedule L-1

Column D: Direct Exhibit SKJ-2, Statement M (Direct Charge based on Total Distribution Expenses)

NEBRASKA PUBLIC SERVICE COMMISSION

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Schedule 5.10
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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 10

Severance

Line	Description	Total Company			Jurisdictional Allocation (D)	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Severance (FERC 920)	\$ 68,157	\$ (68,157)	\$ -	87.4%	\$ 59,598	\$ (59,598)	\$ -
2	State Income Tax	3.99%		3.99%		3.99%		3.99%
3	Effect on NH income tax expense	\$ (2,719)	\$ 2,719	\$ -		\$ (2,378)	\$ 2,378	\$ -
4	Federal Taxable	\$ 65,438		\$ -		\$ 57,220		\$ -
5	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
6	Effect on Federal income tax expense	\$ (13,742)	\$ 13,742	\$ -		\$ (12,016)	\$ 12,016	\$ -
7	Total Taxes	\$ (16,461)	\$ 16,461	\$ -		\$ (14,394)	\$ 14,394	\$ -
8	Impact to Operating Income	\$ (51,696)	\$ 51,696	\$ -		\$ (45,204)	\$ 45,204	\$ -

Notes and Sources

Column A: SKJ WP-16 - Direct Exhibit SKJ-2, SCHED H-7, Tab Compensation Schedule

Column D: Direct Exhibit SKJ-2, Statement M

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 11

Employee Recognition Programs (Confidential)

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Energize! (FERC 921)				87.4%			
2	Service Awards (FERC 921)				87.4%			
3	Project Equity (FERC 920)				87.4%			
4	Non-Executive Equity Program (FERC 920)				87.4%			
5	Employee Recognition	\$ 570,559	\$ (415,176)	\$ 155,383		\$ 498,908	\$ (363,038)	\$ 135,870
6	State Income Tax	3.99%		3.99%		3.99%		3.99%
7	Effect on NH income tax expense	\$ (22,765)	\$ 16,565	\$ (6,200)		\$ (19,906)	\$ 14,485	\$ (5,421)
8	Federal Taxable	\$ 547,794		\$ 149,183		\$ 479,002		\$ 130,449
9	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
10	Effect on Federal income tax expense	\$ (115,037)	\$ 83,709	\$ (31,328)		\$ (100,590)	\$ 73,196	\$ (27,394)
11	Total Taxes	\$ (137,802)	\$ 100,274	\$ (37,528)		\$ (120,496)	\$ 87,681	\$ (32,815)
12	Impact to Operating Income	\$ (432,757)	\$ 314,902	\$ (117,855)		\$ (378,412)	\$ 275,357	\$ (103,055)

Notes and Sources

Column A: Response to PA-232 and Confidential Attachment

Column D: Direct Exhibit SKJ-2, Statement M

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Schedule 5.12

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 12

Pooled Medical Insurance

Line	Description	Total Company			Jurisdictional Allocation (D)	Jurisdictional		
		Proposed (A)	Adjustment (B)	Amount (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Pooled Medical (FERC 926)	\$ 813,971	\$ (204,942)	\$ 609,030	87.4%	\$ 711,752	\$ (179,205)	\$ 532,547
2	State Income Tax	3.99%		3.99%		3.99%		3.99%
3	Effect on NH income tax expense	\$ (32,477)	\$ 8,177	\$ (24,300)		\$ (28,399)	\$ 7,150	\$ (21,249)
4	Federal Taxable	\$ 781,494		\$ 584,730		\$ 683,353		\$ 511,298
5	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
6	Effect on Federal income tax expense	\$ (164,114)	\$ 41,321	\$ (122,793)		\$ (143,504)	\$ 36,131	\$ (107,373)
7	Total Taxes	\$ (196,591)	\$ 49,498	\$ (147,093)		\$ (171,903)	\$ 43,281	\$ (128,622)
8	Impact to Operating Income	\$ (617,380)	\$ 155,444	\$ (461,937)		\$ (539,849)	\$ 135,924	\$ (403,925)

Notes and Sources

Column A, Line 1: SKJ WP-16 - Direct Exhibit SKJ-2, Sched H-7, Tab Medical Pull

Column C: Line 1: WP Pooled Medical Confidential Attachment PA 11-273 - Pooled Medical Insurance (Removed Additional Headcount)

Column D: Direct Exhibit SKJ-2, Statement M

NEBRASKA PUBLIC SERVICE COMMISSION

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 13

Insurance

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Property Insurance (FERC 924)	\$ 48,948	(4,450)	\$ 44,498	87.5%	\$ 42,833	(3,894)	\$ 38,939
2	Injuries and Damages (FERC 925)	3,147,415	(286,129)	2,861,286	87.4%	2,752,161	(250,196)	2,501,965
3	Total	\$ 3,196,363	\$ (290,578)	\$ 2,905,785		\$ 2,794,994	\$ (254,090)	\$ 2,540,904
4	State Income Tax	3.99%		3.99%		3.99%		3.99%
5	Effect on NH income tax expense	\$ (127,535)	\$ 11,594	\$ (115,941)		\$ (111,520)	\$ 10,138	\$ (101,382)
6	Federal Taxable	\$ 3,068,828		\$ 2,789,844		\$ 2,683,474		\$ 2,439,522
7	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
8	Effect on Federal income tax expense	\$ (644,454)	\$ 58,587	\$ (585,867)		\$ (563,530)	\$ 51,230	\$ (512,300)
9	Total Taxes	\$ (771,989)	\$ 70,181	\$ (701,808)		\$ (675,050)	\$ 61,368	\$ (613,682)
10	Impact to Operating Income	\$ (2,424,374)	\$ 220,397	\$ (2,203,977)		\$ (2,119,944)	\$ 192,722	\$ (1,927,222)

Notes and Sources

Column A and B: SKJ WP-16 - Direct Exhibit SKJ-2, Sched H-7

	Total Allocated	924	925
2024 Insurance Premiums	\$ 3,725,365	\$ 57,049	\$ 3,668,316
Less A&G 22%	(819,580)	(12,551)	(807,030)
	\$ 2,905,785	\$ 44,498	\$ 2,861,286
Plus 10% increase for 2nd half 2025	290,578	4,450	286,129
	\$ 3,196,363	\$ 48,948	\$ 3,147,415
Per Book	2,244,721	60,601	2,184,120
	\$ 951,642	\$ (11,653)	\$ 963,295

Column D: Direct Exhibit SKJ-2, Statement M

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 14

D&O Liability Insurance

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	D&O Liability Insurance (FERC 925)	\$ 208,476	\$ (104,238)	\$ 104,238	87.4%	\$ 182,295	\$ (91,148)	\$ 91,148
2	State Income Tax	3.99%		3.99%		3.99%		3.99%
3	Effect on NH income tax expense	\$ (8,318)	\$ 4,159	\$ (4,159)		\$ (7,274)	\$ 3,637	\$ (3,637)
4	Federal Taxable	\$ 200,158		\$ 100,079		\$ 175,021		\$ 87,511
5	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
6	Effect on Federal income tax expense	\$ (42,033)	\$ 21,016	\$ (21,017)		\$ (36,755)	\$ 18,378	\$ (18,377)
7	Total Taxes	\$ (50,351)	\$ 25,175	\$ (25,176)		\$ (44,029)	\$ 22,015	\$ (22,014)
8	Impact to Operating Income	\$ (158,125)	\$ 79,063	\$ (79,062)		\$ (138,266)	\$ 69,133	\$ (69,134)

Notes and Sources

Column A: SKJ WP-16 - Direct Exhibit SKJ-2, Sched H-7, Tab Insurance Summary and PA-272

Column D: Direct Exhibit SKJ-2, Statement M

PA-234 reports D&O Liability Insurance of \$178,872 in 2025 Test Year.

WP Shared Services SKJ WP-16 - Direct Exhibit SKJ-2, Sched H-7 and PA-272 Attachment supports a different amount

NEBRASKA PUBLIC SERVICE COMMISSION

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 15

Advertising

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	870 Dist. Operating and Supervision Engineering	\$ 3,915	\$ (3,915)	\$ -	87.3%	\$ 3,417	\$ (3,417)	\$ -
2	880 Dist. Ops. Other Expenses	1,102		1,102	87.6%	965	-	965
3	903 Customer Record & Collection Expense	51,592		51,592	97.0%	50,061	-	50,061
4	909 Informational & Instructional Advertising	-		-	85.7%	-	-	-
5	912 Demonstrating & Selling Expense	-		-	85.7%	-	-	-
6	913 Advertising Expense	4,000	(4,000)	-	85.7%	3,430	(3,429.73)	-
7	921 Office Supplies & Expense	74,932		74,932	87.4%	65,522	-	65,522
8	923 Outside Services	-		-	87.4%	-	-	-
9	930.1 General Advertising	1,010	(510)	500	87.4%	883	(445.95)	437
10	930.2 Misc. General Expense	-		-	87.4%	-	-	-
11		<u>\$ 136,552</u>	<u>\$ (8,425)</u>	<u>\$ 128,127</u>		<u>\$ 124,279</u>	<u>\$ (7,293)</u>	<u>\$ 116,986</u>
12	State Income Tax	3.99%		3.99%		3.99%		3.99%
13	Effect on NH income tax expense	<u>\$ (5,448)</u>	<u>\$ 336</u>	<u>\$ (5,112)</u>		<u>\$ (4,959)</u>	<u>\$ 291</u>	<u>\$ (4,668)</u>
14	Federal Taxable	\$ 131,104		\$ 123,015		\$ 119,320		\$ 112,318
15	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
16	Effect on Federal income tax expense	<u>\$ (27,532)</u>	<u>\$ 1,699</u>	<u>\$ (25,833)</u>		<u>\$ (25,057)</u>	<u>\$ 1,470</u>	<u>\$ (23,587)</u>
17	Total Taxes	<u>\$ (32,980)</u>	<u>\$ 2,035</u>	<u>\$ (30,945)</u>		<u>\$ (30,016)</u>	<u>\$ 1,761</u>	<u>\$ (28,255)</u>
18	Impact to Operating Income	<u>\$ (103,572)</u>	<u>\$ 6,390</u>	<u>\$ (97,182)</u>		<u>\$ (94,263)</u>	<u>\$ 5,532</u>	<u>\$ (88,731)</u>

Notes and Sources

Column A: SKJ WP-11 - Direct Exhibit SKJ-2, Sched H-2

Column B: BHE Response to PA-267

Column D: Direct Exhibit SKJ-2, Statement M

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 16

Public Awareness Campaign

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company	Adjustment	Recommended		Company	Adjustment	Recommended
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Public Awareness Campaign	\$ 343,947	\$ (200,000)	\$ 143,947	87.3%	\$ 300,201	\$ (174,562)	\$ 125,639
2	State Income Tax	3.99%		3.99%		3.99%		3.99%
3	Effect on NH income tax expense	\$ (13,723)	\$ 7,980	\$ (5,743)		\$ (11,978)	\$ 6,965	\$ (5,013)
4	Federal Taxable	\$ 330,224		\$ 138,204		\$ 288,223		\$ 120,626
5	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
6	Effect on Federal income tax expense	\$ (69,347)	\$ 40,324	\$ (29,023)		\$ (60,527)	\$ 35,196	\$ (25,331)
7	Total Taxes	\$ (83,070)	\$ 48,304	\$ (34,766)		\$ (72,505)	\$ 42,161	\$ (30,344)
8	Impact to Operating Income	\$ (260,877)	\$ 151,696	\$ (109,181)		\$ (227,696)	\$ 132,401	\$ (95,295)

Notes and Sources

Column A: Direct Exhibit SKJ-2, Schedule H-12

Column D: Direct Exhibit SKJ-2, Statement M (FERC 870)

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Adjustment 17

Alternate Forms of Payment

Line	Description	Total Company			Jurisdictional Allocation (D)	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	903 Customer Record & Collection Expenses	\$ 839,103	\$ (241,388)	\$ 597,715	97.0%	\$ 814,213	\$ (234,228)	\$ 579,985
2	State Income Tax	3.99%		3.99%		3.99%		3.99%
3	Effect on NH income tax expense	\$ (33,480)	\$ 9,631	\$ (23,849)		\$ (32,487)	\$ 9,346	\$ (23,141)
4	Federal Taxable	\$ 805,623		\$ 573,866		\$ 781,726		\$ 556,844
5	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
6	Effect on Federal income tax expense	\$ (169,181)	\$ 48,669	\$ (120,512)		\$ (164,163)	\$ 47,226	\$ (116,937)
7	Total Taxes	\$ (202,661)	\$ 58,300	\$ (144,361)		\$ (196,650)	\$ 56,572	\$ (140,078)
8	Impact to Operating Income	\$ (636,442)	\$ 183,088	\$ (453,354)		\$ (617,563)	\$ 177,656	\$ (439,907)

Notes and Sources

Column A: Direct Exhibit SKJ-2, Schedule H-9

Column D: Direct Exhibit SKJ-2, Statement M

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 18

Stored Gas Property Tax

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	2008–2023 Property Tax	\$ 528,494	\$ (528,494)	\$ -				
2	Less amounts outside 5-year limitation(2008–2019)	(411,830)	411,830	-				
3	2020-2023 Property Tax	116,664		-				
4	Amortization Period	3		3				
5	Annual Annualized Property Tax	\$ 38,888	\$ (38,888)	\$ -	87.5%	\$ 34,030	\$ (34,030)	\$ -
6	State Income Tax	3.99%		3.99%		3.99%		3.99%
7	Effect on NH income tax expense	\$ (1,552)	\$ 1,552	\$ -		\$ (1,358)	\$ 1,358	\$ -
8	Federal Taxable	\$ 37,336		\$ -		\$ 32,672		\$ -
9	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
10	Effect on Federal income tax expense	\$ (7,841)	\$ 7,841	\$ -		\$ (6,861)	\$ 6,861	\$ -
11	Total Taxes	\$ (9,393)	\$ 9,393	\$ -		\$ (8,219)	\$ 8,219	\$ -
12	Impact to Operating Income	\$ (29,495)	\$ 29,495	\$ -		\$ (25,811)	\$ 25,811	\$ -

Notes and Sources

Column A: Direct Exhibit SKKJ-2, Schedule L-2

Column D: Direct Exhibit SKJ-2, Statement M

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Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 19

Depreciation

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company	Adjustment	Recommended		Company	Adjustment	Recommended
		(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	<u>Net Operating Income</u>							
2	<u>Distribution Plant</u>							
3	37606 Mains	\$ 9,804,648	\$ (1,417,795)	\$ 8,386,853	82.6%	\$ 8,097,628	\$ (1,170,952)	\$ 6,926,676
4	37680 Mains - RNG	60,447	(8,741)	51,706	0.0%	-	-	-
5	380 Services	11,811,479	(3,145,654)	8,665,825	99.5%	11,757,273	(3,131,218)	8,626,055
6	381 Meters--Small Volume	2,404,775	(869,583)	1,535,192	93.2%	2,241,740	(810,629)	1,431,111
7	382.01 Meter Installations	422,648	(61,978)	360,670	93.2%	393,994	(57,777)	336,218
8		<u>\$ 24,503,998</u>	<u>\$ (5,503,752)</u>	<u>\$ 19,000,246</u>		<u>\$ 22,490,635</u>	<u>\$ (5,170,575)</u>	<u>\$ 17,320,059</u>
9	State Income Tax	3.99%		3.99%		3.99%		3.99%
10	Effect on NH income tax expense	<u>\$ (977,710)</u>	<u>\$ 219,600</u>	<u>\$ (758,110)</u>		<u>\$ (897,376)</u>	<u>\$ 206,306</u>	<u>\$ (691,070)</u>
11	Federal Taxable	\$ 23,526,288		\$ 18,242,136		\$ 21,593,259		\$ 16,628,989
12	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
13	Effect on Federal income tax expense	<u>\$ (4,940,520)</u>	<u>\$ 1,109,671</u>	<u>\$ (3,830,849)</u>		<u>\$ (4,534,584)</u>	<u>\$ 1,042,496</u>	<u>\$ (3,492,088)</u>
14	Total Taxes	<u>\$ (5,918,230)</u>	<u>\$ 1,329,271</u>	<u>\$ (4,588,959)</u>		<u>\$ (5,431,960)</u>	<u>\$ 1,248,802</u>	<u>\$ (4,183,158)</u>
15	Impact to Operating Income	<u>\$ (18,585,768)</u>	<u>\$ 4,174,481</u>	<u>\$ (14,411,287)</u>		<u>\$ (17,058,675)</u>	<u>\$ 3,921,773</u>	<u>\$ (13,136,901)</u>
16	<u>Rate Base</u>							
17	Accumulated Depreciation	\$ (24,503,998)	<u>\$ 5,503,752</u>	\$ (19,000,246)		\$ (22,490,635)	<u>\$ 5,170,575</u>	\$ (17,320,059)
18	Impact to Rate Base	<u>\$ (24,503,998)</u>	<u>\$ 5,503,752</u>	<u>\$ (19,000,246)</u>		<u>\$ (22,490,635)</u>	<u>\$ 5,170,575</u>	<u>\$ (17,320,059)</u>

Notes and Sources

Column A and B: Schedule 5.19 WP Depreciation Expense Work Paper
Column D: Direct Exhibit SKJ-2, Statement M

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 5.19 WP
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 19

Depreciation Expense Work Paper

Line	Description	Total Company					
		Per Company			Recommended		
		Depreciable Plant 12/31/2025	Depreciation Rate	Depreciation Expense	Depreciable Plant 12/31/2025	Depreciation Rate	Depreciation Expense
		(A)	(B)	(C)	(D)	(E)	(F)
1	<u>Distribution Plant</u>						
2	37606 Mains	\$ 605,225,192	1.62%	\$ 9,804,648	\$ 605,225,192	1.39%	\$ 8,386,853
3	37680 Mains - RNG	3,731,309	1.62%	60,447	3,731,309	1.39%	51,706
4	380 Services	281,896,869	4.19%	11,811,479	281,896,869	3.07%	8,665,825
5	381 Meters—Small Volume	27,265,028	8.82%	2,404,775	27,265,028	5.63%	1,535,192
6	382.01 Meter Installations	17,684,030	2.39%	422,648	17,684,030	2.04%	360,670
7				<u>\$ 24,503,998</u>			<u>\$ 19,000,246</u>

Notes and Sources

Column A and B: SKJ WP-34 - Direct Exhibit SKJ-2, Stm J Sched J-1

Column E: Testimony of William Dunkel

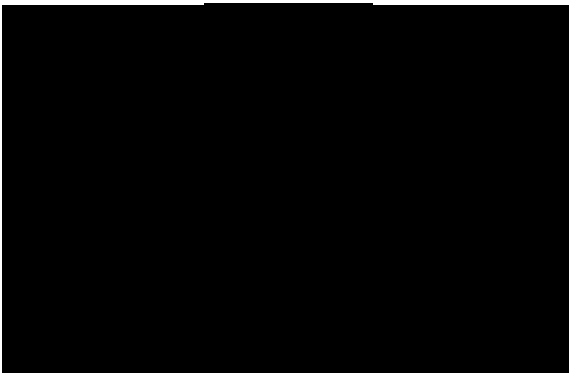
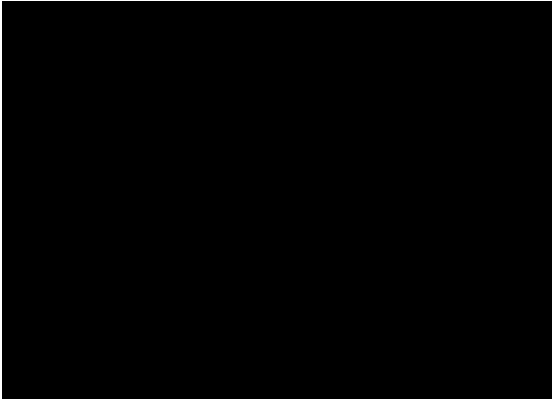
NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 5.20
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 20

Western NE Savings (Confidential)

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	Allocated Charges from BHSC				97.00%			
2	State Income Tax							
3	Effect on NH income tax expense							
4	Federal Taxable							
5	Federal Income Tax Rate							
6	Effect on Federal income tax expense							
7	Total Taxes							
8	Impact to Operating Income							

Notes and Sources

Column A: Response to PA-249 (Confidential) and PA-282

Column D: Direct Exhibit SKJ-2, Statement M (FERC 901)

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 5.21
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 21

MGP Soil Sample Testing

Line	Description	Total Company			Jurisdictional Allocation	Jurisdictional		
		Company (A)	Adjustment (B)	Recommended (C)		Company (E)	Adjustment (F)	Recommended (G)
1	920 A&G Salaries	\$ 900	\$ (900)	\$ -	87.4%	\$ 787	\$ (787)	\$ -
2	923 Outside Services Employed	4,744	(4,744)	-	87.4%	4,148	(4,148)	-
3	925 Injuries and Damages	132,244	(132,244)	-	87.4%	115,636	(115,636)	-
4	930.2 Misc. General Expense	933	(933)	-	87.4%	816	(816)	-
5	Soil Sample Testing	\$ 138,821	\$ (138,821)	\$ -		\$ 121,388	\$ (121,388)	\$ -
6	State Income Tax	3.99%		3.99%		3.99%		3.99%
7	Effect on NH income tax expense	\$ (5,539)	\$ 5,539	\$ -		\$ (4,843)	\$ 4,843	\$ -
8	Federal Taxable	\$ 133,282		\$ -		\$ 116,545		\$ -
9	Federal Income Tax Rate	21.00%		21.00%		21.00%		21.00%
10	Effect on Federal income tax expense	\$ (27,989)	\$ 27,989	\$ -		\$ (24,474)	\$ 24,474	\$ -
11	Total Taxes	\$ (33,528)	\$ 33,528	\$ -		\$ (29,317)	\$ 29,317	\$ -
12	Impact to Operating Income	\$ (105,293)	\$ 105,293	\$ -		\$ (92,071)	\$ 92,071	\$ -

Notes and Sources

Column A: Response to PA-271

Column D: Direct Exhibit SKJ-2, Statement M

NEBRASKA PUBLIC SERVICE COMMISSION

Docket No. NG-124
Schedule 5.22
Page 1 of 1

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy

Adjustment 22

Interest Synchronization

Line	Description	Total Company			Jurisdictional		
		Company	Adjustment	Recommended	Proposed	Adjustment	Adjusted
		(A)	(B)	(C)	(D)	(E)	(F)
1	Rate Base	\$ 898,989,017	\$ (11,562,350)	\$ 887,426,667	\$ 785,247,119	\$ (11,096,976)	\$ 774,150,143
2	Interest Component of Rate of Return	2.33%		2.31%	2.33%		2.31%
3	Interest Attributable to Rate Base	20,946,444		20,499,556	18,296,258		17,882,868
4	NE State Tax Rate	3.99%		3.99%	3.99%		3.99%
5	Effect on NE income tax expense	\$ (835,763)	\$ 17,831	\$ (817,932)	\$ (730,021)	\$ 16,495	\$ (713,526)
6	Federal Taxable	\$ 20,110,681		\$ 19,681,624	\$ 17,566,237		\$ 17,169,342
7	Federal Income Tax Rate	21%		21%	21%		21%
8	Effect on Federal income tax expense	\$ (4,223,243)	\$ 90,102	\$ (4,133,141)	\$ (3,688,910)	\$ 83,348	\$ (3,605,562)
9	Total Taxes	\$ (5,059,006)	\$ 107,933	\$ (4,951,073)	\$ (4,418,931)	\$ 99,843	\$ (4,319,088)
10	Impact to Operating Income	\$ 5,059,006	\$ (107,933)	\$ 4,951,073	\$ 4,418,931	\$ (99,843)	\$ 4,319,088

Notes and Sources

Column A: Direct Exhibit SKJ-2, Statement K
Line 1: Schedule 2
Line 2: Schedule 4

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-264**

DATE OF REQUEST: June 30, 2025
DATE RESPONSE DUE: July 10, 2025
REQUESTOR: Public Advocate
WITNESS: Lori Mack
DATE RESPONDED: July 10, 2025
SUBJECT: Prepayments

REQUEST:

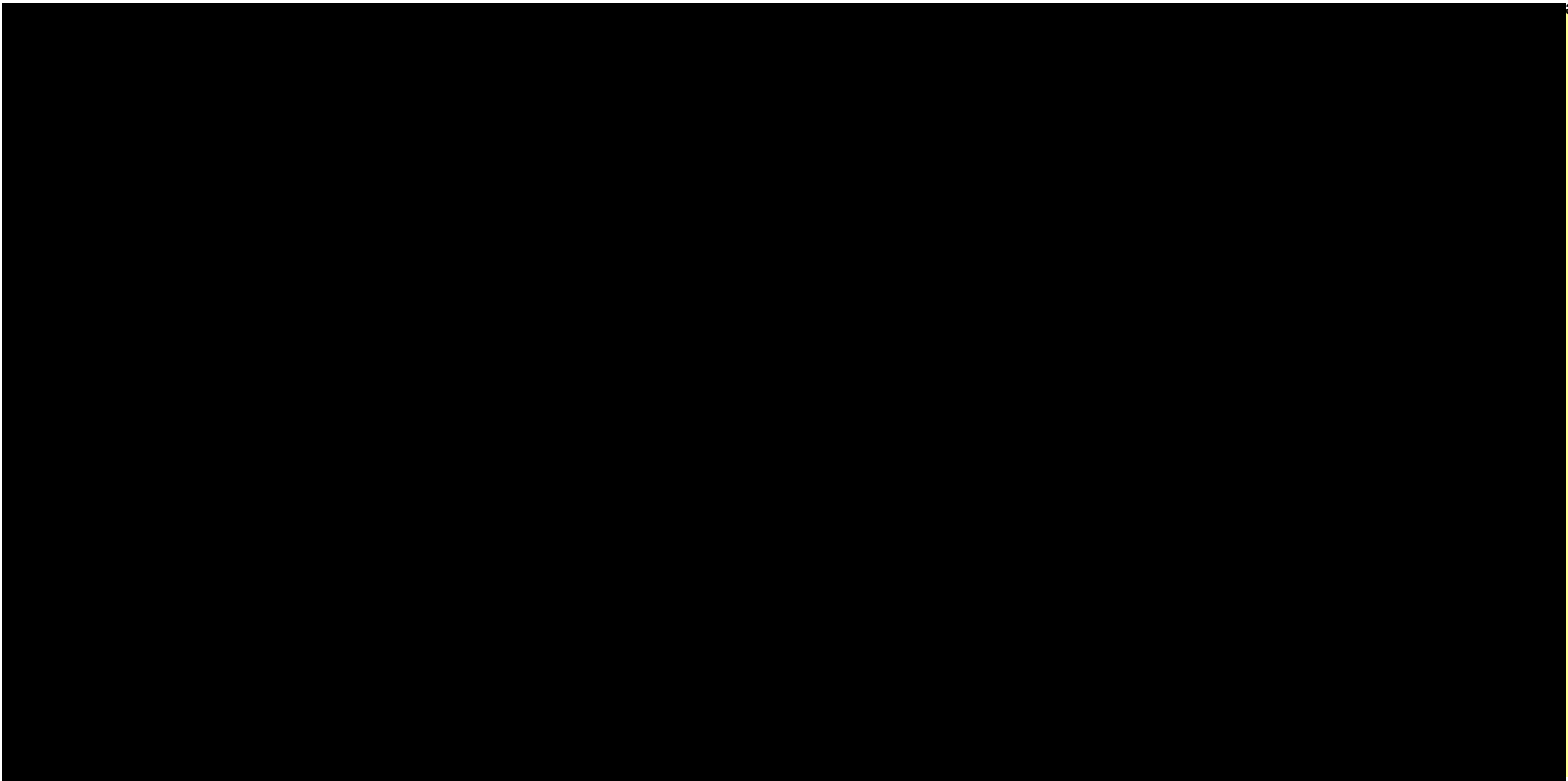
PA-264. Prepayments. Reference Direct Exhibit SKJ-2 Schedule F-1. Please provide a list of the prepayments and balances by month by major category (e.g., insurance, rent) for the test year and the two years immediately preceding the test year.

RESPONSE:

Since Test Year 2025 is not yet complete, the Company is providing data for Base Year 2024 as well as the two years immediately preceding the Base Year. See Confidential Attachment PA 11-264 - Prepayments for additional details.

ATTACHMENT(S):

- Confidential Attachment PA 11-264 - Prepayments



ACCOUNTING FOR PUBLIC UTILITIES

Volume 1

ROBERT L. HAHNE

GREGORY E. ALIFF

DELOITTE & TOUCHE LLP

Contributing Authors: The following were the original contributing authors of Accounting for Public Utilities. While much of what these individuals originally wrote has been removed or replaced through the annual update process, we wish to continue to recognize their contributions in the creation of this book.

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2021

Filed Through:

RELEASE NO. 38, December 2021



CHAPTER 5

Working Capital Component of Rate Base

SYNOPSIS

- § 5.01 Fuel Inventory
- § 5.02 Materials and Supplies
- § 5.03 Prepayments
- § 5.04 Cash Working Capital
 - [1] 45-Day Standard Formula Approach
 - [2] Lead-Lag Study
 - [a] Revenue Lag
 - [b] Expense Lag
 - [i] Operating and Maintenance Lag
 - [ii] Depreciation and Deferred Tax Lag
 - [iii] Current Income Tax Lag
 - [iv] Taxes Other Than Income Tax Lag
 - [v] Total Expense Lag
 - [vi] Net Operating Income
 - [vii] Other Cash Working Capital Requirements in Lead-Lag Studies
 - [3] Balance Sheet Approach

The financial analyst's perspective of working capital reflects a measure of financial liquidity (i.e., the availability of cash on hand and other current assets that are readily convertible to cash that may be used to meet liabilities that must be paid in the current business cycle). This financial liquidity measure is based on a comparison of current assets to current liabilities at a point in time.

The ratemaking perspective of working capital is quite different. For ratemaking purposes, working capital is a measure of the amount of funding needed to satisfy the level of the daily operating expenditures and a variety of non-plant investments that are necessary to sustain ongoing operations of the utility. The ratemaking measure of working capital is designed to identify these ongoing average funding requirements over a test period. Working capital is included as a component of rate base; therefore, it is critical to calculate the appropriate working capital estimate in order set fair rates.

Regulatory commissions vary as to the identification of individual components of working capital; however, in general, the components are:

- (1) fuel inventory;
- (2) materials and supplies (M&S);

- (3) prepayments; and
- (4) cash working capital.

These components are discussed in the sections below.

§ 5.01 Fuel Inventory

Determination of the fuel inventory component of working capital often parallels the method used for determining the plant investment component of rate base. For example, average balances during the year may be used in the case of an average-year rate base, and year-end balances may be used in the case of a year-end rate base. If the monthly balances are volatile, however, an average balance may be used in either situation. Also, the balance may be based on historic data or on forecasted data, depending on the test period.

On occasion, some regulatory commissions restrict the level of fuel inventory to a set number of days of supply. As an example, a commission may conclude that the level of coal inventory should be limited to 75 days of supply even though the actual quantity is 90 days of supply. Such a restriction would be made only if the commission concludes the additional inventory supply is an imprudent management decision. Levels of fuel inventory are affected by a variety of conditions, including purchase contracts, economic dispatch of generating plants, weather, transportation conditions, and a host of other factors. The investment in these fuel inventories is most often substantial. Recently, coal inventory levels have significantly exceeded historical inventory levels for many utilities. This is primarily due to the purchase requirements under long-term coal purchase contracts that were entered into years ago prior to the sustained decrease in the price of natural gas.

A commission should have to be absolutely convinced that a lower level of fuel inventory could be maintained without affecting the assured supply of fuel before it reduces the amounts allowed in the rate base from that which is actually maintained. A disallowance would almost certainly force the utility to lower its level of fuel inventory. If such a reduction is not consistent with sound operating conditions, the regulatory decision is contrary to the public's interest.

At the other end of the spectrum, some argue that the anticipated quantities of fuel stocks needed during the period the rates will be in effect should be allowed in the rate base. This position is theoretically valid on the basis that rates should be designed to recover costs as incurred (including the cost of financing fuel inventory). An even better theoretical measure would be to value the anticipated inventory level at a projected price throughout the period that the rates are anticipated to be in effect.

§ 5.02 Materials and Supplies

A 13-month average of materials and supplies is used if the balances are volatile, and forecasted amounts are typically used when the test period is based on projected data. One issue raised by regulatory commissions from time to time in the determination of materials and supplies inventory to be included in working capital is to request that M&S inventories be segregated into the portion to be used for construction and the

(Ref. 37-12/2020 Pub.016)

where CWIP investment is not allowed to earn a current return, M&S inventory for construction activities should also not be allowed to earn a current return. The problem with this approach is the potential loss of the utility's ability to recover the carrying costs on the construction related M&S inventories. It is generally recognized that any dollar of investment should earn either a current return through inclusion in the rate base or that the financing cost of the investment should be allowed to be capitalized for future recovery through allowance for funds used during construction (AFUDC). However, if a regulatory commission disallows the materials and supply investment in construction-related materials, the commission should specifically prescribe that the financing costs of such investment be capitalized. Implementation of such a policy would be unduly burdensome, however, because it would require applying the carrying cost to the many individual supply items that may end up in construction or in operation. In addition, accounting problems exist because the controlling uniform system of accounts does not permit the capitalization of inventory carrying costs. Also, accounting principles generally accepted in the United States of America do not permit the capitalization of any equity component of inventory carrying costs. From a practical and theoretical standpoint, all M&S inventory, including the construction-related items, should be included in the rate base.

§ 5.03 Prepayments

Prepayments as a component of working capital represent an investment of funds that is generally included in the rate base if that investment has not been recognized elsewhere, such as in cash working capital. Prepayments represent cash payments that are made in advance of the period to which they apply and include items such as prepaid rents, insurance, and taxes. The amounts normally allowed are based on the same standards outlined above for fuel inventories and M&S inventories.

From a theoretical standpoint, the average measurement period should encompass more than a single test year review, since certain prepayments (such as prepayments for insurance coverage) often are made for periods in excess of one year. Therefore, one approach would be to measure the prepaid balances over whatever the longest cycle of any individual component of the prepayment item. In a period of continuing inflation or price increases, it is inequitable to make such a measurement based solely on prior years. Thus, prepayments are best measured by averaging the amount of prepayments over the period that rates will be in effect. For a three-year prepayment period, for example, it would seem to be a fair measurement of the average investment required for prepaid expenses to use the most recent historical year as well as the test year and one year into the future.

§ 5.04 Cash Working Capital

The determination of cash working capital can be one of the most controversial elements in ratemaking. Even though cash working capital generally represents a small portion of the total investment in the rate base, on occasion, it can consume a significant portion of the hearing time in a regulatory proceeding.

One of the first problems in determining cash working capital is to agree on its definition. Many practitioners consider that cash working capital represents the

investment requirement for cash to pay for operating expenses, to maintain compensating cash balances, and to provide for similar needs. If the usual definition of total working capital as provided at the beginning of this chapter is accepted, the important criterion is that the total of all components of working capital equal that definition. Therefore, if a commission chooses to use the typical working capital components (materials and supplies inventories, fuel inventories, and prepayments), cash working capital will have a different meaning than if accrued taxes or other offsets to working capital are identified as separate components of total working capital. The important point to remember is that the commonly used phrase "cash working capital" may be defined differently in different cases depending on the extent to which a commission segregates the individual components of the total working capital.

The following definition should produce an appropriate measure of cash working capital in all circumstances and will accommodate a broad range of treatment of other rate base components:

The average amount of capital provided by investors, over and above the investment in plant and other specifically measured rate base items, to bridge the gap between the time expenditures are required to provide services and the time collections are received for such services.

Regardless of the precise definition rendered, there are basic principles that should govern the measure of the cash working capital component of the rate base. The rate base consists of various components, the combined total of which is to function as a measure of the amount of investor supplied capital required to provide service. If the rate base is to be correctly measured, the cash working capital component must be compatible with the other rate base components. If this principle is not recognized and applied, the rate base will not function as intended. To the extent that plant or other rate base components are not explicitly (or accurately) included as a rate base allowance, the individual components may be identified and corrected. Alternatively, the correcting amounts may be recognized in the cash working capital allowance.

In *Smyth v. Ames*,¹ the Supreme Court recognized a need for an investment in working cash in the operation of a regulated utility. Subsequently, in the first 40 years of the 20th century, most of the methods now used to determine estimates of cash working capital were developed.

Although many methods have been used by various regulatory bodies, nearly all are variations of one of three approaches discussed below. These are as follows:

- (1) the 45-day standard formula approach;
- (2) the lead-lag study approach; and
- (3) the balance sheet approach.

[1] 45-Day Standard Formula Approach

As its name implies, the 45-day formula approach uses a simple, "rule-of-thumb" formula for the calculation of cash working capital requirements. For an electric utility,

¹ 171 US 361 (1898).

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-50**

DATE OF REQUEST: May 8, 2025
DATE RESPONSE DUE: N/A
REQUESTOR: Public Advocate
WITNESS: Samantha Johnson
DATE RESPONDED: May 8, 2025
SUBJECT: Labor Costs—Employees

REQUEST:

PA-50. Labor Costs—Employees: Please provide the budgeted and actual number of full-time equivalent employees for the test year and the three preceding calendar years. Provide the data by functional areas where available, by exempt and nonexempt, or management and non-management, as may be appropriate.

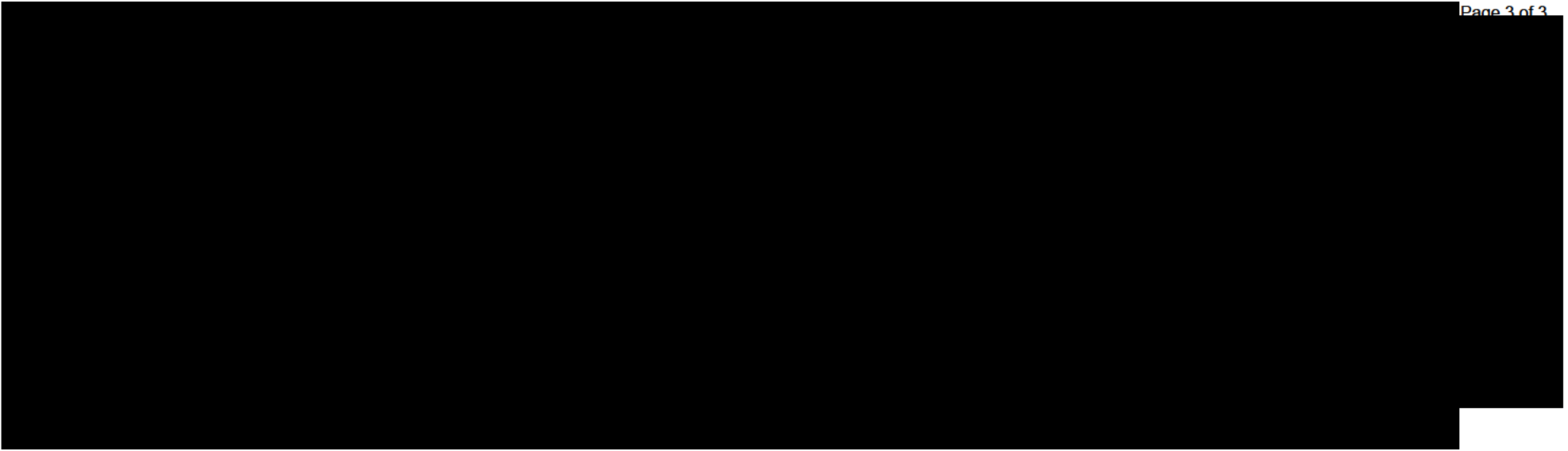
RESPONSE:

Please see the confidential attachment identified below for actual full-time equivalent, part-time equivalent and total employees for the past three years for BH Nebraska Gas. The budgeted headcount for 2025 reflects the employees proposed by BH Nebraska Gas during for the test year and is consistent with Confidential SKJ WP-14 – Direct Exhibit SKJ-2, Sched H-5 included in the Direct Testimony of Samantha K. Johnson.

As a result of realignment, there are eight employees who were reassigned from BHSC to BH Nebraska Gas as direct employees in early 2025. These employees are shown on the Bus Dev tab since their data is only available for 2025.

ATTACHMENT(S):

- Confidential Attachment PA 1-50 - Employee Counts



**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-275**

DATE OF REQUEST: June 30, 2025
DATE RESPONSE DUE: July 10, 2025
REQUESTOR: Public Advocate
WITNESS: Samantha Johnson
DATE RESPONDED: July 10, 2025
SUBJECT: Employee Expenses - Headcount

REQUEST:

PA-275. Employee Expenses—Headcount. Please provide the total number of filled positions and open positions for 2021, 2022, 2023, 2024, and as of June 30, 2025 for (a) Direct Employees and (b) Intercompany allocated charges from BHSC.

RESPONSE:

See Attachment PA 11-275 – 2021-2025 Headcount Open Positions.

ATTACHMENT(S):

- Attachment PA 11-275 – 2021-2025 Headcount Open Positions

Attachment PA 11-275

BHNEG Direct Employees

Year	# of Openings	# of Filled Positions	Notes
2021	26	14	13 vacancies carried over into 2022
2022	58	53	15 vacancies carried over into 2023
2023	30	27	3 vacancies carried over into 2024
2024	53	49	7 vacancies carried over into 2025
2025*	48	45	-

BHSC Allocated Employees

Year	# of Openings	# of Filled Positions	Notes
2021	166	148	77 vacancies carried over into 2022
2022	480	309	118 vacancies carried over into 2023
2023	269	168	51 vacancies carried over into 2024
2024	250	175	36 vacancies carried over into 2025
2025*	134	82	4 Job Postings Pending Approval

*As of June 30, 2025

Open Positions are based on the year a job posting was created and is included in the count for years that the posting carried over & was eventually filled (if applicable). Filled Positions are based on year of posting close date.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Materials under §240.14a-12

Black Hills Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check all boxes that apply):

- ☒ No fee required
- ☐ Fee paid previously with preliminary materials
- ☐ Fee computed on table in exhibit required by Item 25(b) per Exchange Act Rules 14a-16(i)(1) and 0-11



BLACK HILLS CORPORATION

**Notice of 2025
Annual Meeting of Shareholders
and Proxy Statement**

- ★ Provide information regarding practices and trends in compensation programs
- ★ Review and evaluate our compensation program as compared to compensation practices of other companies with similar characteristics, including size, complexity, and type of business
- ★ Review and assist with the establishment of a peer group of companies
- ★ Provide a compensation analysis of the executive positions

The Committee used the services of an independent consultant, Meridian, to provide competitive compensation data, analysis, and guidance to the Committee, which is used when reviewing and designing our overall executive compensation programs. During 2024, Meridian provided guidance and recommendations to the Committee on executive officer compensation and related governance matters, including consultation regarding the design of our short-term and long-term incentive awards. In support, Meridian gathered data from nationally recognized survey providers, as well as specific peer companies through public filings, which included:

- i. Willis Towers Watson's Compensation Data Bank (energy services and general industry); and
- ii. 19 peer companies representing the utility and energy industry.

The 19 peer companies ranged in annual revenue size from approximately \$701 million to \$7.8 billion, with the median at \$2.7 billion. The Company's 2024 revenue was \$2.5 billion. The survey data was adjusted for our relative revenue size using regression analysis, when possible. Our compensation peer companies included in the analysis for 2024 compensation decisions were:

ALLETE Inc. (ALE)	IDACORP Inc. (IDA)	ONE Gas, Inc. (OGS)
Alliant Energy Corporation (LNT)	MGE Energy Inc. (MGEE)	Pinnacle West Capital Corp. (PNW)
Ameren Corporation (AEE)	New Jersey Resources Corp. (NJR)	TXNM Resources, Inc. ⁽¹⁾ (TXNM)
Atmos Energy Corp. (ATO)	NiSource, Inc. (NI)	Portland General Electric Co. (POR)
Avista Corp. (AVA)	Northwest Natural Holding Co. (NWN)	Spire, Inc. (SR)
CMS Energy Corp. (CMS)	NorthWestern Energy Group, Inc. (NWE)	
Hawaiian Electric Ind., Inc. (HE)	OGE Energy Corp. (OGE)	

(1) PNM Resources, Inc. changed their name to TXNM Resources, Inc. in August of 2024.

The Leadership Development and Compensation Committee concluded that the above Compensation Peer Group remains credible, includes size-appropriate peers, and reflects the Company's industry, complexity and market for executive talent.

The compensation surveys are one of several factors the Committee uses in setting appropriate compensation levels. Other factors include Company performance, individual performance and experience, the level and nature of the executive's responsibilities, internal equity considerations and discussions with the CEO related to the other senior executive officers' performance and contributions.

Components of Executive Compensation

The primary components of our executive compensation program consist of a base salary, a short-term incentive plan, and long-term incentives. In addition, we provide retirement and other benefits. The Committee reviews all components of each executive officer's compensation, including salary, short-term incentive, equity and other long-term incentive compensation values granted, and the current and potential value of the executive officer's total Black Hills Corporation equity holdings.

The majority of the executives' total compensation is granted as incentive compensation. Incentive compensation is intended to motivate and encourage our executives to drive performance and achieve superior results for our shareholders and align realized pay with stock performance. Multiple and varied performance measures for each of the short-term and long-term incentives encourages executives to focus their efforts on driving balanced performance across the multiple key measures. The Committee periodically reviews information provided by its compensation consultant to inform its determination of the appropriate level and mix of total compensation. The Committee believes that a significant portion of total target compensation should be comprised of variable compensation. In order to reward long-term growth while still encouraging focus on short-term results, the Committee establishes incentive targets that emphasize long-term compensation at a greater level than short-term compensation.

Base Salary. Base salaries for all executives are reviewed annually. The base salary of our executives is also adjusted at the time of a promotion or material change in job responsibility, as appropriate. Evaluation of 2024 base salary adjustments occurred in January 2024. The base salary component of each position was compared to the market data provided by the compensation consultant. The actual base salary of each officer was determined based on the executive's performance, the experience level of the officer, the current position in a market-based salary range, and internal pay relationships. For Ms. Jones, the increase in base salary is reflective of her growth in her role and to bring her salary to a more competitive level.

	Annual Base Salary		
	2023	2024	Percent Change
Evans, CEO	\$ 900,000	\$ 950,000	6%
Nooney, CFO	\$ 440,000	\$ 460,000	5%
Jones, SVP	\$ 398,000	\$ 450,000	13%
Keller, Former CIO ⁽¹⁾	\$ 368,000	\$ 383,000	4%
Wiltse, CHRO ⁽²⁾	\$ —	\$ 350,000	—
Iverson, Former GC ⁽³⁾	\$ 433,000	\$ 450,000	4%

(1) Mr. Keller resigned from the Company effective February 28, 2025.

(2) Ms. Wiltse joined the Company October 28, 2024.

(3) Mr. Iverson retired from the Company effective September 7, 2024.

Short-Term Incentive. Our Short-Term Incentive Plan is designed to recognize and reward the contributions of individual executives as well as the contributions that group performance makes to overall corporate success. The 2024 short-term incentive was based on the following metrics:

2024 Short-Term Incentive Metrics

Metric	Weighting	Definition
EPS from ongoing operations, as adjusted	70.00%	Diluted earnings per share calculated in accordance with GAAP, adjusted for material, non-recurring events (such as impairment charges, one-time tax events, external acquisition costs, changes to accounting rules, etc.)
Timeliness of Incident Reporting	2.50%	Reporting of injuries within 24 hours
Average Proactive Safety Activities/Employee	2.50%	Includes reporting of near misses, safety suggestions, unsafe conditions, stop work authority, and pipeline near misses measured on a per employee basis
Days Away, Restricted or Transferred (DART)	2.50%	Measures the number of employee work-related injuries and illnesses
Gas Distribution Damage Prevention (HPT)	3.75%	Hits per thousand
Electric Reliability (SAIDI)	3.75%	System average interruption duration index
Customer Interaction: Customer Satisfaction	3.75%	Third party survey of 25,000 customers regarding "How likely are you to recommend BHE?"
Customer Interaction: Customer Effort	3.75%	Third party survey of 25,000 customers regarding "How easy is BHE to do business with?"
Percent of Professional/Technical Positions with 2 or more Underrepresented Candidates	7.50%	The percentage of interview slates for open professional/technical positions in which at least 2 female and/or racially/ethnically diverse candidates were interviewed

2024 Short-Term Incentive Goals

Incentive	Threshold	Goals Target	Maximum
EPS from ongoing operations, as adjusted	\$3.66	\$3.94	\$4.22
Timeliness of Incident Reporting	90%	92%	94%
Average Proactive Safety Activities/Employee	3	5	7
Days Away, Restricted or Transferred (DART)	0.85	0.70	0.55
Gas Distribution Damage (HPT)	2.00	1.85	1.75
Electric Reliability (SAIDI)	72.9	64.2	49.1
Customer Interaction: Customer Satisfaction	4.00	4.25	4.50
Customer interaction: Customer Effort	4.00	4.25	4.50
Percent of Professional/Technical Positions with 2 or more Diverse Candidates	57%	62%	67%
Payout percentage of target for each metric	50%	100%	200%

The Committee believes that these performance measures meet the objectives of the plan, including:

- ★ Align the interests of the plan participants and the shareholders
- ★ Motivate employees to strive to achieve superior operating results
- ★ Provide an incentive reflective of core operating performance
- ★ Ensure “buy-in” from participants with easily understood metrics

The short-term incentive payout, after applicable tax withholding, is distributed to the officer in the form of cash. Target award levels are established as a percentage of each participant's base salary. The actual payout, if any, will vary, based on attainment of pre-established performance goals, between 0 and 200 percent of the individual executive's short-term incentive target award level.

The Committee approves the target level for each officer in January, which applies to performance in the upcoming plan year. Target levels are derived in part from market data provided by the compensation consultant and in part by the Committee's judgment regarding internal equity, retention and an individual executive's expected contribution to the achievement of our strategic objectives. The target levels for our Named Executive Officers are shown below:

	Short-Term Incentive Target			
	2023		2024	
	% of Base Salary	\$ Amount	% of Base Salary	\$ Amount
Evans, CEO	100%	\$ 900,000	100%	\$ 950,000
Nooney, CFO	60%	\$ 264,000	65%	\$ 299,000
Jones, SVP	55%	\$ 218,900	60%	\$ 270,000
Keller, Former CIO	50%	\$ 184,000	50%	\$ 191,500
Wiltse, CHRO ⁽¹⁾	—	\$ —	—	\$ —
Iverson, Former GC ⁽²⁾	70%	\$ 303,100	70%	\$ 315,000

(1) Ms. Wiltse joined the Company on October 28, 2024, and therefore is not eligible for a 2024 short-term incentive.

(2) Mr. Iverson retired from the Company effective September 7, 2024, and therefore is entitled to a pro-rata payout of his short-term incentive.

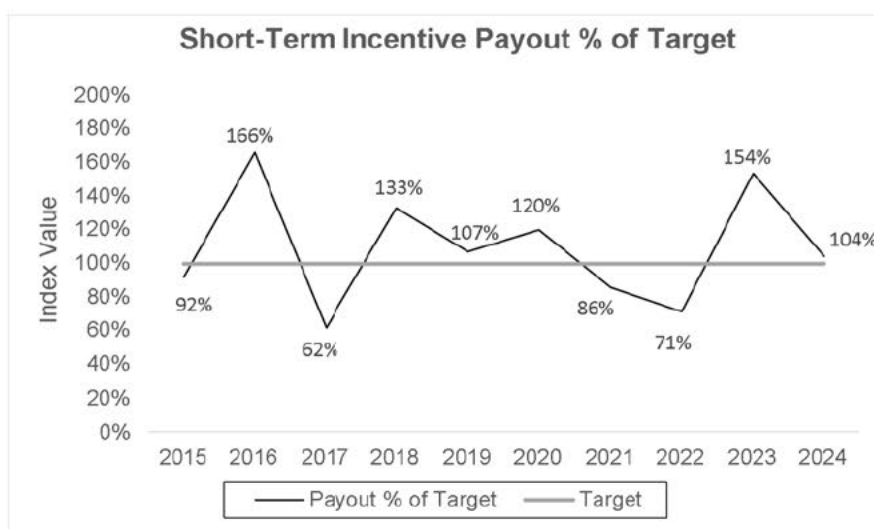
The threshold, target and maximum payout levels for our Named Executive Officers under the 2024 Short-Term Incentive Plan are shown in the Grants of Plan-Based Awards in 2024 table on page 37, under the heading “Estimated Future Payouts Under Non-Equity Incentive Plan Awards.”

Early in the first quarter, the Committee evaluates actual performance in relation to the prior year's goals and approves the actual payment of awards related to the prior plan year. The Committee reserves the discretion to adjust any award, and will review and take into account individual performance, level of contribution, and the accomplishment of specific project goals that were initiated throughout the plan year. The Committee also reserves discretion with respect to any payout related to safety goals if we experience an employee or contractor fatality during the plan period. Discretion was not exercised to adjust awards for 2024.

On January 23, 2025, the Committee approved a payout of 104.20% of target under the 2024 Short-Term Incentive Plan. The incentive plan payout was based on attainment of the following:

Incentive	2024 Results	Payout as a percentage of target	% of Award	Weighted payout as a percentage of target
EPS from ongoing operations, as adjusted	3.91	94.64%	70.00%	66.25%
Timeliness of Incident Reporting	91.46%	86.50%	2.50%	2.16%
Average Proactive Safety Activities/Employee	6.03	151.50%	2.50%	3.79%
Days Away, Restricted or Transferred (DART)	1.00	0.00%	2.50%	0.00%
Gas Distribution Damage (HPT)	2.16	0.00%	3.75%	0.00%
Electric Reliability (SAIDI)	72.3	53.39%	3.75%	2.00%
Customer Interaction: Customer Satisfaction	4.51	200.00%	3.75%	7.50%
Customer interaction: Customer Effort	4.53	200.00%	3.75%	7.50%
Percent of Professional/Technical Positions with 2 or more Diverse Candidates	89.33%	200.00%	7.50%	15.00%
Total Payout			100%	104.20%

Payouts under the Short-Term Incentive Plan have varied over the last 10 years as shown in the graph below.



Actual awards made to each of our eligible Named Executive Officers under the Short-Term Incentive Plan for 2024 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 36.

For the 2025 Short-Term Incentive Plan, we are maintaining our commitment to financial performance, safety, customer experience, and human capital by maintaining our metrics with revised goals. We adjusted the weighting of our customer experience metrics to place a larger emphasis on improving the ease of doing business with us. We added a new employee engagement survey participation metric to demonstrate our efforts to improve our employee experience and drive employee engagement, performance and retention.

Long-Term Incentive. Our Long-Term Incentive Plan (LTIP) is designed to focus executive performance on sustained long-term results that drive or are based on shareholder value creation. Long-term incentive compensation is intended to:

- ★ Promote achievement of corporate goals by linking the interests of participants to those of our shareholders
- ★ Provide participants with an incentive for excellence in individual performance
- ★ Promote teamwork among participants
- ★ Motivate, retain, and attract the services of participants who make significant contributions to our success by allowing participants to share in such success

The Committee approved the metrics for the performance share unit portion of our Long-Term Incentive Plans as follows:

Performance Plan Metrics			
Plan	Metrics and Weighting	Definition	Rationale
2022-2024 Plan	60% rTSR	Relative Total shareholder return	Directly aligns with shareholders and reflects our performance relative to peers
	20% Average EPS as adjusted	Diluted earnings per share calculated in accordance with GAAP, adjusted for material, non-recurring events (such as impairment charges, one-time tax events, external acquisition costs, changes to accounting rules, etc.)	Aligns with long-term performance
	20% Average Cost to Serve	Non-fuel operations and maintenance (O&M) expense divided by Utility margin (a non-GAAP measure ⁽¹⁾ which represents revenue less cost of sales), adjusted for material, non-recurring events (such as impairment charges, external acquisition costs, changes to accounting rules, etc.)	Drives growth goals while balancing capital deployment with increasing customer rates
2023-2025 Plan and 2024-2026 Plan	70% rTSR	Relative Total shareholder return	Directly aligns with shareholders and reflects our performance relative to peers
	10% Average EPS as adjusted	Diluted earnings per share calculated in accordance with GAAP, adjusted for material, non-recurring events (such as impairment charges, one-time tax events, external acquisition costs, changes to accounting rules, etc.)	Aligns with long-term performance
	10% Average Cost to Serve	Non-fuel operations and maintenance (O&M) expense divided by Utility margin (a non-GAAP measure ⁽¹⁾ which represents revenue less cost of sales), adjusted for material, non-recurring events (such as impairment charges, external acquisition costs, changes to accounting rules, etc.)	Drives growth goals while balancing capital deployment with increasing customer rates
	10% Emissions Reduction	Natural gas emissions reduction by 2035	Aligns with sustainability goals

(1) For further information regarding Utility margin, a non-GAAP measure, please see *Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2024 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on February 12, 2025.

We do not disclose the goals for our Performance Plan metrics because we believe disclosure of the goals could cause competitive harm.

The long-term incentive compensation component is composed of performance share units and restricted stock that vests ratably over three years. The Committee chose these components because linking executive compensation to stock price appreciation, total shareholder return, and other key financial and environmental metrics is an effective way to align the interests of management with those of our shareholders. The split between performance share units and restricted stock for each plan period is illustrated below:



The target value of long-term incentives awarded is based primarily on competitive market data presented by the compensation consultant to the Committee, the strategic impact of each position, executive performance, and internal pay

relationships. The actual amount realized may vary from the target award amounts. The Committee approved the target long-term incentive compensation level for each officer in January 2024. The 2024 long-term incentive target value was adjusted from 2023 levels for Mr. Evans and Ms. Nooney to align more closely with market median and Ms. Jones to align with her promotion to Senior Vice President - Utilities.

NEO Long-Term Incentive Target Compensation

	2023	2024
Evans, CEO	\$ 2,700,000	\$ 2,900,000
Nooney, CFO	\$ 600,000	\$ 650,000
Jones, SVP	\$ 250,000	\$ 475,000
Keller, Former CIO	\$ 300,000	\$ 300,000
Wiltse, CHRO ⁽¹⁾	\$ —	\$ —
Iverson, Former GC ⁽²⁾	\$ 600,000	\$ 600,000

(1) Ms. Wiltse joined the Company on October 28, 2024, and therefore did not receive a grant under 2024-2026 long-term incentive.

(2) Mr. Iverson retired from the Company effective September 7, 2024, and forfeited the restricted stock portion of his long-term incentive. He is entitled to a pro-rata payout of the performance share component of his long-term incentive.

Performance Share Units. Participants are awarded a target number of performance share units. The target number of performance share units is determined by dividing the Committee approved target performance value for the participant by the average closing price for the established number of trading days.

Vesting of performance share units associated with rTSR is based on our total shareholder return over designated performance periods as measured against our Performance Peer Group. The Committee, with the guidance of its independent compensation consultant, periodically conducts a review of our Performance Peer Group to which our performance should be compared. To better align with our fuel mix, as the companies in the EEI Index are electric only, the Committee chose to use the companies in our Compensation Peer Group as the Performance Peer Group for 2024-2026 performance share units.

A summary of the TSR performance criteria for the 2024-2026 performance share units is summarized in the table below:

Performance Share Plans			
Percentile Ranking for Threshold Payout of 25% of Target Shares	Percentile Ranking for Target Payout of 100% of Target Shares	Percentile Ranking for Maximum (200%) Payout Level	Possible Payout Range of Target
25th percentile	50th percentile	90th percentile	0-200%

The 2024-2026 performance share units, for the portion of the award that vests based on relative TSR, provides: (i) a threshold payout if relative TSR performance is below threshold but our TSR is at least 35 percent for the performance period; and (ii) the performance share plan payout is capped at 100 percent of target if TSR is negative. The additional provisions are intended to reduce the impact of one peer company's performance on the relative TSR, and also increase accountability and expectations related to the Company's performance.

Vesting of performance share units associated with Average Earnings Per Share, Average Cost to Serve, and Emissions Reduction performance is determined based upon the Company's performance against established performance goals. The final value of the performance shares is based upon the number of shares of common stock that are ultimately earned, based upon our performance in relation to the performance criteria.

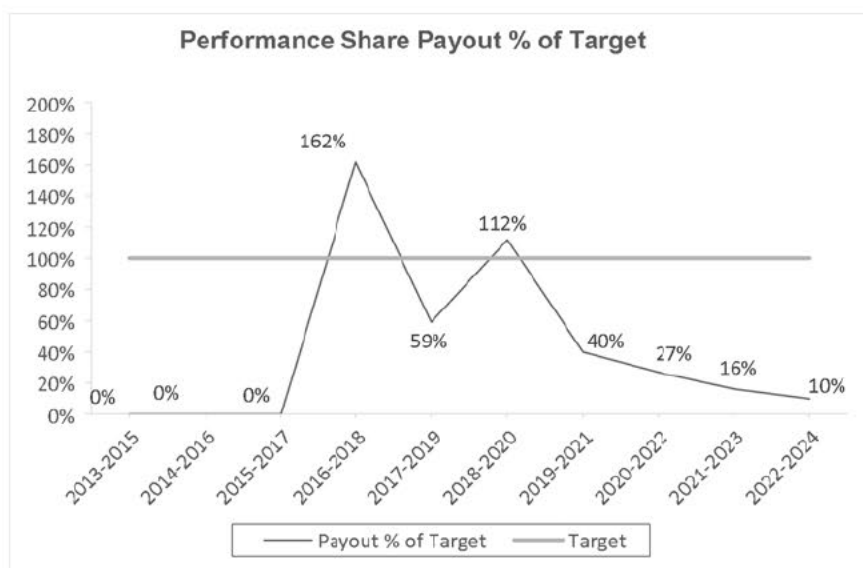
Threshold performance results in a payout of 25 percent of the target share award. Target performance results in a payout of the target share award. Maximum performance results in a payout of 200 percent of the target share award.

The performance share units and dividend equivalents, if earned, are paid in common stock. Performance share units are pro-rated for the period of service in the events of retirement, death or disability. Performance share units vest in full under certain circumstances following a change in control. Performance share units are forfeited if an officer's employment is terminated for any reason other than those previously stated.

Restricted Stock. Restricted stock awarded as long-term incentives vests one-third each year over a three-year period, and automatically vests in full upon death, disability or under certain termination circumstances following a change in control. Dividends are paid on the restricted stock. Unvested restricted stock is forfeited if an officer's employment is terminated for any reason other than those previously stated.

Payouts under the performance share units have varied significantly over the last 10 years, as shown in the graph below. Each performance period extends for three years. For the recently completed performance period, January 1, 2022 to December 31, 2024, the payout was based on attainment of the following:

Metric	Target	2022-2024 Results	Goal Payout as a % of Target	% of Award	Payout
Relative Total Shareholder Return (rTSR)	50th percentile	-0.83%	0.00%	60%	0.00%
Average EPS as Adjusted	4.287	\$3.938	0.00%	20%	0.00%
Average Cost to Serve	4.37%	45.7%	51.61%	20%	10.322%
Total Payout				100%	10.322%



The 2025-2027 performance share units of our Long-Term Incentive Plan retains relative TSR, average EPS as adjusted, and our natural gas emission reduction by 2035 metrics. With this plan, the Committee replaced our average cost to serve metric with average cost per customer which reflects non-fuel O&M (excluding depreciation and taxes other than income) divided by the total number of customers as of December 31 of the prior year within the plan. The Committee also reduced the weight of relative TSR from seventy percent to forty percent to help improve participant line of sight to performance metrics. Lastly, the Committee increased the weight of restricted stock units from thirty to forty percent to place more weight on time-based awards, recognize increased risk/uncertainty in the business, and to foster retention of key employees.

Bonus

Ms. Wiltse received a sign-on bonus of \$100,000 on her first date of pay. The sign-on bonus is repayable or partially repayable if Ms. Wiltse's employment ends during the first two years either because she made the decision to voluntarily leave the Company or because the Company involuntarily terminates her employment for cause. Ms. Wiltse also received a sign-on restricted stock unit award of 3,372 shares which vest on November 8, 2027.

Special Awards

In 2024, the Company experienced transitions in some key senior leader positions, including leaders of our growth and strategy, human resources and legal functions. In light of these transitions, the Committee desired to ensure continuity of the management team in a highly competitive environment in order to execute on the Company's strategic priorities. The Committee selected certain key leaders who are strong performers making important contributions to the continued execution of the Company's strategic priorities to receive incremental restricted stock awards. On January 23, 2025, the Committee approved an incremental award of time-based restricted stock to the following executive officers having the grant date fair value indicated for each such officer: Kimberly F. Nooney, Senior Vice President and Chief Financial Officer (\$1,300,000) and Marne M. Jones, Senior Vice President - Utilities (\$950,000). The Committee, in consultation with its independent compensation consultant, considered the value of each of these awards taking into consideration the benefits that the Company will receive from leadership continuity, and other compensation payable to these executives, and determined that the amounts are reasonable for each recipient. The restricted stock vests ratably over an extended four-year period to help ensure long-term continuity of the management team. The terms of the awards are otherwise substantially the same as the time-based restricted stock awards granted to executive officers in connection with annual equity grants, provided that vesting of the retention awards will be accelerated in the event that the executive officer's employment is involuntarily terminated.

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-274**

DATE OF REQUEST: June 30, 2025
DATE RESPONSE DUE: July 10, 2025
REQUESTOR: Public Advocate
WITNESS: Samantha Johnson
DATE RESPONDED: July 10, 2025
SUBJECT: Severance

REQUEST:

PA-274. Severance. Reference SKJ WP-16 – Direct Exhibit SKJ-2, Sched H-7, Tab Compensation Schedule. The supporting schedule shows severance of \$68,843.97 in Account 920 Misc Cust Service & Info.

- (a) How much allocated severance is included in the Company's cost of service?
- (b) How much direct charged severance is included in the Company's cost of service?
- (c) For each severance payout, please provide the following:
 - i. Amount and account in which the severance was charged
 - ii. Circumstances that resulted in the severance pay
 - iii. Portion of the person who received the severance pay

RESPONSE:

- (a) There is \$68,843.97 of allocated severance included in the Company's cost of service.
- (b) There is \$0 of direct charged severance included in the Company's cost of service.
- (c) Severance payouts
 - i. Severance costs listed in response to (a) are charged to FERC account 920.
 - ii. There are a multitude of reasons as to the circumstances in which an employee is provided with severance pay. All severance pay provided is appropriate and according to Black Hills Severance Benefits Policy, negotiated union contract agreements (if

applicable), or other agreement made between the Company and impacted employee. The policy allows the Company to provide severance based on management discretion or other unique circumstances with terms outside the scope of the policy.

- iii. The Positions receiving severance pay can be found in Confidential Attachment PA 11-274 – Severance.

ATTACHMENT(S):

- Confidential Attachment PA 11-274 - Severance



**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-336**

DATE OF REQUEST: July 23, 2025
DATE RESPONSE DUE: August 4, 2025
REQUESTOR: Public Advocate
WITNESS: Samantha Johnson
DATE RESPONDED: July 31, 2025
SUBJECT: Severance

REQUEST:

PA-336. Severance: Follow Up to PA-274. For each severance payout for the positions provided on Confidential Attachment PA 11-274, please provide the following:

- (a) Amount paid to each individual and account in which the severance was charged
- (b) Specific circumstances that resulted in the severance pay for each individual

RESPONSE:

OBJECTION: BH Nebraska Gas objects to this request to the extent that it calls for detailed severance data that is not relevant nor is it likely to lead to relevant data. BH Nebraska Gas also objects to this request to the extent that it requires BH Nebraska Gas to provide data that is not in the form that presently exists.

Please see response to PA-274, which provides the amount of BHSC allocated severance and FERC account charged. PA-274 also provides the employee positions for which severance was paid to the severed employee. The amount included in the revenue requirement and referenced in the response to PA 11-274 is the amount allocated to BH Nebraska Gas.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-232**

DATE OF REQUEST: June 17, 2025
DATE RESPONSE DUE: June 27, 2025
REQUESTOR: Public Advocate
WITNESS: Kris Pontious
DATE RESPONDED: June 27, 2025
SUBJECT: Labor Costs – Employee Recognition Programs

REQUEST:

PA-232. Labor Costs—Employee Recognition Programs. Reference Direct Testimony of Kris Pontious at 13:14–14:15. The testimony states that the Company has the following employee recognition programs

- Energize!
- Service Awards
- Project Equity
- Non-Executive Equity Program

For each program, please provide the following:

- (a) Amount awarded in each year from 2021 through 2025 YTD
- (b) Amount and account number included in the Company's proposed cost of service

RESPONSE:

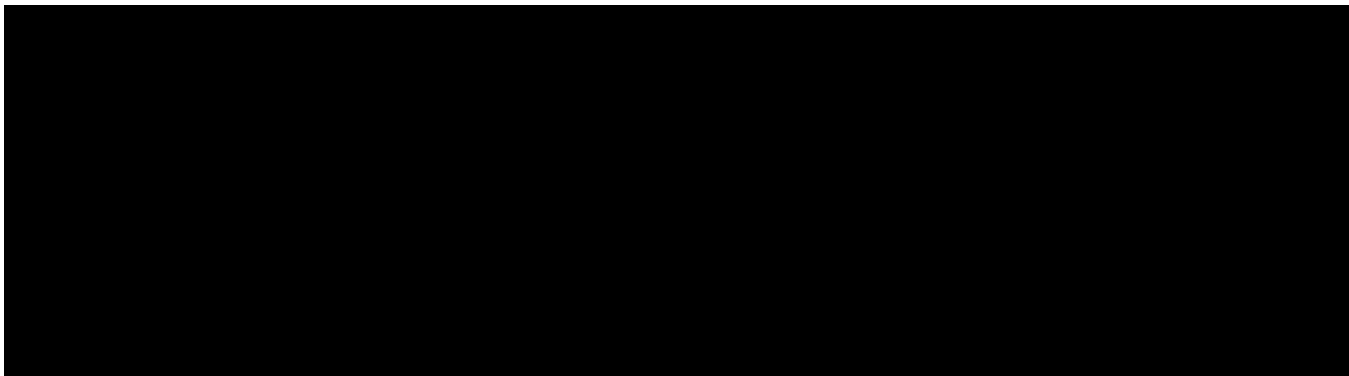
- (a) BH Nebraska Gas employee recognition programs award detail can be found in Confidential Attachment PA 9-232 – BH Nebraska Gas Employee Recognition Program Awards 2021-2025.
- (b) The amounts below reflect the books Base Year 2024 amounts. The Company does not make a proforma adjustment for these types of employee recognition awards. Amounts may vary from awarded amounts due to the timing of the expense accrual. For example, NEEP awards are ratable over three years, so 1/3 of NEEP awards granted in 2022, 2023, and 2024 are recognized as expense in 2024 which would carry forward as the amount in the 2025 Test Year.

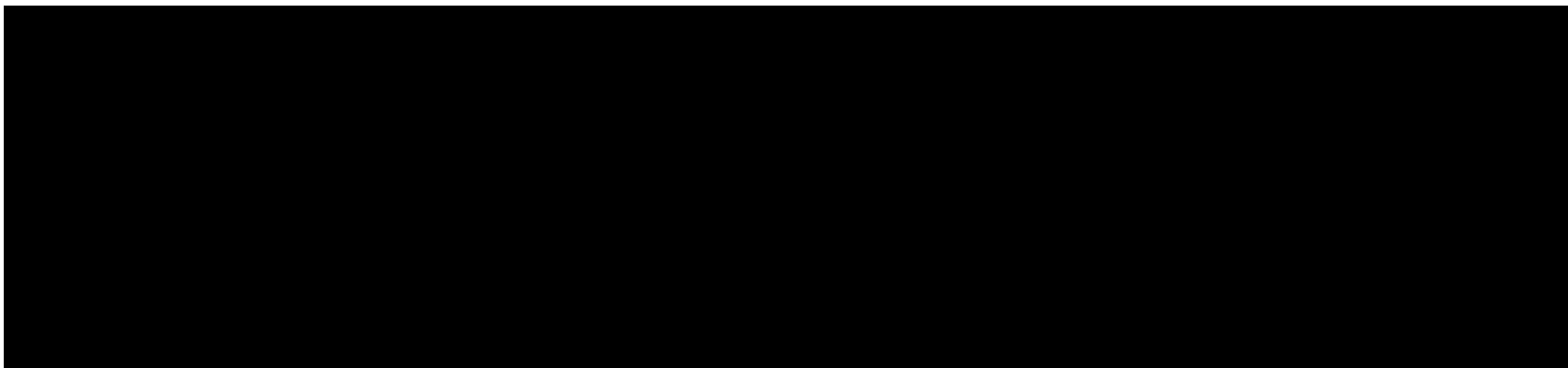
Program	Account	Direct Amount	Allocated Amount
Energize	921000	\$110,528	\$50,751
Service Awards	921000	12,683	8,031
Project Equity	920000	0	2,627
Non-Executive Equity Program (“NEEP”)	920000	70,625	315,314

ATTACHMENT(S):

- Confidential Attachment PA 9-232 – BH Nebraska Gas Employee Recognition Program Awards 2021-2025









**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-295**

DATE OF REQUEST: July 14, 2025
DATE RESPONSE DUE: July 24, 2025
REQUESTOR: Public Advocate
WITNESS: Samantha Johnson
DATE RESPONDED: July 23, 2025
SUBJECT: Insurance Expense

REQUEST:

PA-295. Insurance Expense. Follow up to PA-272 and Reference Direct Testimony of Samatha K. Johnson at 42:1 (Table SKJ-5 Historical Insurance Expense).

Table SKJ-5 – Historical Insurance Expense

Period	Amount	YoY Change	YoY % Change
2018	1,369,993		
2019	1,439,451	69,459	5.1%
2020	1,883,936	444,484	30.9%
2021	1,570,286	(313,650)	-16.6%
2022	1,493,336	(76,950)	-4.9%
2023	3,098,522	1,605,186	107.5%
2024	2,478,351	(620,171)	-20.0%
2025	3,589,329	1,110,978	44.8%
2018-2025 Change		2,219,337	162.00%

For each year shown on the table above, please provide (a) total gross premiums, (b) continuity credits, discounts, or rebates, (c) any other adjustment, and (d) the total net premium.

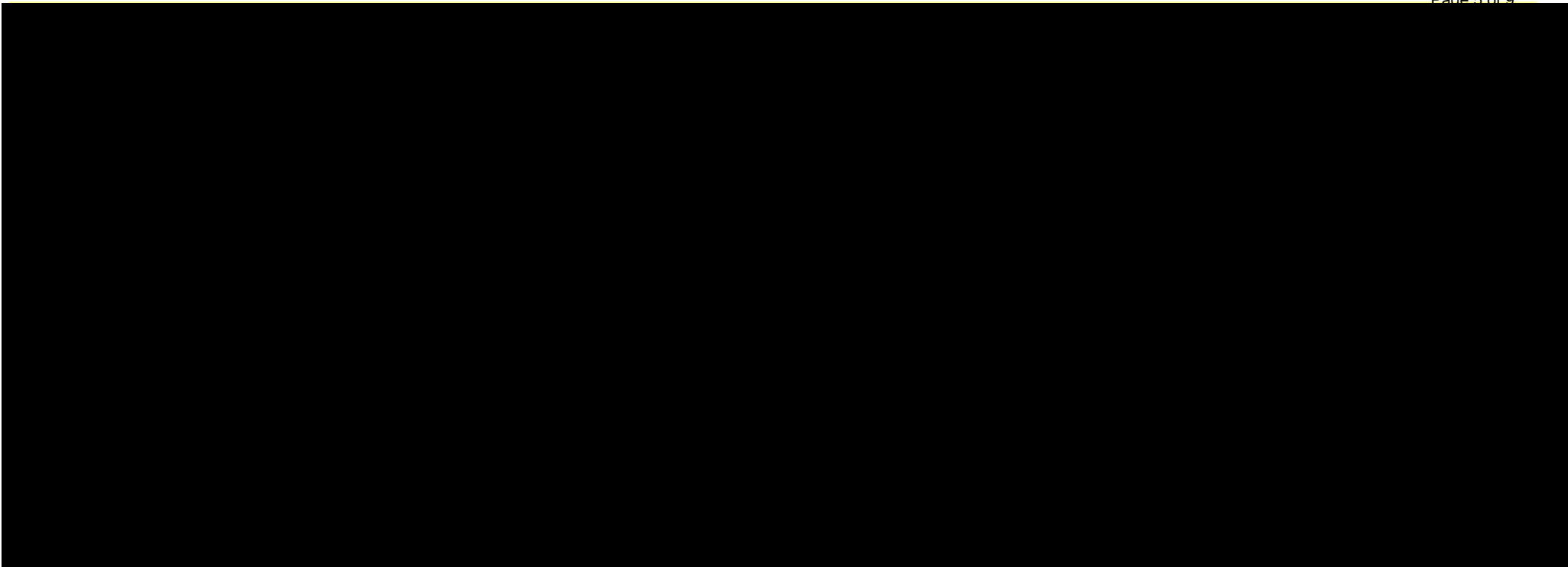
RESPONSE:

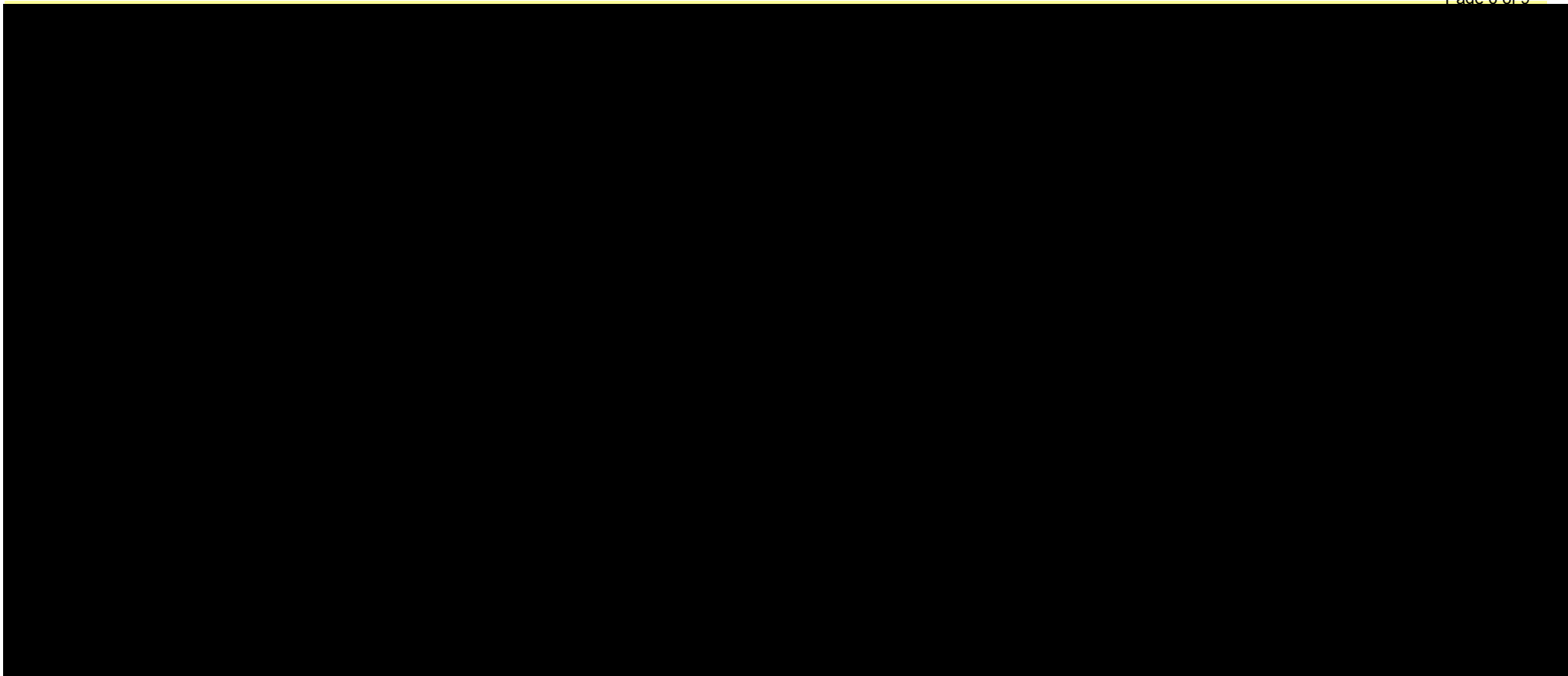
Please see Confidential Attachment PA 18-295 – 2018-2024 Insurance Premium Details. Note that since policies do not run on a calendar year cycle, the premium amounts shown in the attachment will not tie to the table above which includes all costs in FERC Account 925. Estimated costs for the 2025 premiums were previously provided in SKJ WP-16 – Direct Exhibit SKJ-2, Schedule H-7. All premium renewals are not yet finalized, so the Company cannot yet create a schedule.

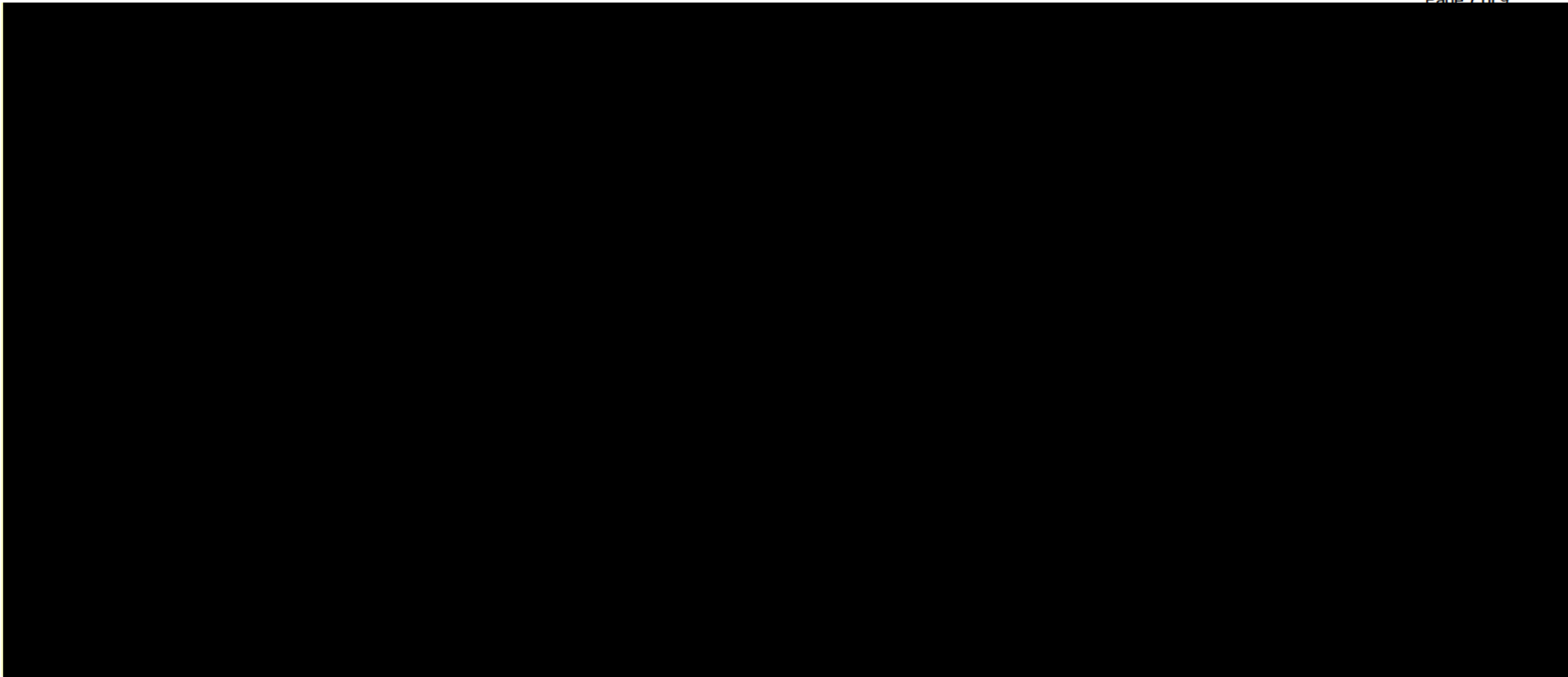
There is a correction from the file submitted as Confidential Attachment PA 11-272b – Insurance Premiums on the “2021 Insurance Policy Summary” tab on row 34. The amount reported was for the 2022 premium, not the 2021. The corrected amount is shown in the current attachment.

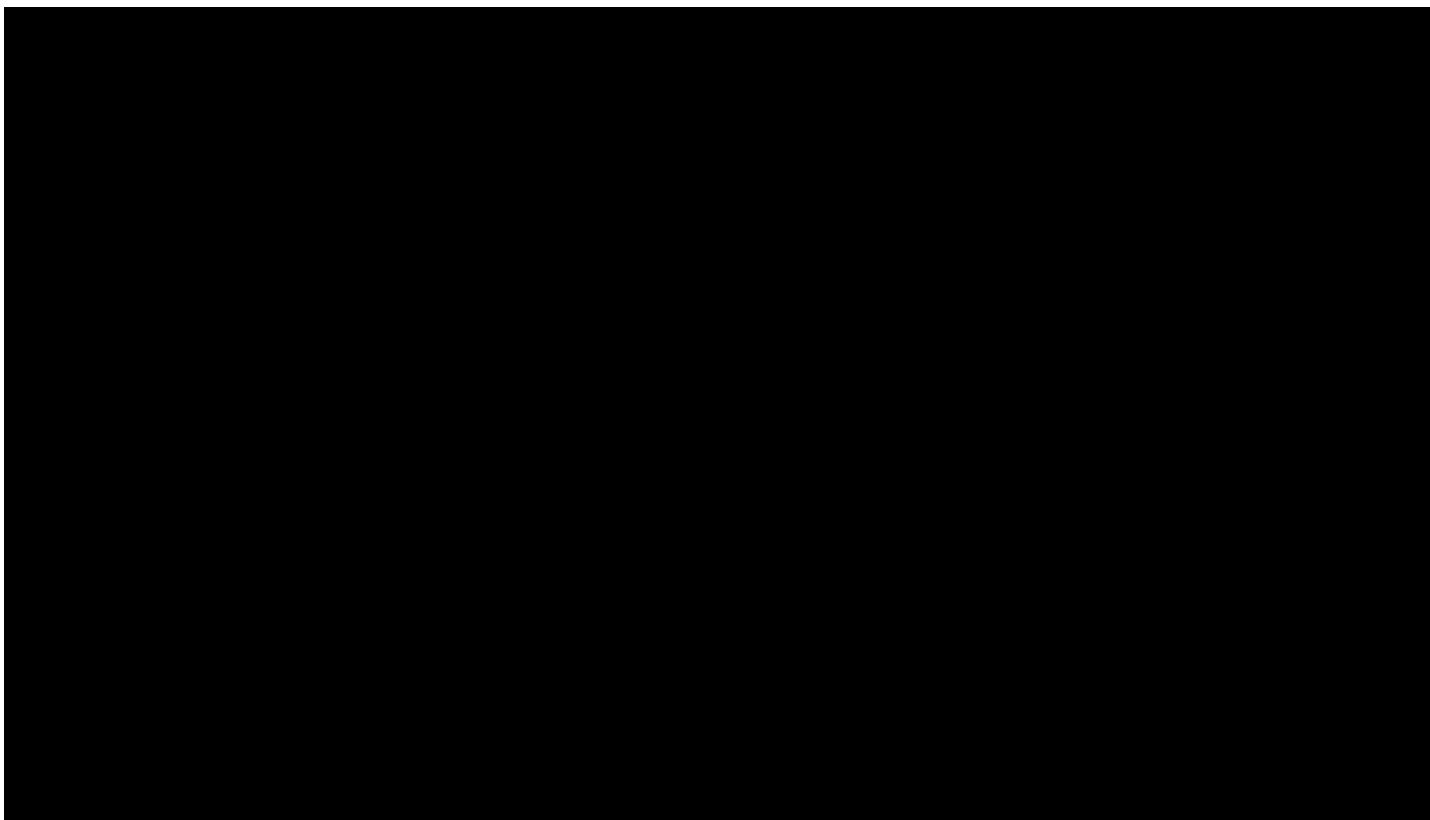
ATTACHMENT(S):

- Confidential Attachment PA 18-295 – 2018-2024 Insurance Premium Details











**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-272**

DATE OF REQUEST: June 30, 2025
DATE RESPONSE DUE: July 10, 2025
REQUESTOR: Public Advocate
WITNESS: Samantha Johnson
DATE RESPONDED: July 10, 2025
SUBJECT: Insurance Expense

REQUEST:

PA-272. Insurance Expense. Reference Direct Exhibit SKJ-2, Schedule H-7 and SKJ WP-16 – Direct Exhibit SKJ-2, Sched H-7, Tab Insurance Summary.

FERC	Res. Code	Allocation Type	Company	2024 Total Policy Cost: Premiums	Allocation %	2024 Premiums
					NEG	NEG
925000	1503	Assigned	Liberty Mutual	\$ 359,967		\$ 70,688
925000	1503	12A	Liberty Mutual	\$ 289,824	14.16%	\$ 41,039
925000	1504	12D	Liberty Mutual	\$ 30,000	25.27%	\$ 7,581
925000	1501	12B	EIS	\$ 1,512,000	15.40%	\$ 232,848
925000	1501	12A	AEGIS	\$ 9,969,726	14.16%	\$ 1,411,713
925000	1501	12A	EIM	\$ 3,245,290	14.16%	\$ 459,533
925000	1501	12A	MAP / Hamilton/ AESIR / First Specialty	\$1,716,497	14.16%	\$ 243,056
925000	1501	12A	OCIL	\$ 2,107,500	14.16%	\$ 298,422
925000	1501	12A	Chubb	\$ 1,909,000	14.16%	\$ 270,314
925000	1501	12A	ARK/Helix/ARGO	\$ 1,155,023	14.16%	\$ 163,551
925000	1501	12A	Convex/Canopus/Arcadian/Amlin	\$ 957,563	14.16%	\$ 135,591
925000	1502	12A	AEGIS	\$ 545,518	14.16%	\$ 77,245
925000	1502	12A	EIM	\$ 256,688	14.16%	\$ 36,347
925000	1502	12A	Travelers	\$ 66,402	14.16%	\$ 9,403
925000	1502	12A	XL Specialty	\$ 127,230	14.16%	\$ 18,016
925000	1502	12A	HCC- US Specialty	\$ 110,310	14.16%	\$ 15,620
925000	1502	12A	RSUI Indemnity Company	\$ 64,000	14.16%	\$ 9,062
925000	1502	12A	Endurance American Specialty	\$ 56,300	14.16%	\$ 7,972
925000	1502	12A	Endurance American Specialty	\$ 105,000	14.16%	\$ 14,868
925000	1502	12A	XL Specialty	\$ 50,300	14.16%	\$ 7,122
925000	1502	12A	HCC-US Specialty	\$ 90,540	14.16%	\$ 12,820
925000	1502	12A	Berkley Crime	\$ 34,935	14.16%	\$ 4,947
925000	1502	12A	AEGIS	\$ 188,665	14.16%	\$ 26,715
925000	1502	12A	U.S. Specialty	\$ 26,250	14.16%	\$ 3,717
925000	1502	12A	Endurance American Insurance Company	\$ 17,000	14.16%	\$ 2,407
925000	1501	12A	AEGIS	\$ 158,000	14.16%	\$ 22,373
925000	1501	12A	AEGIS	\$ 374,663	14.16%	\$ 53,052
924000	1500	Assigned	FM Global	\$ 6,118,690		\$ 57,049
925000	1501	12A	EIM	\$ 86,812	14.16%	\$ 12,293

For each policy in the table above, please provide:

- (a) A description of the type of coverage (i.e., property, general liability, professional liability, cyber, health insurance, Workers Comp, etc.)
- (b) Premiums for the past five years for each policy
- (c) How the Liberty Mutual premium of \$359,967 was assigned to the Company
- (d) How the FM Global premium of \$6,118,690 was assigned to the Company
- (e) Explain why the Liberty Mutual premium of \$30,000 uses a different allocator (25.27%) than the other policies
- (f) Why the EIS premium of \$1,512,000 uses a different allocator (15.40%) than the other policies
- (g) Description of actions taken by the Company to control insurance premium costs
- (h) Support for the “10% increase for the 2nd half of 2025” used to develop the Company’s adjustment

RESPONSE:

- (a) Please see Attachment PA 11-272a – Insurance Policy Type.
- (b) Please see Confidential Attachment PA 11-272b – Insurance Premiums.
- (c) The Liberty Mutual premium for \$360K was assigned to the companies based on employee headcount.
- (d) The FM Global premium for \$6.1M was assigned to the companies based on property values per the insurance company.
- (e) The \$30K Liberty Mutual premium is allocated only to gas states.
- (f) The EIS premium for general liability \$1.5M allocates only to regulated businesses.
- (g) Black Hills utilizes several premium cost control initiatives, including:
 - i. Establishment and utilization of a captive insurance program for coverage flexibility and potential cost control measures.
 - ii. Strong emphasis on safety and loss mitigation programs throughout the organization.

- iii. Ongoing analysis of the insurance marketplace with the assistance of our insurance broker. Consideration of new insurance providers and insurance risk structures based on market conditions.
 - iv. Increasing self-insurance within our insurance program to reduce premiums.
- (h) Leading into policy renewals, it is difficult to estimate renewal terms offered by insurance companies across our program. Based on historical insurance renewals at Black Hills for multiple lines of insurance coverage, a baseline annual increase of 10% has been established.

ATTACHMENT(S):

- Attachment PA 11-272a – Insurance Policy Type
- Confidential Attachment PA 11-272b – Insurance Premiums

Black Hills Nebraska Gas, LLC

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FERC	Resource Code	Allocation Type	Company	Type of Coverage
925000	1503	Assigned	Liberty Mutual	Workers Compensation
925000	1503	12A	Liberty Mutual	Workers Compensation
925000	1504	12D	Liberty Mutual	Auto
925000	1501	12B	EIS	Excess General Liability
925000	1501	12A	AEGIS	Excess Liability
925000	1501	12A	EIM	Excess Liability
925000	1501	12A	MAP / Hamilton/ AESIR / First Specialty	Excess Liability
925000	1501	12A	OCIL	Excess Liability
925000	1501	12A	Chubb	Excess Liability
925000	1501	12A	ARK/Helix/ARGO	Excess Liability
925000	1501	12A	Convex/Canopus/Arcadian/Amlin	Excess Liability
925000	1502	12A	AEGIS	Directors & Officers
925000	1502	12A	EIM	Directors & Officers
925000	1502	12A	Travelers	Directors & Officers
925000	1502	12A	XL Specialty	Directors & Officers
925000	1502	12A	HCC- US Specialty	Directors & Officers
925000	1502	12A	RSUI Indemnity Company	Directors & Officers
925000	1502	12A	Endurance American Specialty	Directors & Officers
925000	1502	12A	Endurance American Specialty	Directors & Officers
925000	1502	12A	XL Specialty	Directors & Officers
925000	1502	12A	HCC-US Specialty	Directors & Officers
925000	1502	12A	Berkley Crime	Crime
925000	1502	12A	AEGIS	Fiduciary Liability
925000	1502	12A	U.S. Specialty	Excess Fiduciary Liability
925000	1502	12A	Endurance American Insurance Company	Excess Fiduciary Liability
925000	1501	12A	AEGIS	Punitive Damages
925000	1501	12A	AEGIS	Cyber Liability
924000	1500	Assigned	FM Global	Property Renewal
925000	1501	12A	EIM	Taxes & Fees

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-234**

DATE OF REQUEST: June 17, 2025
DATE RESPONSE DUE: June 27, 2025
REQUESTOR: Public Advocate
WITNESS: Samantha Johnson
DATE RESPONDED: June 27, 2025
SUBJECT: Directors' and Officers ("D&O") Insurance

REQUEST:

PA-234. Directors' and Officers' ("D&O") Liability Insurance. Does the cost of service include any premium costs for D&O insurance either direct charged or allocated? If the response is in the affirmative, provide these items:

- (a) Amount included in the base year and forecasted period (If the amount is allocated, provide the allocations.)
- (b) List of officers and directors covered by the insurance
- (c) List of acts covered by the insurance

RESPONSE:

- (a) The amount included in the 2024 Base Year is \$186,438. The amount included in the 2025 Test Year is \$178,872. Since the policy is held at the Black Hills Service Company level, costs are allocated to BH Nebraska Gas using the SC All-Blended allocation ratio.
- (b) See Confidential Attachment PA 9-234 - Director and Officer List for a list of the Board of Directors, Officers, and Directors covered under the D&O Liability Insurance policy which is held at the Black Hills Service Company level.
- (c) The Company's D&O Liability Insurance relates the wrongful acts. The policy defines wrongful act as the following: wrongful act means an actual or alleged breach of duty, neglect, error, or misstatement, misleading statement, or omission actually or allegedly caused, committed, or attempted by any Director or Officer while acting individually or collectively as such.

ATTACHMENT(S):

- Confidential Attachment PA 9-234 - Director and Officer List

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-267**

DATE OF REQUEST: June 30, 2025
DATE RESPONSE DUE: July 10, 2025
REQUESTOR: Public Advocate
WITNESS: Samantha Johnson
DATE RESPONDED: July 10, 2025
SUBJECT: Advertising Expense

REQUEST:

PA-267. Advertising Expense. Reference Direct Testimony of Samantha Johnson at 14:6–13 and SKJ WP-11 - Direct Exhibit SKJ-2, Sched H-2. The Company states that it removes brand and image advertisements and sponsorship of community organizations and that the advertising remaining are safety, promote hiring, or educate consumers on the rates, energy conservation, and significant weather events.

The following workpaper identifies the advertising charges that the Company has included as recoverable.

Unit	Date	Account	Amount	Notes	Recoverable	Column1
50522	1/30/24	930100	500.00	Nebraska Safety Council - Exhibit Sponsor-Conference Sponsorship	Y	1
50522	1/31/24	870000	3,915.13	Promo Items for Public Awareness Campaign	Y	2
50522	2/15/24	903000	3,337.84	Mittera Group - 2024 Choice Gas Quick Start Guides	Y	3
50522	2/15/24	903000	3,710.89	Mittera Group - #9 BRE for Choice Gas Mailings	Y	4
50522	2/15/24	903000	7,922.99	Mittera Group - Choice Gas 9.5 x 6 Window Booklet Envelopes	Y	5
50522	2/15/24	903000	8,279.32	Mittera Group - 2024 Choice Gas Mailing Shells	Y	6
50522	2/15/24	903000	3,469.10	Mittera Group - 2024 AG Choice Daily Mailing	Y	7
50522	2/29/24	921000	7,517.46	Hiring / LinkedIn Ads	Y	8
50522	4/16/24	903000	1,132.30	Mittera Group - 2024 AG Choice Gas Daily Mailing Postage	Y	9
50522	4/26/24	930100	510.00	League of Nebraska Municipalities - 2024 Directory Advertising	Y	10
50522	4/30/24	921000	9,378.70	LinkedIn/Indeed/Hiring Expenses	Y	11
50522	5/14/24	903000	16,462.00	Mittera Group - 2024 Nebraska Choice Gas Mailings	Y	12
50522	5/30/24	903000	7,277.26	Mittera Group - 2024 NEG Choice Daily Mailing	Y	13
50522	6/12/24	880000	548.89	Pfg*proforma - Red tags for Safety	Y	14
50522	7/31/24	921000	35,352.20	Various SC Hiring Related Expenses	Y	15
50522	10/31/24	921000	22,684.02	Korn Ferry/Circa - Hiring/Consulting	Y	16
50522	11/18/24	913000	4,000.00	Trail Trek Event Ad - NatGas Awareness	Y	17
50522	12/2/24	880000	553.58	Red Tags from Company Store for Cozad Warehouse - Safety Tags	Y	18
			136,551.68			

Source: SKJ WP-11 - Direct Exhibit SKJ-2, Sched H-2

Please provide the following:

- (a) Images of the promotion items identified as Public Awareness Campaign (Item #2–\$3,915.13).

- (b) Explain why Choice Gas related advertising is recoverable from customers that are not eligible for Choice Gas (Total of \$51,591.70—Items # 3, 4, 5, 6, 7, 9, 12, and 13).
- (c) Copy of the directory advertising included in the League of Nebraska Municipalities directory (\$510.00—Item #10).
- (d) Copy of the Trail Trek Event Ad for NatGas Awareness (\$4,000.00—Item #17).
- (e) The consulting agreement with Korn Ferry/Circa. If not included the agreement, please provide the scope of work (\$22,684.01—Item #16).

RESPONSE:

- (a) Please see tab A on Attachment PA 11-267 - Advertising Expense for images of the promotional items.
- (b) Advertising expenses are not allocated by rate area to maintain consistency for the statewide uniform rate structure thus ensuring that all customers pay the same rates regardless of their location.
- (c) Please see tab C on Attachment PA 11-267 - Advertising Expense for images of the advertisement.
- (d) This was a radio advertisement on two different stations that ran approximately 100 times. See tab D on Attachment PA 11-267 - Advertising Expense for the transcript of the ad.
- (e) The consulting agreement with Korn Ferry/Circa should not have been included in advertising costs. It relates to a third party that assists with recruiting, so while it is a recoverable cost, it should not be considered advertising.

ATTACHMENT(S):

- Attachment PA 11-267 - Advertising Expense

BLACK HILLS NEBRASKA GAS, LLC

ADVERTISING EXPENSES





BETTER, TOGETHER

A strong community provides unity and opportunity for its people. That's why we give of our time and resources to help keep our community safe, secure and thriving.

See how we're involved at blackhillsenergy.com/serving.



#746486123

48 / *-LEAGUE MEMBER & U-UTILITIES MEMBER

Transcript

00:00:03 Speaker 1

We all have.

00:00:04 Speaker 1

Decisions to make when it comes to energy these days.

00:00:08 Speaker 1

We want to reduce carbon emissions and we want efficient and reliable energy like natural gas. Restricting our options

00:00:19 Speaker 1

We need all energy sources, including natural gas, to create the solution, visit blackhillsenergy.com/fuel the future.

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-249**

DATE OF REQUEST: June 20, 2025
DATE RESPONSE DUE: June 30, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 27, 2025
SUBJECT: Reclassification

REQUEST:

PA-249. Reclassification. Please provide an estimate of the annual savings to the Company including operating and administrative costs (including supporting inputs and calculations) that will result from the reclassification from Base Rate Area 5 to Base Rate Area 3 of the 111 customers located in Western, NE. [Bannan 23:21 and 24:2]

RESPONSE:

See Confidential Attachment PA 10-249 - Western NE Costs for an estimate of the annual savings to the Company based on the reclassification of Western, NE.

ATTACHMENT(S):

- Confidential Attachment PA 10-249 - Western NE Costs



**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-282**

DATE OF REQUEST: July 1, 2025
DATE RESPONSE DUE: July 11, 2025
REQUESTOR: Public Advocate
WITNESS: Douglas Hyatt
DATE RESPONDED: July 11, 2025
SUBJECT: Rate Design

REQUEST:

PA-282. Reclassification: Follow-up to PA-249 please confirm that the expected saving will occur to the Choice Gas process and not to base rates, or if that is not correct, please indicate where the savings will accrue.

RESPONSE:

No, the expected savings in PA 11-249 will impact base rates. The costs estimated in PA-249 are part of the allocated charges from BHSC.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-271**

DATE OF REQUEST: June 30, 2025
DATE RESPONSE DUE: July 10, 2025
REQUESTOR: Public Advocate
WITNESS: Kevin Jarosz and Brooke Bassell-Herman
DATE RESPONDED: July 10, 2025
SUBJECT: Manufactured Gas Plant (MGP) Research and Remediation

REQUEST:

PA-271. Manufactured Gas Plant (MGP) Research and Remediation: Reference Direct Testimony of Kevin M. Jarosz at 31:12–35:18, Direct Testimony of Samantha K. Johnson at 42:9–13, and Direct Testimony of Brooke N. Bassell-Herman at 28:14–29:19 and follow up to PA-213 and PA-214.

- (a) Please provide support for the derivation of the annual expenses the Company proposes to include in the \$138,821 base line expense for MGP.
- (b) Please provide a description of the work done to date at the McCook MGP site, the cost, and when incurred.
- (c) Please provide a timeline and expected costs of the expected research and remediation work over the next five years.
- (d) What is the status of the negotiations with the viable responsible party that has been identified to take over the management and responsibility for the site? Is the party receptive to negotiations?

RESPONSE:

Objection: BH Nebraska Gas objects to this data request to the extent that it calls for the production of privileged materials (e.g. attorney work product, attorney legal opinions, or attorney client communications), legal opinions, or other legal strategy protected from third party disclosure.

Without waiving or restricting its objection, BH Nebraska Gas responds as follows:

- (a) See Attachment PA 11-271a - 2024 Base Year MGP Expenses for details of the \$138,821 in baseline expenses.
- (b) BH Nebraska Gas entered the Voluntary Cleanup Program (“VCP”) in November 2021 with the State of Nebraska Department of Environment and Energy (“NDEE”). BH Nebraska Gas has contracted with GHD Services, Inc. (“GHD”) to complete the required testing and monitoring at the Site. GHD has been performing the site investigation with oversight and assistance from NDEE that includes soil and groundwater sampling to support the Remedial Action Plan (“RAP”). There has been no remediation completed on the property, to date.

Please see Attachment PA 11-271b - GHD Services Expenses and Attachment PA 11-271c - Nebraska Dept of Environment and Energy Charges for details on the work done to date, the cost, and when incurred.

- (c) BH Nebraska Gas continues to investigate and monitor the Site per NDEE’s requirements. The Site investigation is expected to be completed in Q1 of 2026. Once the site investigation is complete, and NDEE approves the RAP, remediation of the Site can begin.

The remediation timeline is undetermined and will be dependent on coordination with the NDEE and negotiations with PRPs. Please see Response to PA 5-213 for an estimate on the cost of remediation of the Site.

- (d) Please see Response to PA 5-21 for the Company’s anticipated timeline to begin negotiations with the PRP. The Company continues to prepare its legal strategy and evaluate necessary resources for negotiations with PRPs.

ATTACHMENT(S):

- Attachment PA 11-271a - 2024 Base Year MGP Expenses
- Attachment PA 11-271b - GHD Services Expenses
- Attachment PA 11-271c - Nebraska Dept of Environment and Energy Charges

BLACK HILLS NEBRASKA GAS, LLC
PA 11-271
2024 BASE YEAR MGP EXPENSES

Sum of AMOUNT						
ACCOUNT	RESOURCE	CHARTFIELD DESCR	VENDOR NAME	Invoice	JRNL LINE DESCR	Total
920000	1001	LABOR STRAIGHT TIME NON-UNION			AGLOAD CAPAG01	(80.22)
					AGLOAD CAPAG03_2	80.22
					Payroll Accrual	0.00
					REG - Reg Earnings	615.57
	9100	PAYROLL TAXES LOADING			TAX LOAD SC	27.42
	9102	BENEFITS LOADING			BENEFIT LOAD SC 47XX	77.79
	9103	COMPENSATED ABSENCES-LABOR			COMP ABS LOAD SC 47XX	76.78
	9112	INCENTIVE LOADING NON-UNION			INCENTIVE SC 47XX	102.72
920000 Total						900.28
923000	1815	CONTRACTOR PYMTS	GHD SERVICES INC	340-0105411	2023 ASSESSMENT	4,172.00
				340-0127859	PROFESSIONAL SERVICES	571.80
923000 Total						4,743.80
925000	1809	CONSULTING FEES			VCHR 340-0095727 - GHD SERVICE	0.00
			GHD SERVICES INC	340-0095727	MCCOOK FMGP ENVIRO ASSISTANCE	73,424.54
				340-0102107	RATE LABOR/EXPENSES/UNIT RATE	8,751.90
			STATE OF NEBRASKA	46860	REMEDIAL ACTION PLAN MONITORIN	126.79
				47135	REMEDIAL ACTION PLAN MONITOR	438.48
				48626	REMEDIAL ACTION PLAN MONITORIN	158.33
				48642	FMGP SITE	371.99
	1815	CONTRACTOR PYMTS			VCHR 340-0088764 - GHD SERVICE	0.00
			GHD SERVICES INC	340-0088764	PROFESSIONAL SERVICES	18,807.76
				340-0098383	FMGP ENBIRONMENTAL ASSISTANCE	9,942.28
				340-0109900	RATE LABOR	4,647.75
				340-0113279	ASSESSMENT LABOT/EXPENSES	1,837.25
				340-0116008	2023 ASSESSMENT LABOR/EXPENSES	6,498.00
				340-0119992	ASSESSMENT LABOR/EXPENSES	4,196.00
				340-0123045	LABOR/EXPENSES	1,371.50
			STATE OF NEBRASKA	48337	RARMA VCP - MCCOOK FMGP	1,671.02
925000 Total						132,243.59
930200	1809	CONSULTING FEES	STATE OF NEBRASKA	46203	REMEDIAL ACTION PLAN MONITORIN	90.50
				46760	REMEDIAL ACTION PLAN MONITORIN	705.50
				46881	REMEDIAL ACTION PLAN MONITOR	137.11
930200 Total						933.11
Grand Total						138,821

Attachment PA 11-271b										
AP Business Unit	Voucher	Vendor #	Vendor Name	Invoice #	Invoice Date	Appr Stat	Gross Amt	Contract #	GL Business Unit	Work Order
50522	00036564	0000097741	GHD SERVICES INC	340-0009170	11/1/21	Approved	1,001.75	44760	50522	10077536
50522	00038428	0000097741	GHD SERVICES INC	340-0012317	11/29/21	Approved	2,115.25	44760	50522	10077536
50522	00040899	0000097741	GHD SERVICES INC	340-0015991	1/4/22	Approved	4,546.50	44760	50522	10077536
50522	00044162	0000097741	GHD SERVICES INC	340-0022622	3/2/22	Approved	2,857.50	44760	50522	10077536
50522	00046258	0000097741	GHD SERVICES INC	340-0025136	4/4/22	Approved	5,748.00	44760	50522	10077536
50522	00048003	0000097741	GHD SERVICES INC	340-0028269	5/2/22	Approved	45,455.52	44760	50522	10077536
50522	00050513	0000097741	GHD SERVICES INC	340-0031252	5/31/22	Approved	12,951.29	44760	50522	10077536
50522	00052943	0000097741	GHD SERVICES INC	340-0036090	6/30/22	Approved	12,968.20	44760	50522	10077536
50522	00054771	0000097741	GHD SERVICES INC	340-0038027	7/31/22	Approved	10,486.00	44760	50522	10077536
50522	00057342	0000097741	GHD SERVICES INC	340-0042180	8/27/22	Approved	11,651.38	44760	50522	10077536
50522	00060047	0000097741	GHD SERVICES INC	340-0045267	10/1/22	Approved	933.81	44760	50522	10077536
50522	00061880	0000097741	GHD SERVICES INC	340-0047612	10/29/22	Approved	4,206.00	44760	50522	10077536
50522	00064333	0000097741	GHD SERVICES INC	340-0050937	11/26/22	Approved	1,897.00	44760	50522	10077536
50522	00065470	0000097741	GHD SERVICES INC	340-0053427	12/19/22	Approved	297.41	44760	50522	10077536
50522	00068079	0000097741	GHD SERVICES INC	340-0056587	1/30/23	Approved	1,067.15	44760	50522	10077536
50522	00072115	0000097741	GHD SERVICES INC	340-0063491	4/3/23	Approved	5,119.95	44760	50522	10077536
50522	00073935	0000097741	GHD SERVICES INC	340-0066647	5/2/23	Approved	13,213.00	44760	50522	10077536
50522	00073936	0000097741	GHD SERVICES INC	340-0066646	5/2/23	Approved	820.75	44760	50522	10077536
50522	00075955	0000097741	GHD SERVICES INC	340-0070145	5/31/23	Approved	49,459.33	44760	50522	10077536
50522	00078422	0000097741	GHD SERVICES INC	340-0073320	7/4/23	Approved	319.00	44760	50522	10077536
50522	00087147	0000097741	GHD SERVICES INC	340-0085652	10/30/23	Approved	5,464.00	44760	50522	10077536
50522	00090967	0000097741	GHD SERVICES INC	340-0091940	12/19/23	Approved	18,122.05	44760	50522	10077536
50522	00094094	0000097741	GHD SERVICES INC	340-0095727	1/31/24	Approved	73,424.54	44760	50522	10077536
50522	00095553	0000097741	GHD SERVICES INC	340-0088764	11/28/23	Approved	18,807.76	44760	50522	10077536
50522	00095699	0000097741	GHD SERVICES INC	340-0098383	2/26/24	Approved	9,942.28	44760	50522	10077536
50522	00097879	0000097741	GHD SERVICES INC	340-0102107	4/2/24	Approved	8,751.90	44760	50522	10077536
50522	00100145	0000097741	GHD SERVICES INC	340-0105411	4/29/24	Approved	4,172.00	44760	50522	10077536
50522	00102108	0000097741	GHD SERVICES INC	340-0109900	5/30/24	Approved	4,647.75	44760	50522	10077536
50522	00104834	0000097741	GHD SERVICES INC	340-0113279	7/3/24	Approved	1,837.25	44760	50522	10077536
50522	00111556	0000097741	GHD SERVICES INC	340-0123045	10/2/24	Approved	1,371.50	44760	50522	10077536
50522	00124457	0000097741	GHD SERVICES INC	340-0142895	4/2/25	Approved	1,805.25	44760	50522	10077536
50522	00126360	0000097741	GHD SERVICES INC	340-0146522	4/30/25	Approved	1,621.00	44760	50522	10077536
50522	00128287	0000097741	GHD SERVICES INC	340-0149038	5/27/25	Approved	1,592.50	44760	50522	10077536
80802	00203875	0000097741	GHD SERVICES INC	340-0116008	7/30/24	Approved	6,498.00	44760	50522	10077536
80802	00204973	0000097741	GHD SERVICES INC	340-0119992	8/28/24	Approved	4,196.00	44760	50522	10077536
80802	00207644	0000097741	GHD SERVICES INC	340-0127859	11/5/24	Approved	571.80	44760	50522	10077536
80802	00209874	0000097741	GHD SERVICES INC	340-0133187	12/19/24	Approved	612.25	44760	50522	10077536
80802	00211505	0000097741	GHD SERVICES INC	340-0136529	1/30/25	Approved	2,827.55	44760	50522	10077536
80802	00212338	0000097741	GHD SERVICES INC	340-0139864	2/27/25	Approved	3,634.00	44760	50522	10077536

McCook fMGP Remediation Project
NDEE RAP 36-336-4963
Facility ID 86075
WO #10077536

Original Contract

McCook fMGP NDEE Credit \$3,000.00

Invoice #/Payment	Date	Amt	Amt Remaining/Due
35426	02.07.2022	\$158.16	\$2,841.84
35438	02.07.2022	\$807.05	\$2,034.79
35605	04.22.2022	\$576.64	\$1,458.15
35709	05.23.2022	\$513.36	\$944.79
35983	08.26.2022	\$47.84	\$896.95
36017	09.27.2022	\$56.25	\$840.70
36938	10.25.2022	\$27.25	\$813.45
36973	11.23.2022	\$13.62	\$799.83
37198	01.27.2023	\$52.81	\$747.02
38095	02.27.2023	\$127.08	\$619.94
38573	03.31.2023	\$1,148.22	\$528.28
38589	04.26.2023	\$285.86	\$814.14
Payment	05.02.2023	\$528.28	\$285.86
38690	05.26.2023	\$371.04	\$656.90
Payment	05.30.2023	\$285.86	\$371.04
Payment	06.23.2023	\$371.04	\$0.00
38844	06.30.2023	\$496.39	\$496.39
Payment	07.31.2023	\$496.39	\$0.00
46203	04.29.2024	\$90.50	\$90.50
46760	04.29.2024	\$705.50	\$796.00
Payment	05.28.2024	\$90.50	\$705.50
Payment	05.28.2024	\$705.50	\$0.00
46860	05.30.2024	\$126.79	\$126.79
Payment	06.25.2024	\$126.79	\$0.00
46881	06.26.2024	\$137.11	\$137.11
Payment	07.30.2024	\$137.11	\$0.00
47135	08.28.2024	\$438.48	\$438.48
Payment	07.30.2024	\$438.48	\$0.00
48337	09.30.2024	\$1,671.02	\$1,671.02
Payment	10.21.2024	\$1,671.02	\$0.00
48626	10.29.2024	\$158.33	\$158.33
Payment	11.21.2024	\$158.33	\$0.00
48642	11.26.2024	\$371.99	\$371.99
Payment	12.26.2024	\$371.99	\$0.00
51465	01.30.2025	\$232.48	\$232.48
51474	02.27.2025	\$1,061.90	\$1,294.38
51490	03.27.2025	\$32.80	\$1,327.18
Payment	04.29.2025	\$1,061.90	\$265.28
52843	05.28.2025	\$1,075.65	\$1,340.93
Total Charged		\$10,784.12	

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-214**

DATE OF REQUEST: June 4, 2025
DATE RESPONSE DUE: June 16, 2025
REQUESTOR: Public Advocate
WITNESS: Kevin Jarosz
DATE RESPONDED: June 13, 2025
SUBJECT: Manufactured Gas Plant (MGP) Site Remediation

REQUEST:

PA-214. Manufactured Gas Plant (MGP) Site Remediation: Reference Testimony of Kevin M. Jarosz (Vice President of Nebraska Gas Operations). Please provide a detailed timeline and summary of efforts to identify Potentially Responsible Parties (PRPs) for the McCook Site, including specific criteria for "viable candidates" and any legal actions being pursued, as mentioned on page 33, lines 13–17 of your direct testimony.

RESPONSE:

BH Nebraska Gas engaged a third-party consultant in November 2024 to assist in the identification of any potentially responsible parties ("PRPs") associated with the McCook, NE Site. A final report was provided to BH Nebraska Gas on April 23, 2025. The goal of the report was to identify a party who may have liability under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"). The specific criteria used to identify whether an entity would be a "viable candidate" as a PRP can be found in CERCLA § 107(a), which imposes liability on four classes of persons. Based on findings from the report, BH Nebraska Gas believes that there may be an entity who may have some level of liability under CERCLA.

BH Nebraska Gas anticipates starting negotiations with the viable candidate in Q3 2025. Depending on the outcome of negotiations, including understanding any statutory defenses, statutory exemptions, or any other protections from CERCLA liability, the Company will evaluate whether to pursue formal legal action to pursue the PRP.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-213**

DATE OF REQUEST: June 4, 2025
DATE RESPONSE DUE: June 16, 2025
REQUESTOR: Public Advocate
WITNESS: Kevin Jarosz
DATE RESPONDED: June 13, 2025
SUBJECT: Manufactured Gas Plant (MGP) Site Remediation

REQUEST:

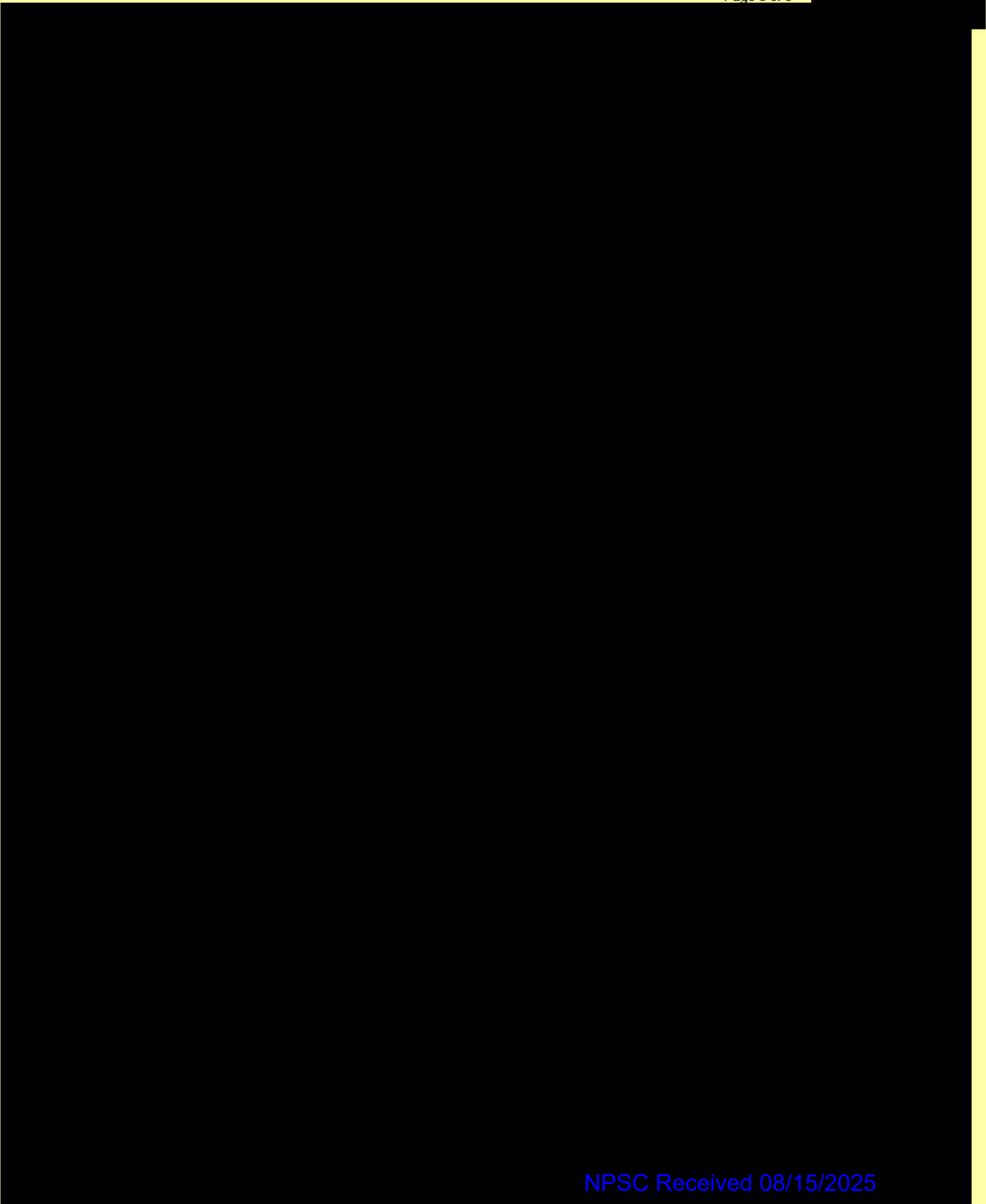
PA-213. Manufactured Gas Plant (MGP) Site Remediation: Reference Testimony of Kevin M. Jarosz (Vice President of Nebraska Gas Operations). While a "precise estimate has not yet been established" for remediation costs for the McCook Site (page 39, lines 1–13), please provide a range of potential costs based on preliminary site investigations and industry experience for similar MGP cleanups.

RESPONSE:

A preliminary cost estimate was last developed in 2021 by third-party contractor GHD, which produced an estimated range of remediation costs based on oversight, subsurface removals, and site restoration. The cost estimate developed is defined by recommended practices of the Association for the Advancement of Cost Engineering (AACE) and is to be used as a feasibility or screening-level cost estimate. The cost estimates from the 2021 analysis are provided in Confidential Attachment PA 5-213 – McCook MGP Remediation Budgetary Cost Estimate. Based on past industry experience for similar MGP cleanups, it is possible that the range of potential remediation costs could exceed the 2021 estimate by several millions of dollars, due to factors including, but not limited to, inflation, expanded scope of remediation due to additional site delineation, and compliance with NDEE remediation requirements.

ATTACHMENT(S):

- Confidential Attachment PA 5-213 - McCook MGP Remediation Budgetary Cost Estimate



- (c) Please explain why the \$12,958,411 was multiplied by 14.00% and 13.96% for 701600 and 28.58% and 15.14% for 701601.
- (d) What Company provides Pooled Medical Insurance?
- (e) Is Pooled Medical Insurance also included in the 10% adjustment shown on SKJ WP-16 – Direct Exhibit SKJ-2, Sched H-7, Tab Insurance Summary?

RESPONSE:

- (a) The 33.7% increase in the 2025 budgeted pooled medical insurance costs compared to 2024 actuals reflects a return to normalized cost levels following an atypically low-cost year in 2024. While the testimony referenced a 9-12% increase in medical premiums, that figure pertains specifically to expected rate increases on a per-employee basis. It does not represent the total change in pooled costs.

The distinction is important - rate increases refer to the change in unit cost, such as the premium per employee, whereas total cost changes encompass a broader set of variables. These include enrollment levels, plan selection, actual claims experience, and the impact of one-time items such as rebates or credits.

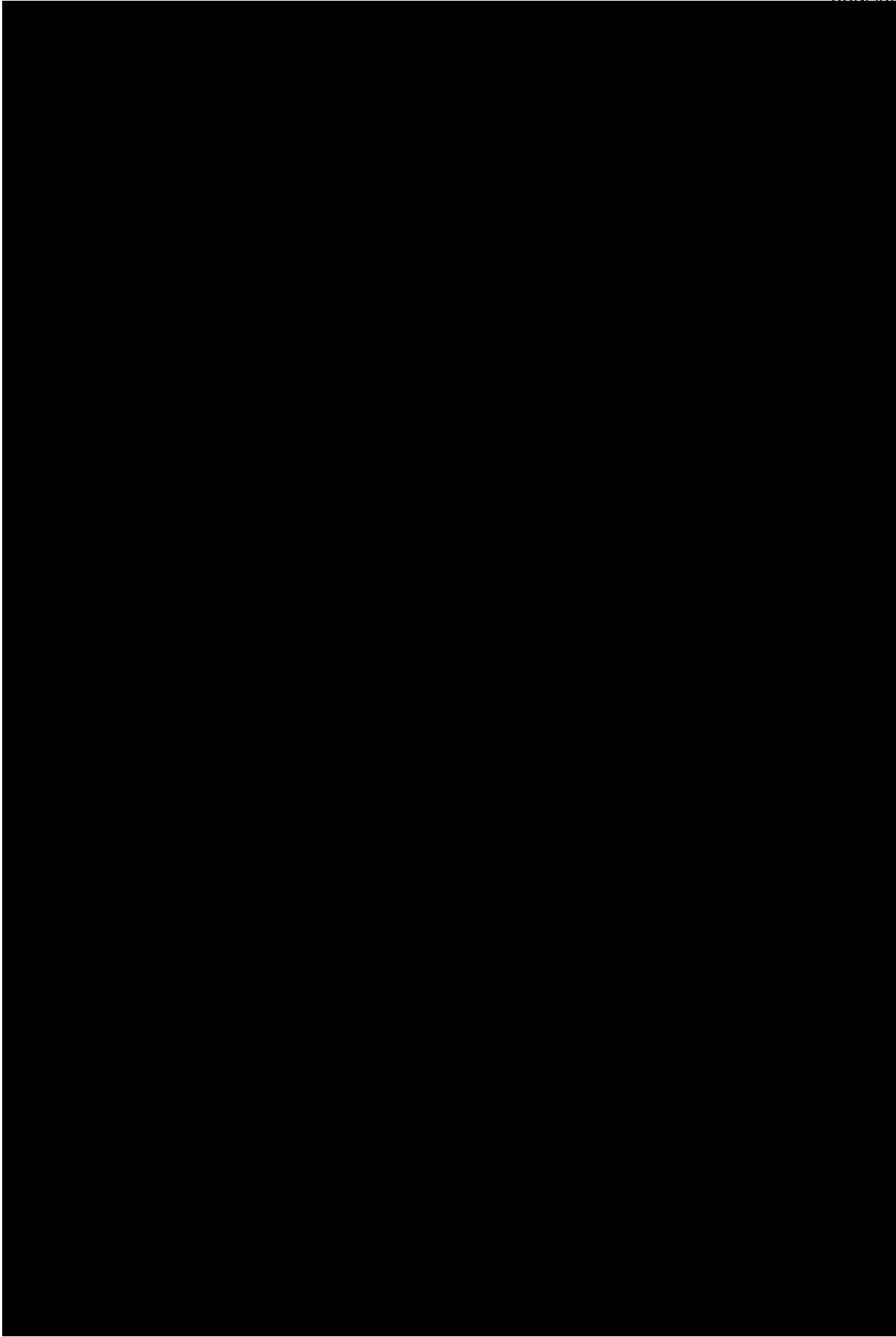
In 2024, total medical costs were significantly reduced due to two factors: the receipt of an additional \$1,617,892 pharmacy rebate contributing to overall higher-than-usual pharmacy rebate amounts of \$7,520,765, and \$4,846,086 in stop loss reimbursements. These items materially lowered net costs for the year. As a self-insured employer, our total medical costs are inherently subject to annual fluctuations based on actual claims and utilization patterns. Stop loss reimbursements help protect against unusually high claims by reimbursing Black Hills when individual or total claims exceed a set threshold.

It is also noteworthy that 2024 costs were lower than those in 2023, which is not typical. The 2025 estimate reflects a normalization of costs rather than a sharp increase in underlying rates. When compared to an unusually low-cost year, the resulting percentage increase appears elevated; however, the 33.7% figure is not solely attributable to premium rate changes but rather to a combination of normalized claims expectations and the absence of one-time and unpredictable cost offsets.

- (b) Please see Confidential Attachment PA 11-273 – Pooled Medical Insurance.
- (c) Black Hills Service Company's ("BHSC") portion of pooled medical is allocated through a two-step process. In the first step, the BHSC receives a portion of costs based on headcount. BHSC's portion of cost is split between 14% and 28.58% based on department functions. These amounts are then allocated further through a second step by the Service Company to affiliates using blended rates. The 13.96% 701600 represents the Service Company's Blended-All ratio allocation to BH Nebraska Gas, and the 15.14% 701601 represents the Service Company's Blended-Utility ratio allocation to BH Nebraska Gas.
- (d) Black Hills Corporation is self-insured for medical benefits. Pooled medical costs are paid by BHSC and allocated to affiliates based on employee headcount.
- (e) No, Pooled Medical Insurance is not included in the 10% adjustment shown on SKJ WP-16 – Direct Exhibit SKJ-2, Sched H-7, Tab Insurance Summary.

ATTACHMENT(S):

- Confidential Attachment PA 11-273 - Pooled Medical Insurance





**Before the Nebraska Public Service Commission
Docket No. NG-124**

**Examination of the System Safety and Integrity Rider
of Black Hills Nebraska Gas, LLC
d/b/a Black Hills Energy
for the 2026 Program Year**

on behalf of the Nebraska Public Advocate

August 15, 2025

Prepared by
Blue Ridge Consulting Services, Inc.
114 Knightsridge Road
Travelers Rest, SC 29690
(864) 420-8084

Docket No. NG-124
Examination of the System Safety and Integrity Rider of Black Hills Energy
for the 2026 Program Year

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DISCLAIMERS

In the context of this report, Blue Ridge Consulting Services, Inc. ("Blue Ridge") intends the words *audit* and *examination* as they are commonly understood in the utility regulatory environment: as a regulatory review, a field investigation, or a means of determining the appropriateness of a financial presentation for regulatory purposes. The word *audit*, for example, is not intended in its precise accounting sense as an examination and verification of booked numbers and related source documents for financial reporting purposes. Neither is the term *audit* in this case an analysis of financial statement presentation in accordance with the standards established by the American Institute of Certified Public Accountants (AICPA) and the Financial Accounting Standards Board (FASB). The reader should distinguish regulatory reviews, such as those that this report's authoring firm, Blue Ridge Consulting Services, Inc. ("Blue Ridge") performs, from financial audits performed by independent certified public accountants.

This document and the opinions, analyses, evaluations, and recommendations are for the sole use and benefit of the contracting parties. Blue Ridge intends no third-party beneficiaries, and therefore, assumes no liability whatsoever to third parties for any defect, deficiency, error, or omission in any statement contained in or in any way related to this document or the services provided.

Blue Ridge prepared this report based in part on information not within its control. While Blue Ridge believes the information provided herein is reliable, the firm does not guarantee the accuracy of the information it has relied upon.

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Examination of the System Safety and Integrity Rider of Black Hills Energy
for the 2026 Program Year

ORGANIZATION OF BLUE RIDGE'S REPORT

Blue Ridge organized this report according to the following major sections: Executive Summary; Overview of Investigation; and Observations, Findings, and Recommendations. The report also contains appendices. The Executive Summary provides summaries of the subject utility's application requests, Blue Ridge's findings and recommendations on those requests, and the effects of the recommendations.

The Overview of Investigation provides the background, purpose of the project, project scope, and information reviewed.

The Observations, Findings, and Recommendations section documents Blue Ridge's analysis and conclusions regarding the components that comprise the System Safety and Integrity Rider (SSIR) Charge. In that section, Blue Ridge addresses the eight evaluation questions identified in the Overview related to the purpose of the project:

- 1) Are the Company's processes and controls sufficient so as not to adversely affect the costs of the System Safety and Integrity Recovery Charge?
- 2) Does the application provide the information required by Commission orders and specified in the SSIR Tariff?
- 3) Are the System Safety and Integrity projects eligible for recovery?
- 4) Is the revenue requirement associated with the Eligible System Safety and Integrity Costs requested by Black Hills Energy in compliance with Commission orders and as specified in the SSIR Tariff?
- 5) Is the System Safety and Integrity Rider Charge calculated in compliance with Commission orders and as specified in the SSIR Tariff?
- 6) Is the amount and timing of the System Safety and Integrity Rider Charge request within the limits established by the Commission?
- 7) What is the appropriate level of recovery of the System Safety and Integrity Rider Charge?
- 8) Did the Company timely file the annual surveillance filings with the required information in compliance with Commission orders?

The appendices include the background information reviewed, abbreviations and acronyms, data requests and information provided, and Blue Ridge's workpapers.

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EXECUTIVE SUMMARY

On May 1, 2025, Black Hills Nebraska Gas, LLC, d/b/a Black Hills Energy (hereinafter referred to as “Black Hills Energy,” “BHE,” or “Company”), filed an application with the Nebraska Public Service Commission (“Commission”) for a general rate increase. As part of the filing, the Company also seeks continuation of the System Safety and Integrity Rider (SSIR) charge, including approval to adjust the SSIR charge to an effective date of January 1, 2026, or the effective date of final rates in Application No. NG-124 (“NG-124”) whichever is later, for rate areas one, two, three, and five.

The Company proposes the adjusted 2026 SSIR charges to apply to rate schedules applicable to all BHE jurisdictional Residential, Small Commercial, and Large Commercial customers. The Company’s proposed SSIR charge reflects the overall SSIR charges applicable to the referenced rate schedules to cover the incremental annual revenue requirement impact of costs incurred by the Company with respect to SSIR projects as defined on Tariff Sheet Nos. 127 through 131. These eligible projects were not included in the rate base calculation in the rate review for Nebraska assets in Commission Application No. NG-124. Each of the SSIR Projects is currently scheduled to be in service and used and useful by December 31, 2026.

Blue Ridge reviewed the 23 SSIR projects, 16 alternative projects, and three DIIP O&M projects and found them not unreasonable.

The Company seeks approval of the jurisdictional revenue requirements of \$665,693 attributable to jurisdictional total capital projects (2026) of \$5,563,649, and the jurisdictional portion of 2026 Data Infrastructure Improvement Program (DIIP) costs recoverable through the SSIR, totaling \$2,101,329. The Company’s application included the 2024 true-up of \$(2,599), resulting in a total requested amount (to be collected in 2026) of \$2,764,423.

The Company is seeking approval of the following SSIR Rates in 2026.

Table 1: 2026 SSIR Rate—Company Proposed and Blue Ridge's Recommended

Description	Residential	Small Commercial	Large Commercial
Company Proposed	\$ 0.6900	\$ 1.2100	\$ 6.5300
Blue Ridge Recommended	Pending	Pending	Pending

Blue Ridge’s recommended 2026 SSIR rate is pending the Commission’s final decision on many of the variables that are included in the SSIR revenue requirements calculation, including the Weighted Average Cost of Capital, depreciation accrual rates, and CCOSS/Rate Design (including splitting out the Commercial class between Small Commercial and Large Commercial). The Company concurs: “The Company plans to update the SSIR inputs and recalculate the 2026 SSIR rate to reflect the Commission’s final order, including any changes to the proposed WACC, depreciation rates, and CCOSS. The Company will complete any necessary updates in advance of the 2026 SSIR going into effect.”¹

Blue Ridge has the following recommendations:

¹ BHE Response to NG-124 PA-319 (Attachment DHM SSIR-2).

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1. Blue Ridge recommends the Commission approve the continuation of the SSIR.
2. While the Commission authorized transferring spend within categories in NG-112.3, Blue Ridge found that the Commission has not specifically approved cross-category budget flexibility and that flexibility is not reflected in the approved SSIR Tariff. Nevertheless, the Commission approved all the projects and estimated budget amounts. Therefore, Blue Ridge does not believe the cross-category spending for specifically approved projects is a compliance issue. However, Blue Ridge recommends modifying the SSIR Tariff to allow flexibility to swap amounts approved by SSIR category to another SSIR category as long as the projects have been reviewed and approved as part of the Application review process. Each such swap will be identified, and an explanation will be given as to why the original project could not be completed and an alternate project was used.
3. Blue Ridge recommends that the SSIR revenue requirements be revised to reflect the weighted average cost of capital that is approved in the current general rate case (NG-124) to calculate the return on rate base.
4. Blue Ridge recommends that the SSIR revenue requirements be revised to allocate plant based on the CCOS that is approved in the current general rate case (NG-124).
5. Blue Ridge recommends that the SSIR revenue requirements be revised to calculate Depreciation Expense and Accumulated Depreciation using the depreciation rates that are approved in current general rate case (NG-124). The approved depreciation rates should also be used to calculate the ADIT associated with book and tax depreciation differences.
6. Blue Ridge recommends accepting the Company's change to the tariff to present the SSIR rate as a separate line item on the bill instead of including it in the customer charge.
7. Blue Ridge recommends accepting the Company's proposal to split out the Commercial class between Small Commercial and Large Commercial.
8. Blue Ridge recommends the Company provide updated SSIR revenue requirements schedules that reflects the Commission's final decisions before the 2026 SSIR rate goes into effect and that the revised SSIR revenue requirements be reviewed as part of the review of the compliance filing.

OVERVIEW OF INVESTIGATION

BACKGROUND

On May 1, 2014, SourceGas Distribution LLC, Golden, Colorado ("SourceGas") filed an application with the Commission seeking approval to put into effect an SSIR Tariff and charge. The application requested to adjust the Customer Charge applicable to all customers served under Rate Schedule CGS (Choice Gas Service) and Rate Schedule ACGS-NSS (Agricultural Choice Gas Service—Non-Seasonal Service) to recover certain system safety and integrity costs outside the context of a general rate case.

On October 28, 2014, the Commission approved the SSIR with certain modifications and conditions. Following technical conferences and motions to reconsider, the SSIR was ultimately approved under the following provisions:

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Examination of the System Safety and Integrity Rider of Black Hills Energy
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1. SourceGas must not file a general rate case prior to January 1, 2016.
2. A general rate case application pursuant to §66-1838 must be filed at least every sixty (60) months.
3. Future applications shall be filed no later than October 1 to allow for a more formalized review process and in order for a surcharge to be effective by February 1 of the following year.
4. All future SSIR filings will be made in the present docket.
5. SourceGas should file the final reconciliation calculations on or before October 1 annually.
6. Reconciliation calculations should include interest on any overcollection or under-collection of SSIR revenue.
7. SourceGas must file quarterly surveillance filings within sixty (60) days of the end of each quarter. Such filing shall include calculations of the rate base separated into regular and SSIR components, the realized rates of return on the rate base components, along with supporting calculations. Additionally, the filing should include an update regarding the status of the SSIR project costs, in-service dates, and expected schedule over the ensuing duration of the SSIR.
8. No limit on the SSIR charge was implemented at this time. However, the Commission may impose a limit should the Commission find that the requested surcharge is of such a magnitude as to not be in the best interest of the ratepayers.
9. SourceGas may file an SSIR application for 2015 costs on or before November 20, 2014, with an implementation date of February 1, 2015. The filing will require a more limited review to ensure that the projects and associated costs are eligible and that the calculations are accurate.

On February 12, 2016, Black Hills Energy acquired SourceGas. BHE applied for renewal of the existing SSIR.

On January 26, 2021, in Docket NG-109, the Commission entered an order approving a general rate increase for BHE and approved a stipulation reached between BHE and the Public Advocate renewing the SSIR for a period of five years. The Stipulation included the following language related to the SSIR.

37. SSIR Renewal, Modification, and Statewide Expansion.

The Parties agree that (1) the System Safety and Integrity Rider ("SSIR") mechanism should be renewed for a period of five years, (2) the SSIR mechanism is expanded to cover safety infrastructure projects throughout all of the BH Nebraska Gas rate areas, (3) the Parties will continue to work collaboratively prior to the December 10th Technical Conference and continue collaborating prior to BH Nebraska Gas filing its 2022 SSIR application on drafting tariff language, SSIR application and audit requirements, and supporting SSIR projects based on measurable criteria that improve safety and mitigate risk, (4) modify the SSIR's definition of eligible projects, categories, and criteria as will be agreed upon between the Parties subject to further agreed-upon refinement of the SSIR requirements over the next month and continue the collaboration prior to BH Nebraska Gas filing its 2022 SSIR Application, and (5) unless otherwise permitted by the Commission, the cost of installation or replacement of natural gas pipeline intended primarily to facilitate customer growth requirements, whether for identified or expected customers, will not be eligible for recovery under the SSIR tariff and other similar riders that permit the recovery of investment in capital investment projects that focus on customer safety.

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The Parties agree that BH Nebraska Gas may include within the 2021 SSIR Projects the cost of those projects identified in Hearing Exhibit No. BH-JB- 2 (Mr. Bennett's Direct Testimony Exhibit No. JLB-5 -2021 SSIR Application), with the exception of the four reliability pipeline looping projects identified by the Public Advocate in the Answer testimony of Charles Fijnvandraat. The Parties agree that the cost of the Data Integrity Improvement Program ("DIIP") may be recovered through the SSIR Charge.

The Parties agree to develop mutually acceptable criteria to more accurately define shallow pipe and obsolete pipe replacements and to establish a defensible basis and measurable criteria to demonstrate which, if any, reliability projects should be SSIR eligible. The Parties commit to finalizing the necessary criteria prior to the filing of the BH Nebraska Gas 2022 SSIR Application.²

The SSIR Tariff was updated to reflect the Commission's order following the rate case. Effective March 1, 2021, the tariff was modified to reflect the mutually acceptable criteria to more accurately define shallow pipe and obsolete pipe replacements and to establish a defensible basis and measurable criteria to demonstrate which, if any, reliability projects should be SSIR eligible.³

On December 13, 2022, the Commission approved changes to the SSIR Program. In previous applications Black Hills requested approval of capital spending at an individual project level. The Company requested the Commission approve capital spending at a project category level. Black Hills would still provide the Commission with detailed project descriptions and costs for each project contained within each category; however, if Black Hills were unable to finish a project, the requested budget category adjustment would allow Black Hills to shift funding to an alternate project within the same project category. All alternate projects would be filed with the initial SSIR Application, reviewed by the PA, and approved by the Commission.⁴

The SSIR Tariff also requires the Public Advocate to conduct an examination of the Annual Application. The Public Advocate chose Blue Ridge to support the examination.

PURPOSE OF PROJECT

The purpose of the project is to comply with the assessment language of the tariff:

The Public Advocate shall conduct an examination of the Annual Application. The Public Advocate shall cause an examination to be made of the Annual Application to confirm that the under lying actual and projected Eligible System Safety and Integrity Costs ("SSIR revenue requirement") are in accordance with this SSIR Tariff and to confirm proper calculation of the SSIR True-Up Amount and the Deferred SSIR Balance. The Commission shall require a report regarding such examination to be prepared and filed by the Public Advocate with the Commission in accordance with the procedural schedule established after the Annual Application is filed. No other revenue requirement or rate making issue shall be examined in consideration of the

² NG-109 Joint Stipulation and Agreement of Settlement between Black Hills Nebraska, LLC d/b/a Blue Hills Energy and the Public Advocate of Nebraska (October 28, 2020), pages 15-16.

³ BHE SSIR Tariff, Second Revised Sheet Nos. 129 and 129.1 (March 1, 2021).

⁴ NG-112.2 Order Approving 2023 SSIR Charge (December 13, 2022), pages 2-3.

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Annual Application unless the consideration of such affects the determination of the validity of the System Safety and Integrity Rider Charge.⁵

Part of the review is to confirm that the underlying actual and projected Eligible System Safety and Integrity Costs ("SSIR revenue requirement") are in accordance with the SSIR Tariff and to confirm proper calculation of the SSIR True-Up Amount and the Deferred SSIR Balance. Therefore, this examination answers these specific evaluation questions:

1. *Are the Company's processes and controls sufficient so as not to adversely affect the costs of the System Safety and Integrity Recovery Charge?*

This task focuses on gaining an understanding of the Company's processes and controls that affect the plant balances and expense categories within the SSIR. The goal is to determine whether those cost controls are adequate and not unreasonable in their effect on the underlying costs and calculation of the proposed SSIR cost recovery charge rates and rate schedules.

2. *Does the application provide the information required by Commission orders and specified in the SSIR Tariff?*

This task evaluates whether BHE's annual application was filed by August 1 and provides the required information, specifically these items identified in the tariff:

- Pertinent information and supporting data related to Eligible System Safety and Integrity Costs, including, at a minimum, Project description and scope, Project costs and projected in-service dates for the Projects budgeted to be completed in the upcoming calendar year.
- Should circumstances arise which prohibit the Company's planned spending on a Project, the Company may transfer funds within the same category to another like Project. Such transfer of funds will be communicated to the Public Advocate and Commission via an informational filing subject to the Public Advocate's review and the Commission's approval.
- Details of the Project costs incurred during the previous calendar year including an explanation of how the Project costs were managed and any deviations between budgeted and actual costs, actual or projected in-service dates, and the expected schedule for completion of the previous calendar year's Projects.
- The calculation of the SSIR True-Up Amount, if any.
- The calculation of the Deferred SSIR Balance, if any.⁶

In addition, during this task, Blue Ridge evaluates the requirement that as part of its analysis, the Company shall identify and describe the proposed SSIR projects that are for high-risk gas infrastructure by providing its risk assessment for each such project, including, if applicable, the probability of failure, the consequences of failure for the SSIR project, and how the Company prioritized the SSIR project for which it seeks recovery.⁷

3. *Are the System Safety and Integrity projects eligible for recovery?*

⁵ BHE SSIR Tariff, Third Revised Sheet No. 127, B (January 1, 2023).

⁶ BHE SSIR Tariff, Third Revised Sheet No. 127, A, i-iv (January 1, 2023).

⁷ BHE SSIR Tariff, Second Revised Sheet No. 130, Definitions, C (January 1, 2023).

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This task evaluates each of the Projects that BHE has included within its application against Commission orders and the SSIR Tariff to determine eligibility for recovery through the SSIR. Specific transactional testing criteria will be established to validate eligibility of the project and its associated costs.

The specific criteria for eligibility as an SSIR project are set out in the SSIR Tariff at Fourth Revised Sheet Nos. 129–129.1 and generally include projects involving the Company's Transportation Integrity Management Program and the Company's Distribution Integrity Management Program as well as compliance with PHMSA rules and regulations and facility relocations required by entities possessing the power of eminent domain.

The SSIR Tariff further states that projects eligible for recovery under the SSIR Tariff generally include these types⁸:

- i. Replacement of Bare Steel Distribution Mains
- ii. Replacement of High-Risk Transmission Pipelines
- iii. Replacement of Service Lines
- iv. Installation of Barricades to Protect At-Risk Meter, Regulator, and Valve settings
- v. Cathodic Protection and Corrosion Prevention
- vi. Town Border Station Upgrades or Replacements
- vii. Top of Ground, Shallow (less than three feet cover and posing risk) and Exposed Pipe
- viii. At-Risk Meter Relocations and Inside Meter Relocations with Replacement of Meter as part of a capital activity
- ix. Obsolete Infrastructure (e.g., PVC Pipe posing risk or the removal of which provides ancillary benefits supported by risk model analysis and results)
- x. Required Facility Relocations
- xi. Data Infrastructure Improvement Program

The SSIR Tariff further provides that the Company shall use three distinct risk models corresponding to the TIMP, DIMP, and the At-Risk Meter Relocation (ARMR) Program. All three models shall use objective and external factors and provide scores that correlate to proactive analysis of system risk.

In addition to the risk models, the Company shall consider other criteria, such as the availability of internal and external crews; project management constraints; local economic development plans; customer inconvenience and impact; other specific regulatory requirements; threat assessment; corrosion control analysis; pipeline vintage; pipeline material; pipeline design and class location; pipeline configuration and segmentation; pipeline system constraints; pipeline replacement history; population density; pipeline maintenance and internal inspection history; pipeline pigability; existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject-matter-expert knowledge; project timeframe; weather and climate constraints on the construction season; permitting constraints; probability of pipeline testing failures and dewatering constraints; service outage management; and pipeline source of supply and availability of alternate gas supply.

As part of the analysis, the Company shall identify and describe the proposed SSIR projects that are for high-risk gas infrastructure by providing its risk assessment for each such SSIR

⁸ BHE SSIR Tariff, Second Revised Sheet No. 129.1, Definitions, C (January 1, 2023).

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project, including, if applicable, the probability of failure, the consequences of failure for the SSIR project, and how the Company prioritized the SSIR project for which it seeks recovery.⁹

4. *Is the revenue requirement associated with the Eligible System Safety and Integrity Costs requested by BHE in compliance with Commission orders and as specified in the SSIR Tariff?*

This task reviews the components and calculations used by BHE to determine its revenue requirement associated with recovery of the Eligible System Safety and Integrity Costs against what is required in Commission orders and the SSIR Tariff.

Specifically, the SSIR Tariff states that Eligible System Safety and Integrity Costs means (1) a return, at a percentage equal to the Company's currently authorized weighted average cost of capital grossed up for taxes, on the projected increase in the jurisdictional component of the month ending net plant in-service balances associated with the projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect, exclusive of all plant in-service included in the determination of the revenue requirement approved in the Company's last general rate case; (2) the plant-related ownership costs associated with such incremental plant investment, including depreciation, accumulated deferred income taxes, and all taxes including income taxes and property taxes; and (3) the projected jurisdictional component of the operation and maintenance expenses related to the projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect.¹⁰

The return and income taxes and plant-related costs associated with improvements or upgrades to facilities, made at the discretion of the Company to extend service or for future growth that is not specifically required by statute or regulation, shall be excluded from Eligible System Safety and Integrity Costs.¹¹

5. *Is the System Safety and Integrity Rider Charge calculated in compliance with Commission orders and as specified in the SSIR Tariff?*

This task reviews the components and calculations of the System Safety and Integrity Rider Charge to determine whether they comply with Commission orders and as specified in the SSIR Tariff.

Specifically, the System Safety and Integrity Rider Charge shall be equal to the Eligible System Safety and Integrity Costs, plus or minus the SSIR True-Up Amount, plus or minus the Deferred SSIR Balance, multiplied by the customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case, divided by the applicable number of bills for the particular customer class, as follows:

$$\text{System Safety and Integrity Rider Charge} = ((A \pm B \pm C) * D) / E$$

Where:

A = Eligible System and Safety and Integrity Costs

B = SSIR True-Up Amount

C = Deferred SSIR Balance

⁹ BHE SSIR Tariff, Second Revised Sheet Nos. 129.1 and 130, Definitions, C (January 1, 2023).

¹⁰ BHE SSIR Tariff, Third Revised Sheet No. 128, Definitions, B (January 1, 2023).

¹¹ BHE SSIR Tariff, Third Revised Sheet No. 128–Fourth Revised Sheet No. 129, Definitions, B (January 1, 2023).

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D = Customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case

E = Applicable number of bills for the particular customer class¹²

The SSIR True-Up Amount shall be equal to the difference, positive or negative, between the Eligible System Safety and Integrity Costs as projected for a particular calendar year and the actual Eligible System Safety and Integrity Costs incurred by the Company for that particular calendar year, plus monthly interest calculated on that difference at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.¹³

The Deferred SSIR Balance shall be equal to the balance, positive or negative, of SSIR revenues at the end of a particular calendar year less the Eligible System Safety and Integrity Costs as projected by the Company for that particular calendar year, plus monthly interest calculated on that balance at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.¹⁴

The calculated rate shall be an adjustment to the Customer Charge applicable to the Company's Jurisdictional Residential, Commercial, and Commercial—EO customers.¹⁵

The Company is proposing a change to the language in this provision of the tariff as follows:

Black Hills Nebraska Gas, LLC
d/b/a Black Hills Energy
Nebraska Natural Gas Tariff
Filed with the Nebraska Public Service Commission

ThirdFourth Revised Sheet No. 131
Cancels SecondThird Sheet No. 131

RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)

SSIR
ADJUSTMENT
CALCULATION
(continued)

System Safety and Integrity Rider Charge = $((A \pm B \pm C) * D) / E$

Where:

A = Eligible System Safety and Integrity Costs

B = SSIR True-Up Amount

C = Deferred SSIR Balance

D = Customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case

E = Applicable number of bills for the particular customer class

B. The calculated rate shall be ~~an adjustment to the Customer Charge~~ separate line item applicable to the Company's Jurisdictional Residential, Commercial, and Commercial – EO customers.

Whenever the Company implements changes in base rates as a result of a final Commission order in a general rate case setting new rates based on approved revenue requirements, the

¹² BHE SSIR Tariff, Second Revised, Sheet No. 130–Third Revised, Sheet No. 131, Section “SSIR Adjustment Calculation,” A (January 1, 2023).

¹³ BHE SSIR Tariff, Second Revised Sheet No. 130, Definitions, D (January 1, 2023).

¹⁴ BHE SSIR Tariff, Third Revised Sheet No. 128, Definitions, Item A (January 1, 2023).

¹⁵ BHE SSIR Tariff, Third Revised, Sheet No. 131, Section “SSIR Adjustment Calculation,” B (January 1, 2023).

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Company shall simultaneously adjust the SSIR to remove all costs that have been included in base rates.¹⁶

6. *Is the amount and timing of the System Safety and Integrity Rider Charge request within the limits established by the Commission?*

This task compares the amount and timing of BHE's System Safety and Integrity Rider Charge request to the limits established by the Commission.

Each proposed revision in the System Safety and Integrity Rider Charge shall be accomplished by filing an application by August 1 of each year to take effect on the following January 1 (the "Annual Application").¹⁷

The Company shall not make effective any revision to the System Safety and Integrity Rider Charge that includes the addition of new SSIR projects not previously recovered through the SSIR Charge if the Company has not had a general rate proceeding decided or dismissed by issuance of a Commission order within sixty months immediately preceding the date upon which the revision to the System Safety and Integrity Rider Charge otherwise would take effect.¹⁸

The Company shall continue to make annual revisions to the SSIR Charge to reflect appropriate true-ups and adjustments to the calculations, consistent with the other provisions contained in the System Safety and Integrity Rider Tariff, for each year that the Company is allowed to collect the SSIR Charge.¹⁹

7. *What is the appropriate level of recovery of the System Safety and Integrity Rider Charge?*

This task accumulates Blue Ridge's recommended adjustments and provides a revised level of recovery for the Commission's consideration, if necessary.

8. *Did the Company timely file the annual surveillance filing with the required information in compliance with Commission orders?*

This task confirms that BHE timely filed the annual surveillance filings with the required information.

Specifically, BHE must file an annual surveillance filing within ninety (90) days of the end of the calendar year. The filings shall include calculations of the rate base separated into regular and SSIR components, the realized rates of return on the rate base components and supporting calculations. Additionally, the filing shall include an update regarding the status of the previous calendar year's SSIR project costs, actual or projected in-service dates, and if

¹⁶ BHE SSIR Tariff, Third Revised, Sheet No. 131, Section "SSIR Adjustment with Changes in Base Rates, (January 1, 2023).

¹⁷ BHE SSIR Tariff, Third Revised, Sheet No. 127, Section "Annual Application and Quarterly Surveillance Filings," A. (January 1, 2023).

¹⁸ BHE SSIR Tariff, Third Revised, Sheet No. 131, Section "SSIR Adjustment with Changes in Base Rates, (January 1, 2023).

¹⁹ BHE SSIR Tariff, Third Revised, Sheet No. 131, Section "SSIR Adjustment with Changes in Base Rates, (January 1, 2023).

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any remain uncompleted at the time of submittal of the annual surveillance filing, the expected schedule for completion.²⁰

PROJECT SCOPE

The project scope includes the application filed by Black Hills Energy on May 1, 2025: *Re: In the Matter of the Application of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy seeking approval of a 2026 System Safety & Integrity Rider Charge.*²¹

INFORMATION REVIEWED

Blue Ridge reviewed the following information and has included electronic copies within Appendix A:

1. State Natural Gas Regulation Act §§ 66-1810, 66-1825, and 66-1838
2. Nebraska Administrative Code Title 291, Chapter 9—Nebraska Public Service Commission
3. Application No. NG-109 [Last General Rate Case and 2021 SSIR Projects]
 - a. Hearing Exhibit No. BH-JB- 2 (Mr. Bennett’s Direct Testimony Exhibit No. JLB-5-2021 SSIR Application)
 - b. Public Advocate Answer Testimony of Charles Fijnvandraat, page 10 [excluded four reliability pipeline looping projects]

Table 2: NG-109 Excluded Reliability Pipeline Looping Projects²²

Line No.	Project #	Project Name	Criteria	Project Category / Account Allocator	In Service Date	Total Company Project Amount
87	FP.10063929	10063929-Giles to Valaretta Drive (system loop)	Reliability	Loops	21-Aug	\$127,760
88	FP.10064514	10064514-Hwy 31 & Giles DRS (system loop/bolster)	Reliability	Loops	21-Aug	\$120,000
89	FP.10072085	10072085-Columbus Capacity Loop	Reliability	Loops	21-Aug	\$40,600
90	FP.10072131	10072131-David City Capacity Loop	Reliability	Loops	21-Aug	\$121,000

- c. Joint Stipulation and Agreement of Settlement Between Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy and the Public Advocate of Nebraska (October 28, 2020)
 - d. Order Approving Stipulation and Settlement Agreement (January 26, 2021)
4. Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy, Nebraska Natural Gas Tariff, as of August 1, 2024
5. Application NG 112.1 (2022 SSIR Projects)
 - a. BHE-1 Black Hills 2022 SSIR Application
 - b. BHE-2 Black Hills 2022 SSIR Application Model
 - c. Public Advocates report on the Examination of the System Safety and Integrity Rider of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy for the 2022 Program Year (October 29, 2021)
 - d. BHE-3 2022 Black Hill’s response to Public Advocates Report
 - e. Blue Ridge’s 11/3/2021 Supplement to Report Filed on 10/29/2021, ERT Issue Update
 - f. Order Approving 2022 SSIR Charge (December 14, 2021)

²⁰BHE SSIR Tariff, Third Revised Sheet No. 128, Item D (January 1, 2023).

²¹ NG-124, Direct Exhibit TVB-2 2026 SSIR Application.

²² NG-109, Exhibit JLB-5, page 70.

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6. Application No. NG-112.2 (2023 SSIR Projects)
 - a. Black Hills 2023 SSIR Application and Model
 - b. Updated Exhibit 2-2023 SSIR Model (September 25, 2022)
 - c. Public Advocates report on the Examination of the System Safety and Integrity Rider of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy for the 2023 Program Year (October 17, 2022)
 - d. Black Hill's response to Public Advocates Report (October 28, 2022)
 - e. Order Approving 2023 SSIR Charge (December 13, 2022)
7. Application No. NG-112.3 (2024 SSIR Projects)
 - a. Black Hills 2024 SSIR Application with four Exhibits
 - b. Exhibit 2-2024 SSIR Model
 - c. Public Advocates report on the Examination of the System Safety and Integrity Rider of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy for the 2024 Program Year (October 16, 2023)
 - d. Black Hill's response to Public Advocates Report (October 19, 2023) with revised exhibits
 - e. Order Approving 2024 SSIR Charge (December 12, 2023)
8. Application No. NG-112.4 (2025 SSIR Projects)
 - a. Black Hills 2025 SSIR Application with four Exhibits
 - b. Exhibit 2-2025 SSIR Model
 - c. Public Advocates report on the Examination of the System Safety and Integrity Rider of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy for the 2025 Program Year (October 18, 2024)
 - d. Black Hill's response to Public Advocates Report (October 28, 2024)
 - e. Order Approving 2025 SSIR Charge (December 17, 2024)

Blue Ridge requested and was provided additional information during discovery. A list of the data requested is included as Appendix C. Electronic copies of the information obtained is also provided with this report.

OBSERVATIONS, FINDINGS, AND RECOMMENDATIONS

This section documents Blue Ridge's analysis regarding the System Safety and Integrity Rider and the evaluation questions identified under the Purpose of Project subsection:

1. Are the Company's processes and controls sufficient so as not to adversely affect the costs of the System Safety and Integrity Recovery Charge?
2. Does the application provide the information required by Commission orders and specified in the SSIR Tariff?
3. Are the System Safety and Integrity Projects eligible for recovery?
4. Is the revenue requirement associated with the Eligible System Safety and Integrity Costs requested by BHE in compliance with Commission orders and as specified in the SSIR Tariff?
5. Is the System Safety and Integrity Rider Charge calculated in compliance with Commission orders and as specified in the SSIR Tariff?
6. Is the amount and timing of the System Safety and Integrity Rider Charge request within the limits established by the Commission?

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7. What is the appropriate level of recovery of the System Safety and Integrity Rider Charge?
8. Did the Company timely file the annual surveillance filing with the required information in compliance with Commission orders?

1. PROCESSES AND CONTROLS

1. Are the Company's processes and controls sufficient so as to not adversely affect the costs of the System Safety and Integrity Recovery Charge?

This task focuses on gaining an understanding of the Company's processes and controls that affect the plant balances and expense categories within the SSIR. The goal is to determine whether those cost controls are adequate and not unreasonable in their effect on the underlying costs and calculation of the proposed SSIR cost recovery charge rates and rate schedules.

To address this task, Blue Ridge first reviewed the work performed in its examination in the several audit reports submitted under Docket NG-0078, which preceded and informed the NG-112 renewal. Blue Ridge also requested and received policies and procedures for the identification and categorization of SSIR projects as well as the development of the SSIR.²³ The Company confirmed that no updates were made in 2025 to policies and procedures for the identification and categorization of SSIR projects or for the development of the SSIR.²⁴ Additionally, the Company provided copies of the 2025 procedures for both the TIMP and the DIMP.²⁵ The Company stated that a change was made to the O&M section 7.7.²⁶ Blue Ridge reviewed the change and found it non unreasonable.

The Company states that, as set forth in the SSIR Tariff, eligible projects must meet one of these criteria: (1) compliance with TIMP, (2) compliance with DIMP, (3) compliance with PHMSA regulations, and (4) facility relocations over \$20,000. The Company's Application includes additional language for SSIR Projects eligibility: "Projects to ensure gas is available, delivered and Projects to ensure gas is available, delivered and measured for our customers in all situations. In some cases, these projects will not replace any existing infrastructure, and are required to maintain minimum pressure requirements on our distribution system to prevent loss of customers on a winter peak day. These projects include 'Obsolete Infrastructure Projects,' with examples such as Charts, Meter Install, Odorizer, and Valve projects."²⁷

The SSIR Application is broken down into these categories:

1. Replacement of Bare Steel Distribution
2. Replacement of Transmission pipelines
3. Barricades
4. Cathodic Prevention and Corrosion Prevention
5. Town Border Stations
6. Top-of-Ground, Span, Shallow, and Exposed Pipe Replacement
7. Mega Rule Projects

²³ BHE response to SSIR scope 2022 Data Request PA-18, SSIR scope 2023 Data Request PA-8 and SSIR scope 2024 Data Request PA-6.

²⁴ BHE response to NG-124 PA-320 (Attachment DHM SSIR-2).

²⁵ BHE response to NG-124 PA-321 referencing, PA 1-141 and Confidential Attachment PA 1-141 (Attachment DHM SSIR-2). and NG-124 PA-322 referencing PA 1-142 (Attachment DHM SSIR-2).

²⁶ BHE response to NG-124 PA-323 referencing PA 20-323 O&M Procedure 7 (Attachment DHM SSIR-2).

²⁷ NG-124 Direct Exhibit TVB-2 2026 SSIR Application, page 2.

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8. Meter Relocations
9. Obsolete Infrastructure
10. Obsolete Pipe Replacement
11. Facility Relocations Projects
12. Data Infrastructure Improvement Program

The Company explained in a prior SSIR compliance audit that projects are evaluated for inclusion within each SSIR category based on overall programmatic risk mitigated via each project completion. Once projects are programmatically identified, the project's maximum risk score is used to determine the priority of the project within the SSIR category. Other business constraints are also considered, such as availability/location of resources and scope of the project. As unforeseen constraints present themselves, the BHE planning teams determine what impact each constraint has on the project to determine whether it is necessary to adjust the scope/timeline of the project and whether the project is still a prudent investment for the Company to make on behalf of its Nebraska customers.²⁸

The Company's processes and controls were found to be adequate and not unreasonable.

2. REQUIRED INFORMATION

2. Does the application provide the information required by Commission orders and specified in the SSIR Tariff?

This task evaluates whether BHE's annual application was filed by August 1 and provides the required information.

Requirement: BHE filed its annual application on or before August 1.²⁹

Blue Ridge found that the Application to change the SSIR charge was filed on May 1, 2024, as part of the Company's request for a change in base rates. The Company explained it normally files its SSIR application on August 1 of each year. However, because the SSIR mechanism and associated charge are subject to renewal and potential expansion under the Rate Review Application, the Company is including its proposed 2026 SSIR as part of its Rate Review Application to be effective with final rates or January 1, 2026—whichever is later.³⁰

Requirement: The approved SSIR Tariff requires that the Annual Report include pertinent information and supporting data related to eligible System Safety and Integrity costs, including, at a minimum, project description and scope, project costs, and projected in-service dates for the projects budgeted to be completed in the upcoming calendar year.³¹

The Company's Application includes 26 projects (23 capital projects and three DIIP projects) for 2026. Blue Ridge found that the Company provided project descriptions, scope, and estimated project costs. The Company provided projected in-service dates for the 23 capital projects and 16 alternative capital projects with its application.

The DIIP projects are multi-year and will be continued from a prior year. Blue Ridge was informed during a prior Technical Session that the DIIP projects are expected to be complete by 2030

²⁸ BHE response to SSIR scope 2024 Data Request PA-8.

²⁹ BHE SSIR Tariff, Third Revised Sheet No. 127, A, i-iv (January 1, 2023).

³⁰ NG-124 Direct Testimony of Tatyana V. Bannan at 8:15-21.

³¹ BHE SSIR Tariff, Third Revised Sheet No. 127, A, i-iv (January 1, 2023).

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with a few million dollars spent each year.³² The forecasted completion was modified to 2035. The Company provided the following information for the percent complete, estimated cost, and in-service dates for the DIIP projects.³³

³² Technical Session held on September 16, 2022.

³³ BHE response NG-124 PA 330 (Attachment DHM SSIR-2).

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Table 3: DIIP Project Status and Projections³⁴

Status Provided in NG-112.4

Status Provided in NG-124

Source: PA-330

Project	Estimated % Complete	Estimated Cost	In-Service Date	Revised In-Service?	Estimated % Complete	Estimated Cost	In-Service Date	Revised In-Service?
Transmission/Gathering Traceable, Verifiable and Complete (TVC)Records***	87%	2024 \$1,652,122 2025 \$250,920	3/31/25	No	89%	2024 \$1,652,122 2025 \$278,224 2026 \$1,200,000 2027 \$399,686	12/31/27	Yes
Gas Service Card Mapping	NA	NA	12/31/34	Yes*	NA	NA*	12/31/34	No
Distribution Main & Service Centerline Survey	10%	2024 \$100,000 2025 \$1,400,905 2026-2034 \$2,112,000 Annually	Annually through 2034	No	12% overall complete 78% Lincoln area complete	2024 \$100,000 2025 \$1,400,905 2026 \$100,000 2025 \$1,400,905 2026 \$960,000 2027 \$1,600,252 2028-2034 \$1,920,000	Annually through 2034	No
Distribution Attribute Improvement	10%	2024 \$232,458 2025 \$288,000 2026-2034 \$288,000 Annually	Annually through 2034	No	11% overall complete 69% Lincoln area complete	2024 \$232,458 2025 \$669,412 2026 \$240,000 2027 \$400,062 2028-2034 \$480,000	Annually through 2034	No
GIS Pressure Systems	0%	TBD**	12/31/35	No	0%	TBD**	12/31/35	No
GIS Emergency Response Zone	0%	TBD**	12/31/35	No	0%	TBD**	12/31/35	No
GIS Cathodic Protection (CP) Zones	0%	TBD**	12/31/35	No	0%	TBD**	12/31/35	No
Bare Pipe Inspection (BPI) and Subject Matter Expert (SM)E Pipeline Attribute	0%	TBD**	12/31/35	No	0%	TBD**	12/31/35	No
Document Management Migration****	0%	TBD**	12/31/26	No	0%	TBD**	12/31/26	No

*The Gas Service Cards Mapping Project was stopped as a stand-alone effort in 2023 and combined with the Distribution Main and Service Centerline Survey & Distribution Attribute Improvement project. This will result in a more efficient use of project dollars and resources.

**Requests for Proposals will be issued in future years to determine the cost for future projects.

***Transmission/Gathering Traceable, Verifiable and Complete (TVC) Records - This project previously estimated to be completed by 3/31/2025. Due to issues with vendor performance, this project required an RFP process to select a new vendor. A vendor has been selected, and this project will resume work in 2026."

****Document Management Migration – Previous in-service date was 12/31/2026. Due to larger internal efforts in document migration, the scope of this project will likely be impacted. The in-service date has been changed to 12/31/2035.

³⁴ BHE response NG-124 PA 330 (Attachment DHM SSIR-2).

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Requirement: Should circumstances arise which prohibit the Company's planned spending on a project, the Company may transfer funds within the same category to another like project. Such transfer of funds will be communicated to the Public Advocate and Commission via an informational filing subject to the Public Advocate's review and the Commission's approval.³⁵

In addition to the 2026 SSIR Project list, the Company also provides a 2026 Alternate SSIR Project list. The Company provides narratives on the alternate projects. Blue Ridge reviewed the alternate projects during project testing discussed in Section 3, Eligibility of Projects.

Requested Change to Tariff: In the NG-112.3 filing, the Company requested the SSIR Tariff be modified to allow approval to not only swap amounts within categories but to move costs to another SSIR project category so long as the projects have been reviewed and approved as part of the Application review process.

Blue Ridge found in the current application that the Company justified the Alternate SSIR Projects with the following:

"Those Alternate SSIR Projects are prepared as set forth on Tariff Sheet No. 127 and in compliance with the Commission's Orders approving a shift in funding to an Alternate SSIR Project. See, Commission ORDER APPROVING 2023 SSIR CHARGE in Commission Application No. NG-112.2, ORDER APPROVING 2024 SSIR CHARGE in Commission Application No. NG-112.3, and ORDER APPROVING 2025 SSIR CHARGE in Commission Application No. NG-112.4."³⁶

While the Commission authorized transferring spend within categories in NG-112.3, Blue Ridge found that the Commission has not specifically approved cross-category budget flexibility and that flexibility is not reflected in the approved SSIR Tariff. Nevertheless, the Commission approved all the projects and estimated budget amounts. Therefore, Blue Ridge does not believe the cross-category spending for specifically approved projects is a compliance issue.

Blue Ridge recommends modifying the SSIR Tariff to allow flexibility to swap amounts approved by SSIR category to another SSIR category as long as the projects have been reviewed and approved as part of the Application review process. Each such swap will be identified, and an explanation will be given as to why the original project could not be completed and an alternate project was used.

Requirement: The Annual Application shall include details of the project costs incurred during the previous calendar year, including an explanation of how the project costs were managed and any deviations between budgeted and actual costs, actual or projected in-service dates, and the expected schedule for completion of the previous calendar year's projects.³⁷

Blue Ridge found the Company's filing did not include details of the project costs incurred during the previous calendar year. Blue Ridge requested the information during discovery. The Company provided the budgeted and actual information required in the tariff. The following table summarizes the budget vs actual project cost variance by project category.³⁸

³⁵ BHE SSIR Tariff, Third Revised Sheet No. 127, A, i (January 1, 2023).

³⁶ NG-124 Direct Exhibit TVB-2 2026 SSIR Application, page 11.

³⁷ BHE SSIR Tariff, Third Revised Sheet No. 127, Annual Application and Annual Surveillance Filings A.ii.

³⁸ BHE Response NG-124 PA 331 (Attachment DHM SSIR-2).

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Table 4: 2024 SSIR Variances

BLACK HILLS NEBRASKA GAS, LLC			Attachment PA 20-331
2024 SSIR VARIANCES			
Project Category	Juris Filed	Juris Actual	Juris Variance
ARMR	\$ 19,695,297	\$ 19,435,956	\$ (259,341)
Bare Steel	\$ 6,767,845	\$ 4,857,239	\$ (1,910,606)
Cathodic Protection	\$ 194,408	\$ 212,752	\$ 18,344
Charts	\$ 328,924	\$ 323,652	\$ (5,272)
Facility Relocations	\$ -	\$ 1,418,013	\$ 1,418,013
Meter Install	\$ 3,654,348	\$ 2,408,642	\$ (1,245,706)
PVC	\$ -	\$ 1,496,450	\$ 1,496,450
TIMP	\$ 262,570	\$ 12,434	\$ (250,136)
TOG/Shallow/Exposed	\$ 7,344,104	\$ 5,320,178	\$ (2,023,926)
Town Border Stations	\$ 2,071,904	\$ 3,355,907	\$ 1,284,003
DIIP	\$ 1,716,586	\$ 1,714,210	\$ (2,376)
Grand Total	\$ 42,035,986	\$ 40,555,433	\$ (1,480,553)

The Company provided the following reasons for the variance.

Table 5: 2024 SSIR Project Budget vs. Actual Variance Explanations

Reason for Variance	Variance \$
Alternative Project	\$ 2,697,387
Facility Relocations	1,418,013
Contractor Estimate came in higher than estimated along with change orders	1,186,569
Completed more service replacements than budgeted	317,388
Challenges with scheduling customers and cancellations slowed production	129,905
Project was underestimated as this was first year this contractor performed the work	76,285
Increased cost in contractor labor and Odorant pot	26,859
Focused on Central part of state due to employee vacancy, resulted in additional cost for installation with extra travel	20,913
Decrease cost from contractor not having to weld SS and bypass during tie-in	(8,220)
Shifted dollars from Distribution Main & Service Centerline Survey work to TVC Records to accelerate the timeline to complete the project.	(9,526)
Minimal Variance	(10,496)
Lower cost in Project due to using internal employees	(15,499)
Contractor estimate was high so work was completed by internal employees	(112,900)
No longer needing to reconfirm MAOP	(234,637)
Due to the smaller size and scope of this project BHE was able to use existing blanket contractor and more favorable rates to complete the project, also reducing mobilization expenses	(269,744)
Contractor estimate was higher and were able to complete project in a much quicker timeframe	(694,318)
Construction Started later than anticipated. Project will continue into 2025	(1,132,806)
Estimate was based on bare steel prior year work	(1,910,606)
Contractor utilized an installation method that increased efficiencies allowing them to finish ahead of schedule impacting the labor expense favorably	(2,955,119)
Total Variance	\$ (1,480,553)

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Requirement: The Annual Application shall include the calculation of the SSIR True-Up Amount, if any.³⁹

The Company's Application does not include the calculation of the SSIR True-Up Amount from the 2024 projects.⁴⁰ The Company explained that the 2024 true up amounts are for DIIP expenses. All other SSIR costs have been included in base rates with Application No. NG-124. DIIP expenses are not included in the base rates. Blue Ridge found that the general rate case is rolling in prior SSIR components and that no true up, with the exception of the DIIP expenses, is required.

Requirement: The Annual Application shall include the Calculation of the Deferred SSIR Balance, if any.⁴¹

The Company's Application does not include the calculation of the Deferred SSIR.⁴² The Company explained that the 2024 true up amounts are for DIIP expenses. All other SSIR costs have been included in base rates with Application No. NG-124. DIIP expenses are not included in the base rates. Blue Ridge found that the general rate case is rolling in prior SSIR components and that no true up, with the exception of the DIIP expenses, is required.

Requirement: As part of its analysis, the Company shall identify and describe the proposed SSIR projects that are for high-risk gas infrastructure by providing its risk assessment for each such project, including, if applicable, the probability of failure, the consequences of failure for the project, and how the Company prioritized the SSIR project for which it seeks recovery.⁴³

Blue Ridge found, as part of our project testing discussed in the Eligibility of Projects section of this report, the Company provided the required information on the 23 projects included within the Company's Application or explained alternatives used to identify and rank the projects.

3. ELIGIBILITY OF PROJECTS

3) Are the System Safety and Integrity Projects eligible for recovery?
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This task evaluates each of the projects and, to the extent possible, the alternative projects included within BHE's application, against Commission orders and the SSIR Tariff to determine eligibility for recovery through the SSIR. Specific transactional testing criteria were established to validate eligibility of the projects and their associated costs. This section also summarizes testing completed to confirm specific requirements addressed in other sections, such as required information and the exclusion of betterments.

Requirement: As stated in the SSIR Tariff, Eligible System Safety and Integrity projects are one or more of the following:

1. TIMP: Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart O (Gas Transmission Pipeline Integrity Management), including Projects in accordance with the Company's transmission integrity management program

³⁹ BHE SSIR Tariff, Third Revised Sheet No. 127, A, iii (January 1, 2023).

⁴⁰ NG-124 Direct Exhibit TVB-2 2026 SSIR Application, page 2.

⁴¹ BHE SSIR Tariff, Third Revised Sheet No. 127, A, iv (January 1, 2023).

⁴² NG-124 Direct Exhibit TVB-2 2026 SSIR Application, page 2.

⁴³ BHE SSIR Tariff, Second Revised Sheet No. 130, Definitions, C (January 1, 2023).

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(TIMP) and Projects in accordance with State enforcement of Subpart O and the Company's TIMP

2. DIMP: Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart P (Gas Distribution Pipeline Integrity Management), including Projects in accordance with the Company's distribution integrity management program (DIMP) and Projects in accordance with State enforcement of Subpart P and the Company's DIMP
3. PHMSA: Projects to comply with final rules and regulations of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration that become effective on or after the filing date of the Application requesting approval of this SSIR
4. Relocations: Facility relocation projects with a per-Project total cost of \$20,000 or more, exclusive of all costs that have been, are being, or will be reimbursed otherwise, that are required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, the State of Nebraska, a political subdivision of the State of Nebraska, or another entity having the power of eminent domain⁴⁴

The SSIR Tariff further states that the following types of projects are generally eligible for recovery under the SSIR Tariff:

- i. Replacement of Bare Steel Distribution Mains
- ii. Replacement of High-Risk Transmission Pipelines
- iii. Replacement of Service Lines
- iv. Installation of Barricades to Protect At-Risk Meter, Regulator, and Valve settings
- v. Cathodic Protection and Corrosion Prevention
- vi. Town Boarder Station Upgrades or Replacements
- vii. Top of Ground, Shallow (less than three feet cover and posing risk) and Exposed Pipe
- viii. At-Risk Meter Relocations and Inside Meter Relocations with Replacement of Meter as part of a capital activity
- ix. Obsolete Infrastructure (e.g., PVC Pipe posing risk or the removal of which provides ancillary benefits supported by risk model analysis and results)
- x. Required Facility Relocations
- xi. Data Infrastructure Improvement Program

The Company shall use three distinct risk models corresponding to the TIMP, DIMP, and the At-Risk Meter Relocation (ARMR) Program. All three models shall use objective and external factors and provide scores that correlate to proactive analysis of system risk.⁴⁵

In addition to the risk models, the Company shall consider other criteria, such as the availability of internal and external crews; project management constraints; local economic development plans; customer inconvenience and impact; other specific regulatory requirements; threat assessment; corrosion control analysis; pipeline vintage; pipeline material; pipeline design and class location; pipeline configuration and segmentation; pipeline system constraints; pipeline replacement history; population density; pipeline maintenance and internal inspection history; pipeline pigability; existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject

⁴⁴ BHE SSIR Tariff, Fourth Revised Sheet Nos. 129 and 129.1, Definitions, C (January 1, 2023).

⁴⁵ BHE SSIR Tariff, Second Revised Sheet Nos. 129 and 129.1, Definitions, C (January 1, 2023).

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matter expert knowledge; project timeframe; weather and climate constraints on the construction season; permitting constraints; probability of pipeline testing failures and dewatering constraints; service outage management; and pipeline source of supply and availability of alternate gas supply.⁴⁶

Description of Projects

The Company provided a narrative describing the 2026 SSIR projects. The Company identified 23 capital projects, totaling \$45,223,430, and three O&M DIIP projects, totaling \$2,400,000. The filing provided background, classification under the SSIR Tariff, objective criteria analyzed, project description, and the specific projects. The following list includes type of project, number of projects, and total cost:⁴⁷

Criteria	Project Category	# of Projects	Total
<u>Capital Projects</u>			
TIMP	Mega Rule	1	\$ 1,190,000
DIMP	Bare Steel Replacement	5	8,438,430
DIMP	Cathodic Protection & Corrosion Prevention	2	207,000
DIMP	Meter Relocations	4	18,120,000
DIMP	Obsolete Pipe Replacement	2	4,692,000
DIMP	Top of Ground	4	11,176,000
DIMP	Town Border Stations	4	1,040,000
Obsolete Infrastructure	Obsolete Infrastructure	1	360,000
Total Capital Projects		23	\$ 45,223,430
<u>O&M Projects</u>			
DIIP			
Transmission/Gathering TVC Records NE		1	\$ 1,200,000
Distribution Main & Service Centerline Survey NE		1	960,000
Distribution Attribute Improvement NE		1	240,000
Total O&M Projects		3	\$ 2,400,000
Grand Total		26	\$ 47,623,430

A modified excerpt from the Company's filing listing the 2026 proposed SSIR Capital Projects by type is provided in the following table.⁴⁸

⁴⁶ BHE SSIR Tariff, Second Revised Sheet No. 130, Definitions, C (January 1, 2023).

⁴⁷ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab "Plant Pivot."

⁴⁸ WP SSIR Direct Exhibit TVG-2 – 2026 SSIR Model, tab "Projects for Rpt."

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Table 6: 2026 SSIR Capitial Projects Sorted by Criteria and Category

Line No.	Project #	Project Name	Criteria	Project Category / Account Allocator	In Service Date	Total Company Project Amount	Jurisdictional Totals	Non- Jurisdictional Totals
1	10075145N	Bare Steel Replacement - David City	DIMP	Bare Steel Replacement	11/30/26	\$ 3,081,780	\$ 2,581,181	\$ 500,599
2	10077461	Bare Steel Replacement - Palmyra	DIMP	Bare Steel Replacement	11/30/26	2,528,110	2,117,447	410,663
3	10077461	Bare Steel Replacement - Wilber	DIMP	Bare Steel Replacement	11/30/26	1,168,830	978,967	189,863
4	10077461	Bare Steel Replacement - Dorchester	DIMP	Bare Steel Replacement	11/30/26	1,008,930	845,041	163,889
5	10086462	Bare Steel Replacement - Crete	DIMP	Bare Steel Replacement	11/30/26	650,780	545,069	105,711
						\$ 8,438,430	\$ 7,067,705	\$ 1,370,725
6	10080302	Cathodic Protection & Corrosion Prevention - West Region	DIMP	Cathodic Protection & Corrosion Prevention	9/30/26	\$ 153,000	\$ 125,273	\$ 27,727
7	10080301	Cathodic Protection & Corrosion Prevention - South Region	DIMP	Cathodic Protection & Corrosion Prevention	9/30/26	54,000	44,215	9,785
						\$ 207,000	\$ 169,488	\$ 37,512
16	10077462	ARMR - Lincoln	DIMP	Meter Relocations	12/31/26	\$ 9,968,000	\$ 9,749,981	\$ 218,019
17	10077450	ARMR - Holdrege	DIMP	Meter Relocations	11/30/26	3,200,000	3,130,010	69,990
18	10077439	ARMR - Alliance	DIMP	Meter Relocations	11/30/26	3,200,000	3,130,010	69,990
19	10077484	ARMR - Ralston	DIMP	Meter Relocations	10/31/26	1,752,000	1,713,681	38,319
						\$ 18,120,000	\$ 17,723,682	\$ 396,318
20	10077503	PVC Replacement (Sutton 4) - Adams County	DIMP	Obsolete Pipe Replacement	11/30/26	\$ 2,808,000	\$ 2,355,493	\$ 452,507
21	10077503	PVC Replacement (Sutton 11) - Clay County	DIMP	Obsolete Pipe Replacement	11/30/26	1,884,000.0	1,580,397	303,603
						\$ 4,692,000	\$ 3,935,890	\$ 756,110
12	10077504	TOG Replacement (Sutton 24) - Adams County	DIMP	Top of Ground	11/30/26	4,057,000	3,389,292	(2,589,292)
13	10077504	TOG Replacement (Sutton 19) - Adams County	DIMP	Top of Ground	11/30/26	3,329,000	2,781,108	208,892
14	10077446	TOG Replacement (Holdrege 1) - Phelps County	DIMP	Top of Ground	11/30/26	2,990,000	2,497,901	1,559,099
15	10086463	Span Replacement - Lincoln	DIMP	Top of Ground	11/30/26	800,000	668,334	2,660,666
						\$ 11,176,000	\$ 9,336,635	\$ 1,839,365
8	10077455	TBS Replacement - Gibbon	DIMP	Town Border Stations	11/30/26	\$ 260,000	\$ 184,045	\$ 75,955
9	10077455	TBS Replacement - Curtis	DIMP	Town Border Stations	11/30/26	260,000	184,045	75,955
10	10077429	TBS Replacement - Laurel	DIMP	Town Border Stations	11/30/26	260,000	184,045	75,955
11	10077429	TBS Replacement - Ainsworth	DIMP	Town Border Stations	11/30/26	260,000	184,045	75,955
						\$ 1,040,000	\$ 736,180	\$ 303,820
			Total DIMP			\$ 43,673,430	\$ 38,969,580	\$ 4,703,850
22	10075203N	Chart Replacements - North Region	Obsolete Infrastructure	Obsolete Infrastructure	10/31/26	\$ 360,000	250,570	109,430
			Total Obsolete Infrastructure			\$ 360,000	\$ 250,570	\$ 109,430
23	10080265	Mega Rule - Lincoln	TIMP	Mega Rule	11/30/26	\$ 1,190,000	666,947	523,053
			Total TIMP			\$ 1,190,000	\$ 666,947	\$ 523,053
			Grand Total			\$ 45,223,430	\$ 39,887,097	\$ 5,336,333

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Alternative Projects

In addition to the 23 capital projects identified, the Company's Application includes alternate SSIR projects. The Company stated that the 2026 Alternate SSIR Projects list is provided for Commission review and approval. The Alternate SSIR Projects are identified below.⁴⁹

Table 7: 2026 SSIR Alternate Project List

Line No.	Project	Criteria	Project Category	Estimated In-Service Date	Estimated Costs
1	Bare Steel Replacement - Rising City	DIMP	Bare Steel Replacement	11/30/26	\$ 1,466,920
2	Bare Steel Replacement - Lincoln	DIMP	Bare Steel Replacement	11/30/26	750,000
3	TBS Replacement - Amherst	DIMP	Town Border Stations	11/30/26	150,000
4	TBS Replacement - Bartley	DIMP	Town Border Stations	11/30/26	150,000
5	TBS Replacement - Winside	DIMP	Town Border Stations	11/30/26	150,000
6	TOG - Adams County (Kearney Sutton 19)	DIMP	Top of Ground	11/30/26	6,593,000
7	TOG - Hamilton County (Sutton 18)	DIMP	Top of Ground	11/30/26	5,645,000
8	TOG - Kearney County (Kearney 7)	DIMP	Top of Ground	11/30/26	4,549,000
9	TOG - Buffalo County (Kearney 4)	DIMP	Top of Ground	11/30/26	2,137,000
10	ARMR - Cozad	DIMP	Meter Relocations	12/31/26	3,200,000
11	ARMR - Hebron	DIMP	Meter Relocations	12/31/26	2,640,000
12	ARMR - Terrytown	DIMP	Meter Relocations	12/31/26	1,600,000
13	ARMR - Blair	DIMP	Meter Relocations	12/31/26	1,056,000
14	ARMR - Papillion	DIMP	Meter Relocations	12/31/26	768,000
15	ARMR - La Vista	DIMP	Meter Relocations	12/31/26	568,000
16	PVC Replacement - York County (Sutton 5)	Obsolete Infrastructure	Obsolete Pipe Replacement	11/30/26	2,674,000
					<u>\$ 34,096,920</u>

Blue Ridge reviewed the information provided for the alternate projects using the same criteria used for the 2026 proposed projects.

Project Testing

Each 2026 project and alternative project was evaluated based on objective criteria identified as T1 through T8 below. Blue Ridge summarizes its review findings regarding the criteria below each identified testing criterion.

T1 *Did each project include the project description and scope, costs, and in-service date required by the SSIR Tariff and Commission Orders?*

Blue Ridge found that the Company provided the project description, scope, costs, and estimated in-service dates required by the SSIR Tariff and Commission Orders. The actual information is expected to be provided in the annual surveillance filing that is due within ninety (90) days of the end of the calendar year, or March 31, 2026.

T2 *For the proposed projects that are for high-risk gas infrastructure, did the Company provide a risk assessment, including the probability of failure, the consequence of failure, and how Company prioritized the project for recovery?*

Blue Ridge reviewed the project descriptions to determine whether risk rankings were provided and can be evaluated once the projects are complete. We reviewed the Risk Ranking detail used for each project category and its individual projects. As a result, we were able to understand the process of how the Company prioritizes projects for inclusion in the SSIR and how the portfolio

⁴⁹ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab “Projects for Rpt”.

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of investments is reviewed among the subject-matter experts. The process used is not unreasonable, and the process is auditable.

Blue Ridge concludes that the Company provided risk rankings for projects and alternative projects as objective criteria in the filing where appropriate and in accordance with the SSIR criteria.

T3 *Does the project description align with an approved eligible System Safety and Integrity project categories?*

As stated in the SSIR Tariff, Eligible System Safety and Integrity projects must meet one or more of these criteria:

1. TIMP: Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart O (Gas Transmission Pipeline Integrity Management), including Projects in accordance with the Company's transmission integrity management program (TIMP) and Projects in accordance with State enforcement of Subpart O and the Company's TIMP
2. DIMP: Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart P (Gas Distribution Pipeline Integrity Management), including Projects in accordance with the Company's distribution integrity management program (DIMP) and Projects in accordance with State enforcement of Subpart P and the Company's DIMP
3. PHMSA: Projects to comply with final rules and regulations of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration that become effective on or after the filing date of the Application requesting approval of this SSIR
4. Relocations: Facility relocation projects with a per-Project total cost of \$20,000 or more, exclusive of all costs that have been, are being, or will be reimbursed otherwise, that are required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, the State of Nebraska, a political subdivision of the State of Nebraska, or another entity having the power of eminent domain

The SSIR Tariff further states these types of projects are generally eligible for recovery under the SSIR Tariff:

- i. Replacement of Bare Steel Distribution Mains
- ii. Replacement of High-Risk Transmission Pipelines
- iii. Replacement of Service Lines
- iv. Installation of Barricades to Protect At-Risk Meter, Regulator, and Valve settings
- v. Cathodic Protection and Corrosion Prevention
- vi. Town Boarder Station Upgrades or Replacements
- vii. Top of Ground, Shallow (less than three feet cover and posing risk) and Exposed Pipe
- viii. At-Risk Meter Relocations and Inside Meter Relocations with Replacement of Meter as part of a capital activity
- ix. Obsolete Infrastructure (e.g., PVC Pipe posing risk or the removal of which provides ancillary benefits supported by risk model analysis and results)
- x. Required Facility Relocations

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xi. Data Infrastructure Improvement Program⁵⁰

The Company categorized the 23 projects with costs within the 2026 Project List based on qualifications for eligibility:

- TIMP—1 project, jurisdictional total \$523,053;
- DIMP—21 projects, jurisdictional total \$4,703,850;
- Obsolete Infrastructure—1 project, jurisdictional total \$109,430

The Company also included 16 alternative projects. The alternate projects are categorized based on qualifications.

- DIMP—15 projects, total \$31,422,920;
- Obsolete Infrastructure—1 project, total \$2,64,000

Blue Ridge found that all the projects within the 2026 SSIR Project list and Alternative Project list align with an approved eligible SSIR category and are consistent with prior SSIR type of projects.

Blue Ridge did not find anything in the DIIP project scope that is unusual, out of the ordinary, or abnormal for the Gas industry.

T4 *Did the Company properly exclude the cost of Betterments for projects that extended service or for future growth?*

The SSIR Tariff states that the return and income taxes and plant-related costs, associated with improvements or upgrades to facilities and made at the discretion of the Company to extend service for future growth that is not specifically required by statute or regulation, shall be excluded from Eligible System Safety and Integrity Costs.⁵¹

The capital projects did not contain any betterments.

T5 *Are the project estimates in sufficient detail, and do they include supporting documentation to support estimated costs?*

Blue Ridge found the Company's project estimates, including those for the alternative projects, within each category not unreasonable and have sufficient detail to support the estimated costs.

T6 *Should any of the projects, or work within the projects, have been classified as O&M expense in accordance with Title 18 of the Code of Federal Regulations (18 CFR)?*

Blue Ridge found that, except for the DIIP projects, the Company properly classified the projects, including the alternative projects, as capital. The DIIP projects are an incremental O&M expense, and Blue Ridge found the inclusion of DIIP costs as O&M expenses consistent with the approved SSIR Tariff.

T7 *Is there anything in the review that indicates the project or its estimated costs should not be included in the SSIR?*

⁵⁰ BHE SSIR Tariff, Fourth Revised Sheet Nos. 129 and Second Revised Sheet Nos. 129.1 Definitions (January 1, 2023).

⁵¹ BHE SSIR Tariff, Third Revised Sheet No. 128–Fourth Revised Sheet No. 129, Definitions, B (January 1, 2023).

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Blue Ridge did not find anything that would indicate that the project or estimated costs should not be included in the SSIR.

- T8 *Does the project satisfy all other criteria (such as the availability of internal and external crews; project management constraints; local economic development plans; customer inconvenience and impact; other specific regulatory requirements; threat assessment; corrosion control analysis; pipeline vintage; pipeline material; pipeline design and class location; pipeline configuration and segmentation; pipeline system constraints; pipeline replacement history; population density; pipeline maintenance and internal inspection history; pipeline piggability; existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject matter expert knowledge; project timeframe; weather and climate constraints on the construction season; permitting constraints; probability of pipeline testing failures and dewatering constraints; service outage management; and pipeline source of supply and availability of alternate gas supply)?*

Blue Ridge found that information related to project estimates for 2026, including those for the alternative projects, contain sufficient detail as to reasons and bases for project selection.

4. REVENUE REQUIREMENT

4. Is the revenue requirement associated with the Eligible System Safety and Integrity Costs requested by BHE in compliance with Commission orders and as specified in the SSIR Tariff?

This task reviews the components included and the calculations used by BHE to determine its revenue requirement associated with recovery of the Eligible System Safety and Integrity Costs against what is required in Commission orders and the SSIR Tariff.

The SSIR Tariff states that Eligible System Safety and Integrity Costs means (1) a return, at a percentage equal to the Company's currently authorized weighted average cost of capital grossed up for taxes, on the projected increase in the jurisdictional component of the month ending net plant in-service balances associated with the projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect, exclusive of all plant in service included in the determination of the revenue requirement approved in the Company's last general rate case; (2) the plant-related ownership costs associated with such incremental plant investment, including depreciation, accumulated deferred income taxes, and all taxes including income taxes and property taxes; and (3) the projected jurisdictional component of the operation and maintenance expenses related to the projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect.⁵²

In addition, the SSIR Tariff requires that the return and income taxes and plant-related costs associated with improvements or upgrades to facilities, made at the discretion of the Company to extend service or for future growth that is not specifically required by statute or regulation, shall be excluded from Eligible System Safety and Integrity Costs.⁵³

The Company's proposed SSIR revenue calculation (prior to true-up amounts) follows.

⁵² BHE SSIR Tariff, Third Revised Sheet No. 128, Definitions, B (January 1, 2023).

⁵³ BHE SSIR Tariff, Third Revised Sheet No. 128– Third Revised Sheet No. 129, Definitions, B (January 1, 2023).

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Table 8: Company Proposed Revenue Calculation as of December 31, 2026⁵⁴

Line No.	Description	Amount
1	Gross Plant - 13 Month Average December 31, 2026	\$ 5,563,649
2	Accumulated Depreciation - 13 Month Average December 31, 2026	(14,058)
3	ADIT Pro Rated (net of 190 and 282)	(155,497)
4	Total Rate Base	\$ 5,394,095
5	Weighted Average Cost of Capital	7.64%
6	Return on Rate Base	\$ 411,851
7	Income Tax Expense	\$ 93,308
8	Depreciation Expense	123,257
9	Property Tax Expense	37,276
10	Total Operating Expense	\$ 253,841
11	Revenue Requirement	\$ 665,693
12	Plus: Incremental Data Integrity Improvement Project (DIIP) Expense	2,101,329
13	Revenue Requirement with DIIP Expense	<u>\$ 2,767,022</u>
14	True-Up	
15	Prior Year Over/(Under) From Total Customer Bills	-
16	Prior Year Over/(Under) From Revenue Requirement	-
17	Data Integrity Improvement Project True Up	(2,599)
17	Revenue to be Collected in 2026	<u>\$ 2,764,423</u>

Return

Return is what investors in the utility receive for the use of their money in the enterprise. The investment capital is a combination of debt and equity; thus, the return includes both interest on the debt and earnings on the equity. Return is expressed in dollars, while the rate of return is the percentage relationship that the return bears to the total investment. The rate of return includes the weighted cost of long-term debt and the allowed return on common equity. The rate of return is applied to the rate base to determine the earnings required.

Requirement: The SSIR Tariff states that the return is determined by applying a percentage equity to the Company's currently authorized weighted average cost of capital grossed up for taxes, on the projected increase in the jurisdictional component of the month ending net plant in-service balances associated with the projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect, exclusive of all plant in-service included in the determination of the revenue requirement approved in the Company's last general rate case.⁵⁵

The return is calculated by multiplying rate base, which is comprised of utility plant in service, accumulated deferred income taxes, and accumulated depreciation, by the rate of return. Each component is discussed below.

⁵⁴ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab "Tbl for Rpt".

⁵⁵ BHE SSIR Tariff, Third Revised Sheet No. 128, Definitions, B (January 1, 2023).

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Rate of Return

The rate of return includes the weighted cost of long-term debt and the allowed return on common equity. The approved weighted average cost of capital for the prior rate case (NG-109) is as follows.

Table 9: Approved Weighted Average Cost of Capital Calculation (NG-109)⁵⁶

Description	Capital Structure	Cost of Capital	Weighted Cost of Capital
Long-Term Debt	50.00%	3.91%	1.96%
Common Equity	50.00%	9.50%	4.75%
	<u>100.00%</u>		<u>6.71%</u>

However, Company's computation of the after-tax weighted-average rate of return on Exhibit 2, Schedule J, uses the weighted average cost of capital proposed in the general rate case.⁵⁷

Table 10: Proposed Weighted Average Cost of Capital

Description	Capital Structure	Cost of Capital	Weighted Cost of Capital
Long-Term Debt	49.48%	4.71%	2.33%
Common Equity	50.52%	10.50%	5.30%
	<u>100.00%</u>		<u>7.64%</u>

Blue Ridge recommends that the SSIR revenue requirements be revised to reflect the weighted average cost of capital that is approved in the current general rate case (NG-124).

Rate Base

Rate base is the investor-owned property and plant used in supplying utility service to the customer. Each component included in rate base is discussed below.

Utility Plant in Service: System Safety and Integrity Projects

In general, Utility Plant in Service represents the utility company's investment in production, transmission, and distribution facilities in buildings, vehicles, and general equipment needed to operate the utility's business. Specific guidelines are established and followed to provide consistency in classifying expenditures as capital or expense. Under traditional rate-of-return ratemaking, the net investment in utility plant is the major component of rate base.

⁵⁶ NG-112.4, BHE SSIR Application (August 1, 2024), Exhibit 2, Schedule J - Capital Structure.

⁵⁷ SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, Table J Weighed Average Cost of Capital Calculation for Rate Year 2026.

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Table 11: SSIR Gross Plant in Service Projected Balances as of December 31, 2026⁵⁸

Description	TIMP	DIMP	PHMSA	Facility Relocate	Obsolete Infrastructure	Total
13-Month Average						
Jurisdictional	\$ 102,607	\$ 5,403,218	\$ -	\$ -	\$ 57,824	\$ 5,563,649
End of Period						
2026	\$ 1,190,000	\$ 43,673,430	\$ -	\$ -	\$ 360,000	\$ 45,223,430
Total	\$ 1,190,000	\$ 43,673,430	\$ -	\$ -	\$ 360,000	\$ 45,223,430
Jurisdictional	\$ 666,947	\$ 38,969,580	\$ -	\$ -	\$ 250,570	\$ 39,887,097
% Jurisdictional	56.0%	89.2%	0.0%	0.0%	69.6%	88.2%

Blue Ridge found the Company's calculation of the 13-month average jurisdictional plant balance as of December 31, 2026, not unreasonable. Exhibit 2, Schedule K, systematically allocates total company plant additions by project criteria and category to jurisdiction and FERC account. Blue Ridge verified the mathematical computations therein and confirmed the jurisdictional totals accurately carried forward to the Company's calculation of the 13-month average on Exhibit 2, Schedule D, and ultimately to the revenue requirement calculation on Schedule C. However, Blue Ridge found that the jurisdictional allocation factors used are those proposed by the Company in the current general rate case.⁵⁹ Blue Ridge recommends that the SSIR revenue requirements be revised to allocate plant based on the CCOS that is approved in the current general rate case (NG-124).

Accumulated Depreciation

Accumulated depreciation represents the aggregate total past depreciation expenses accrued on plant in service adjusted for retirements and net salvage (including cost of removal). It is a reduction to rate base.

Table 12: Accumulated Depreciation
Projected 13-Month Average Balances as of December 31, 2026⁶⁰

Description	TIMP	DIMP	PHMSA	Facility Relocate	Obsolete Infrastructure	Total
Gross Plant in Service	\$ 102,607	\$ 5,403,218	\$ -	\$ -	\$ 57,824	\$ 5,563,649
Accumulated Depreciation	(262)	(13,599)	-	-	(197)	(14,058)
Net Plant in Service	\$ 102,345	\$ 5,389,619	\$ -	\$ -	\$ 57,627	\$ 5,549,591

Exhibit 2, Schedule E, computes monthly depreciation expense, based on a composite annual rate of 2.04 percent, and the accumulated reserve through each measurement period. We reviewed the mathematical calculation for accuracy and found it not unreasonable. However, the underlying depreciation rates used to develop the composite rate applied to gross plant may change in the current general rate case. Blue Ridge recommends that the SSIR revenue requirements be revised to calculate Accumulated Depreciation using the depreciation rates that are approved in current general rate case (NG-124).

⁵⁸ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab D - Gross Plant and Plant Pivot.

⁵⁹ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab Inputs and BHE Response to NG-124 PA-325 (Attachment DHM SSIR-2).

⁶⁰ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab E - Accumulated Depreciation and table developed on Tab A-SSIR Rate Calculation.

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Accumulated Deferred Income Tax

Income tax includes the total federal, state, and local tax owed to the taxing authorities on the operating income generated by the utility. There are instances when some items of income and/or expense are properly included in the book income of one period but on the income tax return for a different period. These timing differences for plant-related items are typically related to accelerated depreciation allowed for tax purposes that differ from the method used to calculate depreciation for book purposes. The income taxes associated with these timing differences are shown as accumulated deferred income tax (ADIT). Typically, ADIT reduces rate base.

Table 13: Company Proposed ADIT Net Projected 13-Month Average Balances as of December 31, 2026⁶¹

Description	TIMP	DIMP	PHMSA	Facility Relocate	Obsolete Infrastructure	Total
Account 282 Accelerated Depreciation	\$ (2,576)	\$ (152,001)	\$ -	\$ -	\$ (919)	\$ (155,497)
Account 190 Net Operating Losses (NOL)	-	-	-	-	-	-
ADIT, Net	<u>\$ (2,576)</u>	<u>\$ (152,001)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (919)</u>	<u>\$ (155,497)</u>

Schedule G presents the cumulative ending annual ADIT balances, while Schedule H calculates the 13-month average as of each measurement period. The Company's ADIT calculation reflects the generation of both deferred tax liabilities (DTL) and deferred tax assets (DTA) through December 31, 2026. To support the DTL ADIT (Account 282 Accelerated Depreciation), Schedules E and I compute the Company's book and tax depreciation, respectively. The results of each are carried forward to Schedule F wherein the book-tax difference and annual ADIT activity is determined.

Blue Ridge found the Company's calculation of the 13-month average Account 282 ADIT balance not unreasonable. However, the Company has proposed new depreciation accrual rates in the current general rate case. Blue Ridge recommends that the SSIR revenue requirements be revised to reflect the depreciation accrual rates that will be approved in current general rate case (NG-124). The approved depreciation rates should be used to calculate the ADIT associated with book and tax depreciation differences.

To support the DTA ADIT (Account 190 Net Operating Losses (NOL)), Schedule N computes the DTA activity that is attributable to forecasted net operating losses on the Company's tax return. We reviewed the calculations and found that not unreasonable.

Return

Return is what investors in the utility receive for the use of their money in the enterprise. It is calculated by applying rate of return to rate base.

⁶¹ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab H - ADIT Average Balances.

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Table 14: Company Proposed Return on Rate Base (After Tax) Calculation⁶²

Description	TIMP	DIMP	PHMSA	Facility Relocate	Obsolete Infrastructure	Total
Gross Plant in Service	\$ 102,607	\$ 5,403,218	\$ -	\$ -	\$ 57,824	\$ 5,563,649
Accumulated Depreciation	(262)	(13,599)	-	-	(197)	(14,058)
ADIT, Net	(2,576)	(152,001)	-	-	(919)	(155,497)
Total Rate Base	\$ 99,769	\$ 5,237,618	\$ -	\$ -	\$ 56,707	\$ 5,394,095
Rate of Return	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%
Return on Rate Base	\$ 7,618	\$ 399,904	\$ -	\$ -	\$ 4,330	\$ 411,851

Blue Ridge found the Company's computed return (as shown above) on an after-tax basis uses the Company's proposed rate of return. Blue Ridge recommends that the SSIR revenue requirements be revised to reflect the weighted average cost of capital used that is approved in the current general rate case (NG-124) to calculate the return on rate base.

Plant-Related Ownership Costs

The SSIR Tariff states that the plant-related ownership costs associated with incremental plant investment, include depreciation, accumulated deferred income taxes, and all taxes, including income taxes and property taxes.⁶³

Plant-related ownership costs are calculated from the monthly forecasted incremental increases to plant investment as projects are placed in-service.

Depreciation

Depreciation is the expense of using property and allocates a portion of the total cost of plant to one accounting period.

Blue Ridge found that the Company used a composite depreciation rate of 2.04%. This rate is consistent with prior SSIR filings that reflected what was approved in the Company's last general rate case, NG-109. However, the Company has proposed new depreciation accrual rates in the current general rate case. Blue Ridge recommends that the SSIR revenue requirements be revised to reflect the depreciation accrual rates that will be approved in current general rate case (NG-124).

Blue Ridge found that the depreciation rate was applied to the end of month gross plant balance on Schedule E with no exceptions.

Income Tax

The SSIR Tariff allows for the inclusion of all taxes, including income taxes and property taxes.⁶⁴ Income tax represents the total federal, state, and local tax owed to the taxing authorities on the operating income generated by the utility. The Company revenue requirement uses a composite income tax rate of 25.11 percent, which reflects the reduction in Nebraska corporate tax rate signed into law 2023 NE LB 754 on May 31, 2023. The law gradually reduces the state's corporate income tax rates:

- 7.25% for tax years beginning on or after January 1, 2023, and before January 1, 2024
- 5.84% for tax years beginning on or after January 1, 2024, and before January 1, 2025

⁶² WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab C – Revenue Requirement.

⁶³ BHE SSIR Tariff, Third Revised Sheet No. 128, Definitions, B (January 1, 2023).

⁶⁴ BHE SSIR Tariff, Third Revised Sheet No. 128, Definitions, B (January 1, 2023).

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- 5.20% for tax years beginning on or after January 1, 2025, and before January 1, 2026
- 4.55% for tax years beginning on or after January 1, 2026, and before January 1, 2027
- 3.99% for tax years beginning on or after January 1, 2027

The following table shows the development of the Company's Composite Income Tax Rate.

Table 15: Development of Composite Income Tax Rate for Tax Year 2026⁶⁵

Line #	Description	Calculation	Rate
1	2026 State Tax Rate		4.55%
2	Federal Tax Rate		21.00%
3	State Tax Deduction	100%-Line 1	95.45%
4	Federal Effective Rate	Line 2 x Line 3	20.04%
5	Composite Tax Rate	Line 1 + Line 4	24.59%

Blue Ridge verified the calculations to derive taxable income and the composite income tax rate on Schedule F. Blue Ridge found the Company's computed current and deferred income tax expense for the 12 months ended December 31, 2026, not unreasonable.

Property Taxes

Property tax is the tax assessed on property by the local government. The tax is usually based on the value of property owned multiplied by the annual tax rate.

Table 16: Property Tax Expense Calculation⁶⁶

Description	TIMP	DIMP	PHMSA	Facility Relocate	Obsolete Infrastructure	Total
Gross Plant in Service	\$ 102,607	\$ 5,403,218	\$ -	\$ -	\$ 57,824	\$ 5,563,649
Property Tax Rate	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%
	\$ 687	\$ 36,202	\$ -	\$ -	\$ 387	\$ 37,276

Blue Ridge found the Company modified the projected property rate from 0.57% in prior SSIR filings to 0.67% in the current SSIR calculation. The Company provided support for the property tax rate. ⁶⁷Blue Ridge found the calculation not unreasonable.

The property tax rate is applied to the average gross plant-in-service balance on Schedule C. Blue Ridge reviewed the calculation and found them not unreasonable.

Operation and Maintenance Expenses

The SSIR Tariff allows recovery of the projected jurisdictional component of the operation and maintenance expenses related to the projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect.⁶⁸

In addition to the revenue requirement computed on Schedule C, the Company is proposing to include incremental O&M expense of \$2,400,000 (\$2,101,329 jurisdictional) for 2026 external Data

⁶⁵ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab F – Tax Expense Calculation.

⁶⁶ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab 'C-Revenue Requirement.

⁶⁷ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab Inputs and BHE Response to NG-124 PA 329 (Attachment DHM SSIR-2).

⁶⁸ BHE SSIR Tariff, Third Revised Sheet No. 128, Definitions, B (January 1, 2023).

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Integrity Improvement Project (DIIP) costs. The 2026 SSIR revenue requirements reflects only the expenses projected in 2026 and does not include the prior years' costs.

The following table compares the DIIP costs for 2023–2024 (forecasted and actual) and 2025–2026 (forecasted).

Table 17: DIIP External Costs 2023–2026⁶⁹

Description	2023			2024			2025	2026
	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Forecast
Transmission/Gathering TVC Records NE	\$ 1,474,088	\$ 1,388,697	\$ 85,390	\$ 996,061	\$ 1,627,657	\$ (631,596)	\$ 347,247	\$ 1,200,000
Gas Service Card Mapping NE	849,531	163,412	686,119		248	(248)	-	-
Distribution Main & Service Centerline Survey NE	934,592	1,704,020	(769,428)	747,047	104,396	642,651	1,400,905	960,000
Distribution Data Attribute Improvement NE	-	-	-	249,014	257,065	(8,051)	600,388	240,000
GIS Pressure Systems NE	-	-	-	-	-	-	-	-
GIS Emergency Response Zones NE	-	-	-	-	-	-	-	-
GIS CP Zones NE	-	-	-	-	-	-	-	-
BPI and SME Pipeline Attribute Assessment NE	-	-	-	-	-	-	-	-
Document Management Migration NE	-	-	-	-	-	-	-	-
Total External Costs Recovered through SSIR	<u>\$ 3,258,210</u>	<u>\$ 3,256,129</u>	<u>\$ 2,081</u>	<u>\$ 1,992,122</u>	<u>\$ 1,989,365</u>	<u>\$ 2,757</u>	<u>\$ 2,348,540</u>	<u>\$ 2,400,000</u>

Blue Ridge found the inclusion of DIIP costs as O&M expenses consistent with the approved SSIR Tariff.

Betterments

Requirement: The SSIR Tariff states that the return and income taxes and plant-related costs associated with improvements or upgrades to facilities, made at the discretion of the Company to extend service for future growth that is not specifically required by statute or regulation, shall be excluded from Eligible System Safety and Integrity Costs.⁷⁰

As discussed in Testing Step T4, Blue Ridge found that the Company did not include costs for projects that would extend service for future growth.

Revenue Requirement Calculation

Blue Ridge found the Company's calculation of the SSIR revenue requirement, including the incremental DIIP expense projected for 2026, not unreasonable. Blue Ridge performed mathematical checks on the detailed revenue requirement schedules and verified that the amounts rolled forward correctly.

5. SYSTEM SAFETY AND INTEGRITY RIDER CHARGE CALCULATION

5) Is the System Safety and Integrity Rider Charge calculated in compliance with Commission orders and as specified in the SSIR Tariff?

This task reviews the components and calculations of the System Safety and Integrity Rider Charge to determine whether they comply with Commission orders and as specified in the SSIR Tariff.

Requirement: The System Safety and Integrity Rider Charge shall be equal to the Eligible System Safety and Integrity Costs, plus or minus the SSIR True-Up Amount, plus or minus the Deferred SSIR Balance, multiplied by the customer class allocation basis authorized by the

⁶⁹ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, Tab M - DIIP Support.

⁷⁰ BHE SSIR Tariff, Third Revised Sheet No. 128– Fourth Revised Sheet No. 129, Definitions, B (January 1, 2023).

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Commission to determine the class cost of service in the Company's most recent general rate case, divided by the applicable number of bills for the particular customer class:

$$\text{System Safety and Integrity Rider Charge} = ((A \pm B \pm C) * D) / E$$

Where:

A = Eligible System and Safety and Integrity Costs

B = SSIR True-Up Amount

C = Deferred SSIR Balance

D = Customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case

E = Applicable number of bills for the particular customer class⁷¹

Blue Ridge found that the Company's methodology to calculate the System Safety and Integrity Rider Charge is in accordance with the SSIR Tariff. However, the Company's Total SSIR Revenue Requirement, which includes the SSIR Revenue Requirement, Deferred SSIR Balance, and SSIR True-Up Amounts, are allocated to the customer classes using the jurisdictional utility classes of customer allocations proposed in the general rate case.⁷² Blue Ridge recommends that the allocations be updated to reflect what is approved in the general rate case. The class-allocated SSIR Revenue Requirement was then allocated using the annual number of customer bills reflected in Company's general rate case.⁷³

Requirement: The SSIR True-Up Amount shall be equal to the difference, positive or negative, between the Eligible System Safety and Integrity Costs as projected for a particular calendar year and the actual Eligible System Safety and Integrity Costs incurred by the Company for that particular calendar year, plus monthly interest calculated on that difference at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.⁷⁴

Requirement: The Deferred SSIR Balance shall be equal to the balance, positive or negative, of SSIR revenues at the end of a particular calendar year less the Eligible System Safety and Integrity Costs as projected by the Company for that particular calendar year, plus monthly interest calculated on that balance at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.⁷⁵

The Company's true-up calculations reflected the following three components consistent with the methodology included in the Company's NG-109 application and the SSIR approved by the Commission.⁷⁶ The Company explained that the 2024 true-up amounts are for DIIP expenses. All other SSIR costs have been included in base rates with Application No. NG-124. DIIP expenses are not

⁷¹ BHE SSIR Tariff, Third Revised, Sheet Nos. 130–131, Section "SSIR Adjustment Calculation," A (January 1, 2023).

⁷² WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab Inputs and BHE Response to NG-129 PA-326 (Attachment DHM SSIR-2).

⁷³ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab Bill Count and BHE Response to NG-129 PA-328 (Attachment DHM SSIR-2).

⁷⁴ BHE SSIR Tariff, Second Revised Sheet No. 130, Definitions, D (January 1, 2023).

⁷⁵ BHE SSIR Tariff, Third Revised Sheet No. 128, Definitions, Item A (January 1, 2023).

⁷⁶ NG-109, Hearing Exhibit No. BH-JB- 2 (Mr. Bennett's Direct Testimony Exhibit No. JLB-5-2021 SSIR Application), Exhibit JLB-5, 2021, Exhibit 2, Table B, Order Approving Stipulation and Settlement Agreement (January 26, 2021), page 14 and Joint Stipulation and Agreement of Settlement Between Black Hills Nebraska Gas, LLC D/B/A Black Hills Energy and the Public Advocate of Nebraska (October 28, 2020), page 15.

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included in the base rates. Blue Ridge found that the general rate case is rolling in prior SSIR components and that no true up, with the exception of the DIIP expenses, is required.

Table 18: Company Proposed True Up Recovery⁷⁷

Description	Residential	Small Commercial	Large Commercial	Total
Customer Bill True Up	\$ -	\$ -	\$ -	\$ -
Revenue Requirement True up	-	-	-	-
Data Improvement Project True Up	(1,912)	(365)	(322)	(2,599)
(Over) / Under Recovery	<u>\$ (1,912)</u>	<u>\$ (365)</u>	<u>\$ (322)</u>	<u>\$ (2,599)</u>

The Tariff states the true ups should include “monthly interest calculated on that difference at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.”⁷⁸ The Company used the FERC August rate multiplied by 12 months. The FERC May 2025 monthly rate of interest of .0006 times 12 months or 7.68%.⁷⁹ Blue Ridge found the calculated not unreasonable.

Requirement: The calculated rate shall be an adjustment to the Customer Charge applicable to the Company’s Jurisdictional Residential, Commercial, and Commercial—EO customers.⁸⁰

The Company is proposing a change to the language in this provision of the tariff so that, instead of including the SSIR rate in the customer charges, the SSIR would be presented as a separate line item on the customer’s bills⁸¹ as follows:

⁷⁷ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab B-True up Calculation.

⁷⁸ BHE SSIR Tariff, Second Revised Sheet No. 130, Definitions, D (January 1, 2023).

⁷⁹ WP SSIR Direct Exhibit TVB-2 – 2026 SSIR Model, tab B-True up Calculation.

⁸⁰ BHE SSIR Tariff, Third Revised , Sheet No. 131, Section “SSIR Adjustment Calculation,” B (January 1, 2023).

⁸¹ Direct Exhibit TVB-3 – Table of Proposed Tariff Changes and NG-124 Application Exhibit No. 1 Section 8 Tariffs.

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Black Hills Nebraska Gas, LLC
d/b/a Black Hills Energy
Nebraska Natural Gas Tariff
Filed with the Nebraska Public Service Commission

~~Third~~~~Fourth~~ Revised Sheet No. 131
Cancels ~~Second~~~~Third~~ Sheet No. 131

RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)

SSIR
ADJUSTMENT
CALCULATION
(continued)

System Safety and Integrity Rider Charge = $((A \pm B \pm C) * D) / E$

Where:

A = Eligible System Safety and Integrity Costs

B = SSIR True-Up Amount

C = Deferred SSIR Balance

D = Customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case

E = Applicable number of bills for the particular customer class

B. The calculated rate shall be ~~an adjustment to the Customer Charges~~
separate line item applicable to the Company's Jurisdictional Residential,
Commercial, and Commercial – EO customers.

Blue Ridge recommends accepting the tariff language change to show the SSIR Rider as a separate line item.

Requirement: Whenever the Company implements changes in base rates as a result of a final Commission order in a general rate case setting new rates based on approved revenue requirements, the Company shall simultaneously adjust the SSIR to remove all costs that have been included in base rates.⁸²

The Company filed its 2026 SSIR Application with its general rate case. Blue Ridge found that the proposed 2026 SSIR application removed all costs that have been included in base rates.

In conclusion, Blue Ridge found that the System Safety and Integrity Rider Charge was calculated in compliance with Commission orders and as specified in the SSIR Tariff.

6. AMOUNT AND TIMING OF REQUEST

6) Is the amount and timing of the System Safety and Integrity Rider Charge request within the limits established by the Commission?

This task compares the amount and timing of BHE's System Safety and Integrity Rider Charge request to the limits established by the Commission.

Requirement: Each proposed revision in the System Safety and Integrity Rider Charge shall be accomplished by filing an application by August 1 of each year to take effect on the following January 1 (the "Annual Application").⁸³

⁸² BHE SSIR Tariff, Third Revised, Sheet No. 131, Section "SSIR Adjustment with Changes in Base Rates, (January 1, 2023).

⁸³ BHE SSIR Tariff, Third Revised, Sheet No. 127, Section "Annual Application and Quarterly Surveillance Filings," A. (January 1, 2023).

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Blue Ridge found that the Application to change the SSIR charge was filed before August 1. The application was filed on May 1, 2025. The Company explained that it normally files its SSIR application on August 1 of each year. However, because the SSIR mechanism and associated charge are subject to renewal and potential expansion under the Rate Review Application, the Company is including its 2026 SSIR as part of its Rate Review Application to be effective with final rates on January 1, 2026—whichever is later.⁸⁴

Requirement: The Company shall not make effective any revision to the System Safety and Integrity Rider Charge that includes the addition of new SSIR projects not previously recovered through the SSIR Charge if the Company has not had a general rate proceeding decided or dismissed by issuance of a Commission order within sixty months immediately preceding the date upon which the revision to the System Safety and Integrity Rider Charge otherwise would take effect.⁸⁵

The Company filed its 2026 SSIR Application with its general rate case.

Requirement: The Company shall continue to make annual revisions to the SSIR Charge to reflect appropriate true-ups and adjustments to the calculations, consistent with the other provisions contained in the System Safety and Integrity Rider Tariff, for each year that the Company is allowed to collect the SSIR Charge.⁸⁶

In its general rate case, the Company seeks approval to collect the SSIR Charge. Blue Ridge recommends the Commission approve the continuation of the SSIR.

7. RECOMMENDED RECOVERY

7) What is the appropriate level of recovery of the System Safety and Integrity Rider Charge?

This task accumulates Blue Ridge's recommended adjustments and provides a revised level of recovery for the Commission's consideration, if necessary.

Blue Ridge's recommended 2026 SSIR rate is pending the Commission's final decision on many of the variables that are included in the SSIR revenue requirements calculation, including the Weighted Average Cost of Capital, depreciation accrual rates, and CCOSS/Rate Design (including splitting out the Commercial class between Small Commercial and Large Commercial). The Company concurs: "The Company plans to update the SSIR inputs and recalculate the 2026 SSIR rate to reflect the Commission's final order, including any changes to the proposed WACC, depreciation rates, and CCOSS. The Company will complete any necessary updates in advance of the 2026 SSIR going into effect."⁸⁷

Blue Ridge has the following recommendations.

1. Blue Ridge recommends the Commission approve the continuation of the SSIR.

⁸⁴ NG-124 Direct Testimony of Tatyana V. Bannan at 8:15–21.

⁸⁵ BHE SSIR Tariff, Third Revised, Sheet No. 131, Section ""SSIR Adjustment with Changes in Base Rates, (January 1, 2023).

⁸⁶ BHE SSIR Tariff, Third Revised, Sheet No. 131, Section ""SSIR Adjustment with Changes in Base Rates, (January 1, 2023).

⁸⁷ BHE Response to NG-124 PA-319 (Attachment DHM SSIR-2).

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2. While the Commission authorized transferring spend within categories in NG-112.3, Blue Ridge found that the Commission has not specifically approved cross-category budget flexibility and that flexibility is not reflected in the approved SSIR Tariff. Nevertheless, the Commission approved all the projects and estimated budget amounts. Therefore, Blue Ridge does not believe the cross-category spending for specifically approved projects is a compliance issue. However, Blue Ridge recommends modifying the SSIR Tariff to allow flexibility to swap amounts approved by SSIR category to another SSIR category as long as the projects have been reviewed and approved as part of the Application review process. Each such swap will be identified, and an explanation will be given as to why the original project could not be completed and an alternate project was used.
3. Blue Ridge recommends that the SSIR revenue requirements be revised to reflect the weighted average cost of capital that is approved in the current general rate case (NG-124) to calculate the return on rate base.
4. Blue Ridge recommends that the SSIR revenue requirements be revised to allocate plant based on the CCOS that is approved in the current general rate case (NG-124).
5. Blue Ridge recommends that the SSIR revenue requirements be revised to calculate Depreciation Expense and Accumulated Depreciation using the depreciation rates that are approved in current general rate case (NG-124). The approved depreciation rates should also be used to calculate the ADIT associated with book and tax depreciation differences.
6. Blue Ridge recommends accepting the Company's change to the tariff to present the SSIR rate as a separate line item on the bill instead of including it in the customer charge.
7. Blue Ridge recommends accepting the Company's proposal to split out the Commercial class between Small Commercial and Large Commercial.
8. Blue Ridge recommends the Company provide updated SSIR revenue requirements schedules that reflects the Commission's final decisions before the 2026 SSIR rate goes into effect and that the revised SSIR revenue requirements be reviewed as part of the review of the compliance filing.

8. ANNUAL SURVEILLANCE FILINGS

8) Did the Company timely file the annual surveillance filings with the required information in compliance with Commission orders?

This task confirms that BHE timely filed the annual surveillance filings with the required information as required by Commission order.

Requirement: Specifically, BHE must file annual surveillance filings within ninety (90) days of the end of the calendar year. Such filings shall include calculations of the rate base separated into regular and SSIR components, the realized rates of return on the rate base components, along with supporting calculations. Additionally, the filing shall include an update regarding the status of the previous calendar year's SSIR Project costs, actual or projected in-service dates, and, if any remain

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uncompleted at the time of submittal of the annual surveillance filing, the expected schedule for completion.⁸⁸

Blue Ridge found that the Company timely filed its annual surveillance filings on March 31, 2025. The filing is due within ninety (90) days of the end of the calendar year, or March 31, 2025.

⁸⁸BHE SSIR Tariff, Third Revised Sheet No. 128, Item D (January 1, 2023).

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APPENDICES

Appendix A: Background Information

Appendix B: Abbreviations and Acronyms

Appendix C: Data Requests and Information Provided

Appendix D: Workpapers

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APPENDIX A: BACKGROUND INFORMATION REVIEWED

The following background documents were reviewed and are provided within our electronic transmitted appendices.

1. State Natural Gas Regulation Act §§ 66-1810, 66-1825 and 66-1838
2. Nebraska Administrative Code Title 291, Chapter 9 – Nebraska Public Service Commission
3. Application No. NG-109 [Last General Rate Case and 2021 SSIR Projects]
 - a. Hearing Exhibit No. BH-JB- 2 (Mr. Bennett’s Direct Testimony Exhibit No. JLB-5-2021 SSIR Application)
 - b. Excerpt from Direct Testimony of Kevin M. Jarosz, page 29 DIIP Descriptions
 - c. Excerpt from Direct Testimony of Marc I. Lewis, pages 36–40 DIIP
 - d. Public Advocate Answer Testimony of Charles Fijnvandraat, page 10 [excluded four reliability pipeline looping projects]
 - e. Joint Stipulation and Agreement of Settlement Between Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy and the Public Advocate of Nebraska (October 28, 2020)
 - f. BHE Compliance Filing (January 15, 2021)
 - g. Order Approving Stipulation and Settlement Agreement (January 26, 2021)
4. Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy, Nebraska Natural Gas Tariff, downloaded on September 1, 2023, from the Nebraska Public Service Commission web page
5. Application NG 112.1 (2022 SSIR Projects)
 - a. BHE-1 Black Hills 2022 SSIR Application
 - b. BHE-2 Black Hills 2022 SSIR Application Model
 - c. Select Data Responses
 - d. Public Advocates report on the Examination of the System Safety and Integrity Rider of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy for the 2022 Program Year (October 29, 2021)
 - e. BHE-3 2022 Black Hill’s response to Public Advocates Report
 - f. Blue Ridge’s 11/3/2021 Supplement to Report Filed on 10/29/2021, ERT Issue Update
 - g. Order Approving 2022 SSIR Charge (December 14, 2021)
6. Application No. NG-112.2 (2023 SSIR Projects)
 - a. Black Hills 2023 SSIR Application and Model
 - b. Updated Exhibit 2-2023 SSIR Model (September 25, 2022)
 - c. Public Advocates report on the Examination of the System Safety and Integrity Rider of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy for the 2023 Program Year (October 17, 2022)
 - d. Black Hill’s response to Public Advocates Report (October 28, 2022)
 - e. Order Approving 2023 SSIR Charge (December 13, 2022)
7. Application No. NG-112.3 (2024 SSIR Projects)
 - a. Black Hills 2024 SSIR Application with four Exhibits
 - b. Exhibit 2-2024 SSIR Model
 - c. Public Advocates report on the Examination of the System Safety and Integrity Rider of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy for the 2024 Program Year (October 16, 2023)

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- d. Black Hill's response to Public Advocates Report (October 19, 2023) with revised exhibits
 - e. Order Approving 2024 SSIR Charge (December 12, 2023)
- 8. Application No. NG-112.4 (2025 SSIR Projects)
 - a. Black Hills 2025 SSIR Application with four Exhibits
 - b. Exhibit 2-2025 SSIR Model
 - c. Public Advocates report on the Examination of the System Safety and Integrity Rider of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy for the 2025 Program Year (October 18, 2024)
 - d. Black Hill's response to Public Advocates Report (October 28, 2024)
 - e. Order Approving 2024 SSIR Charge (December 17, 2024)

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for the 2026 Program Year**

APPENDIX B: ABBREVIATIONS AND ACRONYMS

The following abbreviations and acronyms may be used in this report.

ADIT	Accumulated Deferred Income Taxes
AFUDC	Allowance for Funds Used during Construction
ARDA	Accumulated Reserve for Depreciation, Depletion, and Amortization
ARMR	At-Risk Meter Relocation
ARO	Asset Retirement Obligation
ACVG	Alternating Current Voltage Gradient
CFR	Code of Federal Regulations
CGS	Choice Gas Service
CIAC	Contributions in Aid of Construction
CIS	Close Interval-Survey
CP	Cathodic Protection
CWIP	Construction Work In Progress
DIIP	Data Infrastructure Improvement Program
DIMP	Distribution Integrity Management Program
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
ERT	Electronic Reading Transmitters
FDM	Field Deployment Manager (Itron's installation management program)
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
HDD	Hydraulic Directional Drill
ICCP	Impressed Current Cathodic Protection
IR	Information Request
ISR	Infrastructure System Replacement
KMIGT	Kinder Morgan Interstate Gas Transmission LLC
MAOP	Maximum Allowable Operating Pressure
NEPA	Nebraska Public Advocate
NOL	Net Operating Loss
PHMSA	Pipeline and Hazardous Materials Safety Administration
PSI	Per Square Inch
P/W	Painted and Wrapped
SSIR	System Safety and Integrity Rider
TBS	Town Border Stations
TIMP	Transmission Integrity Management Program
TOG	Top of Ground
UPIS	Utility Plant in Service

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for the 2026 Program Year**

APPENDIX C: DATA REQUESTS AND INFORMATION PROVIDED

The following is a list of the data requests submitted. BHE provided responses electronically. The responses are included within our electronic transmitted appendices.

- PA-319. **SSIR.** The Company's proposed SSIR rate reflects many of the Company's proposals from the general rate case including WACC, depreciation rates, and CCOS/Rate Design. How and when does the Company plan to update the SSIR rate calculation to reflect the Commission's final order.
- PA-320. **SSIR Process and Controls:** Please provide any 2025 updates to the policies and procedures (and/or flow charts) for the following items:
- a. The identification and categorization of SSIR projects
 - b. The development of the SSIR (Include sources for all components, how components are gathered and entered, and approval requirements—who provides approvals, for what items, and when approvals are needed in the process.)
- PA-321. **SSIR Process and Controls/DIMP:**
- a. Please provide a copy of the latest DIMP, if different from what was used to forecast 2025 projects.
 - b. Please provide a copy of or describe any 2025 PHMSA-filed Gas Distribution Integrity Management Program (DIMP) changes used to forecast the 2026 SSIR Projects.
 - c. Please provide copies of or describe any 2025 completed or in-progress audits (internal or external) that reviewed the DIMP program.
- PA-322. **SSIR Process and Controls/TIMP:**
- a. Please provide a copy of the latest TIMP, if different from what was used to forecast 2025 projects.
 - b. Please provide a copy of or describe any 2025 PHMSA-filed Gas Transmission Integrity Management Program (TIMP) changes used to forecast 2026 SSIR Projects.
 - c. Please provide copies of or describe any 2025 completed or in-progress audits (internal or external) that reviewed the TIMP program.
- PA-323. **SSIR Process and Controls/Damage Prevention:**
- a. Please provide any 2025 changes to the Damage Prevention procedure.
- PA-324. **SSIR DIIP Allocation:** Reference Exhibit TVB-2 – 2026 SSIR Model, Tab Input and A – SSIR Rate Calculation. The Inputs tab references the source as "NG-124; 2025 Rate Review; CCOSS WP18". Please provide the workpaper with calculated percentages that support Line 5 Allocation Factor of Account 880 from Rate Review.
- PA-325. **SSIR Project Listing Allocation:** Reference Exhibit TVB-2 – 2026 SSIR Model, Tab Input. The Inputs tab references the source as "NG-124; 2025 Rate Review; CCOSS WP18". Please provide the workpaper used with calculated percentages.

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- PA-326. **SSIR Customer Class Split:** Reference Exhibit TVB-2 – 2026 SSIR Model, Tab Input. The Inputs tab references the source as “NG-124; 2025 Rate Review; CCOS WP18”. Please provide the workpaper used with calculated percentages.
- PA-327. **SSIR Project Account Allocation:** Reference Exhibit TVB-2 – 2026 SSIR Model, Tab, K-Project Listing and Allocation. Please provide support for the Account Allocators on Rows 38–53 used to allocate the SSIR by FERC Account.
- PA-328. **SSIR Bill Count.** References Direct Exhibit TVB-2 – 2026 SSIR Model, Tab Bill Count.
a. Please provide support for the 2025 Bill Count.
b. Please support the support for the 1.4% customer growth used to develop the 2026 Bill Count.
- PA-329. **SSIR Property Tax Rates.** References Direct Exhibit TVB-2 – 2026 SSIR Model. The property tax rate was modified to 0.67%. Please provide support for the tax rate used.
- PA-330. **SSIR DIIP:** Reference Exhibit TVB-2 – 2026 SSIR Model, Tab, M-DIIP Support. The following table was included in Blue Ridge’s report in Docket No. 112.4.

Project	Estimated % Complete	Estimated Cost	In-Service Date	Revised In-Service?
Transmission/Gathering Traceable, Verifiable and Complete (TVC) Records	87%	2024 \$1,652,122 2025 \$250,920	3/31/25	No
Gas Service Card Mapping	NA	NA	12/31/34	Yes*
Distribution Main & Service Centerline Survey	10%	2024 \$100,000 2025 \$1,400,905 2026-2034 \$2,112,000 Annually	Annually through 2034	No
Distribution Attribute Improvement	10%	2024 \$232,458 2025 \$288,000 2026-2034 \$288,000 Annually	Annually through 2034	No
GIS Pressure Systems	0%	TBD**	12/31/35	No
GIS Emergency Response Zone	0%	TBD**	12/31/35	No
GIS Cathodic Protection (CP) Zones	0%	TBD**	12/31/35	No
Bare Pipe Inspection (BPI) and Subject Matter Expert (SME) Pipeline Attribute Assessment	0%	TBD**	12/31/35	No
Document Management Migration	0%	TBD**	12/31/26	No

*The Gas Service Cards Mapping Project was stopped as a stand-alone effort in 2023 and combined with the Distribution Main and Service Centerline Survey & Distribution Attribute Improvement project. This will result in a more efficient use of project dollars and resources.

**Requests for Proposals will be issued in future years to determine the cost for future projects.

For each of the above-listed projects, please respond to these requests:

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for the 2026 Program Year

- a. What is the status/percent completion of each project as of July 31, 2025?
- b. For each project that is not yet complete, please provide the following information.
 - i. Estimated cost for each year
 - ii. Most recent estimated in-service dates
 - iii. Indication of whether the estimated project in-service date is a revision to a previously estimated in-service date (And, if so, provide all the previous dates by project.)
 - iv. For any estimated project in-service date that has been revised, explanation of the reason(s) for the change

PA-331. **2024 SSIR Project Variance.** The SSIR Tariff states:

The Annual Application shall include details of the project costs incurred during the previous calendar year, including an explanation of how the project costs were managed and any deviations between budgeted and actual costs, actual or projected in-service dates, and the expected schedule for completion of the previous calendar year's projects. [BHE SSIR Tariff, Third Revised Sheet No. 127, Annual Application and Annual Surveillance Filings A.ii]

Please provide the required information.

**Docket No. NG-124
Examination of the System Safety and Integrity Rider of Black Hills Energy
for the 2026 Program Year**

APPENDIX D: WORKPAPERS

Workpapers that support Blue Ridge's analysis are listed below. Copies are provided within our electronic transmitted workpapers.

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-319**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR

REQUEST:

PA-319. The Company's proposed SSIR rate reflects many of the Company's proposals from the general rate case including WACC, depreciation rates, and CCOS/Rate Design. How and when does the Company plan to update the SSIR rate calculation to reflect the Commission's final order.

RESPONSE:

The Company plans to update the SSIR inputs and recalculate the 2026 SSIR rate to reflect the Commission's final order, including any changes to the proposed WACC, depreciation rates, and CCOS. The Company will complete any necessary updates in advance of the 2026 SSIR going into effect.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-320**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Process and Controls

REQUEST:

PA-320. SSIR Process and Controls: Please provide any 2025 updates to the policies and procedures (and/or flow charts) for the following items:

- (a) The identification and categorization of SSIR projects
- (b) The development of the SSIR (Include sources for all components, how components are gathered and entered, and approval requirements—who provides approvals, for what items, and when approvals are needed in the process.)

RESPONSE:

- (a) There have been no updates in 2025 to the SSIR policies and procedures.
- (b) See response in part (a).

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-321**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Jennifer Bingaman
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Process and Controls/DIMP

REQUEST:

PA-321. SSIR Process and Controls/DIMP:

- (a) Please provide a copy of the latest DIMP, if different from what was used to forecast 2025 projects.
- (b) Please provide a copy of or describe any 2025 PHMSA-filed Gas Distribution Integrity Management Program (DIMP) changes used to forecast the 2026 SSIR Projects.
- (c) Please provide copies of or describe any 2025 completed or in-progress audits (internal or external) that reviewed the DIMP program.

RESPONSE:

- (a) Please see PA 1-141 and Confidential Attachment PA 1-141 – O&M Procedure 132 - DIMP for a copy of the most recent DIMP.
- (b) No changes have been made to the DIMP plan in 2025.
- (c) No audits (internal or external) of the DIMP program are in progress or have been completed in 2025.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-322**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Jennifer Bingaman
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Process and Controls/TIMP

REQUEST:

PA-322. SSIR Process and Controls/TIMP:

- (a) Please provide a copy of the latest TIMP, if different from what was used to forecast 2025 projects.
- (b) Please provide a copy of or describe any 2025 PHMSA-filed Gas Transmission Integrity Management Program (TIMP) changes used to forecast 2026 SSIR Projects.
- (c) Please provide copies of or describe any 2025 completed or in-progress audits (internal or external) that reviewed the TIMP program.

RESPONSE:

- (d) See PA 1-142 for a copy of the most recent TIMP.
- (e) No changes have been made to the TIMP plan in 2025.
- (f) No audits (internal or external) of the TIMP program are in progress or have been completed in 2025.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-323**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Kevin Jarosz
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Process and Controls/Damage Prevention

REQUEST:

PA-323. SSIR Process and Controls/Damage Prevention:

- (a) Please provide any 2025 changes to the Damage Prevention procedure.

RESPONSE:

The only change to damage prevention related procedures in 2025 was to O&M section 7.7. See Confidential Attachment PA 20-323 - O&M Procedure 7.

ATTACHMENT(S):

- Confidential Attachment PA 20-323 - O&M Procedure 7

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-324**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR DIIP Allocation

REQUEST:

PA-324. SSIR DIIP Allocation: Reference Exhibit TVB-2 – 2026 SSIR Model, Tab Input and A – SSIR Rate Calculation. The Inputs tab references the source as “NG-124; 2025 Rate Review; CCOSS WP18”. Please provide the workpaper with calculated percentages that support Line 5 Allocation Factor of Account 880 from Rate Review.

RESPONSE:

Reference “Direct Exhibits DNH-3,4,5,6 - CCOSS and Exhibits EJF 11, 12.xlsx” and tab WP-18 FERC Accts by Cust Class of the file.

Source: Excel row 199/Line 34/Acct No. 880/Description Other Expenses is the basis for the calculation.

Residential: Excel cell F199 divided by Excel cell E199 provides the 64.41%.

Small Commercial: Excel cell G199 divided by Excel cell E199 provides 12.30%.

Large Commercial: Excel cell H199 divided by Excel cell E199 provides the 10.85%.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-325**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Project Listing Allocation

REQUEST:

PA-325. SSIR Project Listing Allocation: Reference Exhibit TVB-2 – 2026 SSIR Model, Tab Input. The Inputs tab references the source as “NG-124; 2025 Rate Review; CCOSS WP18”. Please provide the workpaper used with calculated percentages.

RESPONSE:

Reference “Direct Exhibits DNH-3,4,5,6 - CCOSS and Exhibits EJF 11, 12.xlsx” and tab WP-18 FERC Accts by Cust Class of the file.

Source: Excel rows 50-80 under Transmission Plant and Distribution Plant.

Example:

Excel row 52/Line 12/Acct No. 36706/Description Mains will be used as an example; this same methodology and calculation provided below is repeated for each description. Excel cell I52 divided by Excel cell E52 provides 55.47% for Mains. The calculation is Total Jurisdiction in Excel column I divided by Total Nebraska in Excel column E.

Another example on Excel row 77/Line 36/Acct No. 38401/Description House Regulator Installations. Excel cell I77 divided by Excel cell E77 provides 93.22% for House Regulator Installations. The calculation is Total Jurisdiction in Excel column I divided by Total Nebraska in Excel column E.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-326**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Customer Class Split

REQUEST:

PA-326. SSIR Customer Class Split: Reference Exhibit TVB-2 – 2026 SSIR Model, Tab Input. The Inputs tab references the source as “NG-124; 2025 Rate Review; CCOSS WP18”. Please provide the workpaper used with calculated percentages.

RESPONSE:

Reference “Direct Exhibits DNH-3,4,5,6 - CCOSS and Exhibits EJF 11, 12.xlsx” and tab WP-18 FERC Accts by Cust Class of the file.

Source: Excel rows 50-80.

Example:

Excel row 53/Line 13/Acct No. 36903/Description Measuring & Regulating Station

Residential: Excel cell F53 divided by Excel cell I53 provides the 58.97%.

Small Commercial: Excel cell G53 divided by Excel cell I53 provides the 14.82%.

Large Commercial: Excel cell H53 divided by Excel cell I53 provides the 26.21%.

This is repeated for each Acct No. & Description starting at Excel row 50 through Excel row 80 following the same methodology and calculation provided in the Measuring & Regulating Station Equipment example above.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-327**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Project Account Allocation

REQUEST:

PA-327. SSIR Project Account Allocation: Reference Exhibit TVB-2 – 2026 SSIR Model, Tab, K-Project Listing and Allocation. Please provide support for the Account Allocators on Rows 38–53 used to allocate the SSIR by FERC Account.

RESPONSE:

Allocations among the FERC accounts were created using methodology based on how similar type projects have been historically unitized. This is the same methodology used to allocate *pro forma* capital additions based on the type of budgeted project.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-328**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Bill Count

REQUEST:

PA-328. SSIR Bill Count. References Direct Exhibit TVB-2 – 2026 SSIR Model, Tab Bill Count.

- (a) Please provide support for the 2025 Bill Count.
- (b) Please support the support for the 1.4% customer growth used to develop the 2026 Bill Count.

RESPONSE:

Source: “Direct Exhibits DNH-3,4,5,6 - CCOSS and Exhibits EJF 11, 12.xlsx” and tab EJF-7 TY BD of the file.

- (a) Residential: Excel cell E14 divided by 12 provides 267,200. Small Commercial: Excel cell F14 divided by 12 provides 28,744. Large Commercial: Excel cell (G11+G12) divided by 12 provides 4,653.
- (b) Excel cell E13 divided by Excel cell E11 provides 1.4%.

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-329**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Property Tax Rates

REQUEST:

PA-329. SSIR Property Tax Rates. References Direct Exhibit TVB-2 – 2026 SSIR Model. The property tax rate was modified to 0.67%. Please provide support for the tax rate used.

RESPONSE:

See Attachment PA 20-329 - SSIR Property Tax Rate for the calculation of the factor to apply to the gross cost. Any changes to the property tax rate in this proceeding will be reflected in the final 2026 SSIR calculation as indicated in response to PA-319.

ATTACHMENT(S):

- Attachment PA 20-329 - SSIR Property Tax Rate

BLACK HILLS NEBRASKA GAS, LLC

Attachment PA 20-329

SSIR PROPERTY TAX

Line No.	Description	2024
1	Assessed Value	438,923,643
2	Plant in Service (NE)	1,108,422,678
3	Assessment Ratio Ln 1 x Ln 2	0.3959894
4	Property Tax Paid	7,429,471
5	Average Millage Rate Ln 4 / Ln 1	1.693%
6		
7	Factor to apply to Gross Cost Ln 4 / Ln 2	0.67%

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-330**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR DIIP

REQUEST:

PA-330. SSIR DIIP: Reference Exhibit TVB-2 – 2026 SSIR Model, Tab, M-DIIP Support. The following table was included in Blue Ridge’s report in Docket No. 112.4.

Project	Estimated % Complete	Estimated Cost	In-Service Date	Revised In-Service?
Transmission/Gathering Traceable, Verifiable and Complete (TVC) Records	87%	2024 \$1,652,122 2025 \$250,920	3/31/25	No
Gas Service Card Mapping	NA	NA	12/31/34	Yes*
Distribution Main & Service Centerline Survey	10%	2024 \$100,000 2025 \$1,400,905 2026-2034 \$2,112,000 Annually	Annually through 2034	No
Distribution Attribute Improvement	10%	2024 \$232,458 2025 \$288,000 2026-2034 \$288,000 Annually	Annually through 2034	No
GIS Pressure Systems	0%	TBD**	12/31/35	No
GIS Emergency Response Zone	0%	TBD**	12/31/35	No
GIS Cathodic Protection (CP) Zones	0%	TBD**	12/31/35	No
Bare Pipe Inspection (BPI) and Subject Matter Expert (SME) Pipeline Attribute Assessment	0%	TBD**	12/31/35	No
Document Management Migration	0%	TBD**	12/31/26	No

*The Gas Service Cards Mapping Project was stopped as a stand-alone effort in 2023 and combined with the Distribution Main and Service Centerline Survey & Distribution Attribute Improvement project. This will result in a more efficient use of project dollars and resources.

**Requests for Proposals will be issued in future years to determine the cost for future projects.

For each of the above-listed projects, please respond to these requests:

- (a) What is the status/percent completion of each project as of July 31, 2025?
- (b) For each project that is not yet complete, please provide the following information.
 - i. Estimated cost for each year
 - ii. Most recent estimated in-service dates
 - iii. Indication of whether the estimated project in-service date is a revision to a previously estimated in-service date (And, if so, provide all the previous dates by project.)
 - iv. For any estimated project in-service date that has been revised, explanation of the reason(s) for the change

RESPONSE:

See table below for status/percent complete, estimated cost, and in-service dates.

Transmission/Gathering Traceable, Verifiable and Complete (TVC) Records - This project previously estimated to be completed by 3/31/2025. Due to issues with vendor performance, this project required an RFP process to select a new vendor. A vendor has been selected, and this project will resume work in 2026.

Document Management Migration – Previous in-service date was 12/31/2026. Due to larger internal efforts in document migration, the scope of this project will likely be impacted. The in-service date has been changed to 12/31/2035.

Project	Estimated % Complete	Estimated Cost	In-Service Date	Revised In-Service?
Transmission/Gathering Traceable, Verifiable and Complete (TVC) Records	89%	2024 \$1,652,122 2025 \$278,224 2026 \$1,200,000 2027 \$399,686	12/31/2027	Yes
Gas Service Card Mapping	NA	NA*	12/31/2034	No
Distribution Main & Service Centerline Survey	12% overall complete 78% Lincoln area complete	2024 \$100,000 2025 \$1,400,905 2026 \$960,000 2027 \$1,600,252 2028-2034 \$1,920,000	Annually through 2034	No

Distribution Attribute Improvement	11% overall complete 69% Lincoln area complete	2024 \$232,458 2025 \$669,412 2026 \$240,000 2027 \$400,062 2028-2034 \$480,000	Annually through 2034	No
GIS Pressure Systems	0%	TBD**	12/31/2035	No
GIS Emergency Response Zone	0%	TBD**	12/31/2035	No
GIS Cathodic Protection (CP) Zones	0%	TBD**	12/31/2035	No
Bare Pipe Inspection (BPI) and subject matter expert (SME) pipeline attribute assessment	0%	TBD**	12/31/2035	No
Document Management Migration	0%	TBD**	12/31/2035	Yes
<p>* The Gas Service Card Mapping project was stopped as a stand-alone effort in 2023 and combined with the Distribution Main and Service Centerline Survey & Distribution Attribute Improvement project. This will result in a more efficient use of project dollars and resources.</p> <p>**Requests for Proposals (RFP) will be sent in future years to determine the cost for future projects.</p>				

ATTACHMENT(S):

None

**BLACK HILLS NEBRASKA GAS, LLC
NEBRASKA GAS RATE REVIEW
APPLICATION NO. NG-124
RESPONSE TO PUBLIC ADVOCATE
DATA REQUEST NO. PA-331**

DATE OF REQUEST: July 21, 2025
DATE RESPONSE DUE: July 31, 2025
REQUESTOR: Public Advocate
WITNESS: Tatyana Bannan
DATE RESPONDED: July 31, 2025
SUBJECT: SSIR Project Variance

REQUEST:

PA-331. 2024 SSIR Project Variance. The SSIR Tariff states:

The Annual Application shall include details of the project costs incurred during the previous calendar year, including an explanation of how the project costs were managed and any deviations between budgeted and actual costs, actual or projected in-service dates, and the expected schedule for completion of the previous calendar year's projects. [BHE SSIR Tariff, Third Revised Sheet No. 127, Annual Application and Annual Surveillance Filings A.ii]

Please provide the required information.

RESPONSE:

See Attachment PA 20-331 – 2024 SSIR Variances for the requested information.

ATTACHMENT(S):

- Attachment PA 20-331 – 2024 SSIR Variances

BLACK HILLS NEBRASKA GAS, LLC

Attachment PA 20-331

2024 SSIR VARIANCES

Project Category	Juris Filed	Juris Actual	Juris Variance
ARMR	\$ 19,695,297	\$ 19,435,956	\$ (259,341)
Bare Steel	\$ 6,767,845	\$ 4,857,239	\$ (1,910,606)
Cathodic Protection	\$ 194,408	\$ 212,752	\$ 18,344
Charts	\$ 328,924	\$ 323,652	\$ (5,272)
Facility Relocations	\$ -	\$ 1,418,013	\$ 1,418,013
Meter Install	\$ 3,654,348	\$ 2,408,642	\$ (1,245,706)
PVC	\$ -	\$ 1,496,450	\$ 1,496,450
TIMP	\$ 262,570	\$ 12,434	\$ (250,136)
TOG/Shallow/Exposed	\$ 7,344,104	\$ 5,320,178	\$ (2,023,926)
Town Border Stations	\$ 2,071,904	\$ 3,355,907	\$ 1,284,003
DIIP	\$ 1,716,586	\$ 1,714,210	\$ (2,376)
Grand Total	\$ 42,035,986	\$ 40,555,433	\$ (1,480,553)

Attachment PA 20-331

2024 SSIR Forecast versus Actuals							2024 SSIR Forecast				2024 SSIR Actuals				2024 SSIR		Explanations
In	Alternative / Relocation	Project #	Description	Criteria	Project Category/ Account	In-Service Date Filed	Total Filed	Juris Filed	Non-Juris Filed	In-Service Date Acted	Net Actual Actual	Juris Actual	Non-Juris Actual	Juris Variance	Non-Juris Variance		
1	Primary	10077433	ARMR - Albion (Neligh) 419	DIMP	ARMR	11/30/24	\$ 2,933,000	\$ 2,790,057	\$ 142,943	8/1/24	\$ 2,203,110	\$ 2,095,739	\$ 107,371	\$ (694,318)	Contractor estimate was higher and were able to complete project in a much quicker timeframe		
2	Primary	10077462	ARMR - Lincoln (Lincoln LSE[11] 234	DIMP	ARMR	12/31/24	\$ 10,447,691	\$ 9,938,512	\$ 509,179	12/1/24	\$ 10,584,251	\$ 10,068,417	\$ 515,834	\$ 129,905	Challenges with scheduling customers and cancellations slowed production		
3	Primary	10077472	ARMR - McCook (McCook) 329	DIMP	ARMR	11/30/24	\$ 3,706,325	\$ 3,525,695	\$ 180,630	12/1/24	\$ 4,039,975	\$ 3,843,083	\$ 196,892	\$ 317,388	Completed more service replacements than budgeted		
4	Primary	10077490	ARMR - Scottbluff (Gering) 516	DIMP	ARMR	11/30/24	\$ 3,617,326	\$ 3,441,033	\$ 176,293	12/1/24	\$ 3,604,379	\$ 3,428,717	\$ 175,662	\$ (12,316)	Minimal Variance		
5	Primary	10077442	Bare Steel - Beatrice (Auburn)	DIMP	Bare Steel	7/31/24	\$ 8,135,309	\$ 6,767,845	\$ 1,367,464	12/1/24	\$ 5,838,661	\$ 4,857,239	\$ 981,422	\$ (1,910,666)	Estimate was based on bare steel prior year work		
6	Primary	10075203N	Chart Replacements - Omaha	Obsolete Infrastructure	Charts	10/31/24	\$ 170,002	\$ 146,379	\$ 23,623	12/1/24	\$ 163,966	\$ 141,181	\$ 22,785	\$ (5,198)	Minimal Variance		
7	Primary	10075255N	Chart Replacements - Lincoln	Obsolete Infrastructure	Charts	10/31/24	\$ 165,003	\$ 142,074	\$ 22,929	12/1/24	\$ 169,226	\$ 145,710	\$ 23,516	\$ 3,636	Minimal Variance		
8	Primary	10075287N	Chart Replacements - Scottbluff	Obsolete Infrastructure	Charts	10/31/24	\$ 12,001	\$ 10,334	\$ 1,667	12/1/24	\$ 6,100	\$ 5,252	\$ 848	\$ (5,082)	Minimal Variance		
9	Primary	10080298	Chart Replacements - Kearney	Obsolete Infrastructure	Charts	10/31/24	\$ 35,000	\$ 30,137	\$ 4,863	12/1/24	\$ 36,594	\$ 31,509	\$ 5,085	\$ 1,372	Minimal Variance		
10	Primary	10075284N	LSG ERT Upgrade - York	Obsolete Infrastructure	Meter Install	12/31/24	\$ 238,678	\$ 207,420	\$ 31,258	12/1/24	\$ 108,765	\$ 94,520	\$ 14,245	\$ (112,000)	Contractor estimate was high so work was completed by internal employees		
11	Primary	10063950N	Lincoln AMI	Obsolete Infrastructure	Meter Install	12/31/24	\$ 3,966,368	\$ 3,446,928	\$ 519,440	11/1/24	\$ 2,662,851	\$ 2,314,122	\$ 348,729	\$ (1,132,806)	Construction Started later than anticipated. Project will continue into 2025		
12	Primary	10080234	Mega Rule - Kearney (NE-019 Pressure Test)	TIMP	TIMP	9/30/24	\$ 200,000	\$ 111,732	\$ 88,268	N/A	\$ -	\$ -	\$ -	\$ (111,732)	No longer needing to reconfirm MAOP		
13	Primary	10080234	Mega Rule - Kearney (NE-019 Replacement)	TIMP	TIMP	9/30/24	\$ 50,000	\$ 27,933	\$ 22,067	4/5/24	\$ 22,258	\$ 12,434	\$ 9,824	\$ (15,499)	Lower cost in Project due to using internal employees		
14	Primary	10080237	Mega Rule - McCook (NE-003 Pressure Test)	TIMP	TIMP	9/30/24	\$ 220,000	\$ 122,905	\$ 97,095	N/A	\$ -	\$ -	\$ -	\$ (122,905)	No longer needing to reconfirm MAOP		
15	Primary	10080299	CP Remote Monitor Unit Installs - A	DIMP	Catholic Protection	9/30/24	\$ 13,500	\$ 11,050	\$ 2,450	7/15/24	\$ 19,146	\$ 15,671	\$ 3,475	\$ 4,621	Minimal Variance		
16	Primary	10080300	CP Remote Monitor Unit Installs - K	DIMP	Catholic Protection	9/30/24	\$ 130,001	\$ 106,411	\$ 23,590	7/15/24	\$ 155,551	\$ 127,324	\$ 28,227	\$ 20,913	Focused on Central part of state due to employee vacancy, resulted in additional cost for installation with extra travel		
17	Primary	10080301	CP Remote Monitor Unit Installs - Y	DIMP	Catholic Protection	9/30/24	\$ 24,001	\$ 19,646	\$ 4,355	7/15/24	\$ 20,873	\$ 17,085	\$ 3,788	\$ (2,561)	Minimal Variance		
18	Primary	10080302	CP Remote Monitor Unit Installs - S	DIMP	Catholic Protection	9/30/24	\$ 70,004	\$ 57,301	\$ 12,703	7/15/24	\$ 64,351	\$ 52,672	\$ 11,679	\$ (6,429)	Minimal Variance		
19	Primary	10064819N	Lincoln - 84th & Old Cheney	DIMP	Town Border Stations	11/30/24	\$ 1,750,000	\$ 1,283,479	\$ 466,521	11/6/24	\$ 3,367,865	\$ 2,470,048	\$ 897,817	\$ 1,186,569	Contractor Estimate came in higher than estimated along with change orders		
20	Primary	10077455	TBS Replacement - Kearney (North Loup)	DIMP	Town Border Stations	11/30/24	\$ 215,000	\$ 157,685	\$ 57,315	12/1/23	\$ 251,622	\$ 184,544	\$ 67,078	\$ 26,859	Increased cost in contractor labor and Odorant not		
21	Primary	10077455	TBS Replacement - Kearney (Ansel)	DIMP	Town Border Stations	11/30/24	\$ 215,000	\$ 157,685	\$ 57,315	12/1/23	\$ 203,792	\$ 149,465	\$ 54,327	\$ (8,220)	Decrease cost from contractor not having to weld SS and bypass during tie-in		
22	Primary	10077493	TBS Replacement - Sidney (Lewellen)	DIMP	Town Border Stations	11/30/24	\$ 215,000	\$ 157,685	\$ 57,315	5/9/24	\$ 265,370	\$ 194,627	\$ 70,743	\$ 36,942	Project was underestimated as this was first year this contractor performed the work		
23	Primary	10077468	TBS - McCook (Vernago)	DIMP	Town Border Stations	11/30/24	\$ 215,000	\$ 157,685	\$ 57,315	5/16/24	\$ 268,643	\$ 197,028	\$ 71,615	\$ 39,343	Project was underestimated as this was first year this contractor performed the work		
24	Primary	10077429	TBS Replacement - Albion (Neligh)	DIMP	Town Border Stations	11/30/24	\$ 215,000	\$ 157,685	\$ 57,315	6/18/24	\$ 218,423	\$ 160,195	\$ 58,228	\$ 2,510	Minimal Variance		
25	Primary	10077467	TOG - McCook (McCook 2)	DIMP	TOG/Shallow/Exposed	11/30/24	\$ 534,000	\$ 444,241	\$ 89,759	10/25/24	\$ 209,753	\$ 174,497	\$ 35,256	\$ (269,744)	Due to the smaller size and scope of this project BHE was able to use existing blanket contractor and more favorable rates to complete the project, also reducing mobilization expenses		
26	Primary	10077434	TOG - Albion (Albion 2)	DIMP	TOG/Shallow/Exposed	11/30/24	\$ 784,000	\$ 652,217	\$ 131,783	7/30/24	\$ 253,606	\$ 210,977	\$ 42,629	\$ (441,240)	Contractor utilized an installation method that increased efficiencies allowing them to finish ahead of schedule, impacting the labor expense favorably		
27	Primary	10077504	TOG - Sutton (Sutton 4)	DIMP	TOG/Shallow/Exposed	11/30/24	\$ 3,890,000	\$ 3,236,131	\$ 653,869	9/3/24	\$ 2,598,883	\$ 2,162,036	\$ 436,847	\$ (1,074,095)	Contractor utilized an installation method that increased efficiencies allowing them to finish ahead of schedule impacting the labor expense favorably		
28	Primary	10077517	TOG - York SG (Sutton 3)	DIMP	TOG/Shallow/Exposed	11/30/24	\$ 2,974,000	\$ 2,474,100	\$ 499,900	6/12/24	\$ 1,643,558	\$ 1,367,290	\$ 276,268	\$ (1,106,810)	Contractor utilized an installation method that increased efficiencies allowing them to finish ahead of schedule impacting the labor expense favorably		
29	Primary	10077504	TOG - Sutton (Sutton 28)	DIMP	TOG/Shallow/Exposed	11/30/24	\$ 646,000	\$ 537,415	\$ 108,585	8/19/24	\$ 245,748	\$ 204,441	\$ 41,307	\$ (332,974)	Contractor utilized an installation method that increased efficiencies allowing them to finish ahead of schedule impacting the labor expense favorably		
30	Alternative	10077446	TOG - Holdrege (Holdrege 1)	DIMP	TOG/Shallow/Exposed		\$ -	\$ -	\$ -	12/24/24	\$ 1,443,591	\$ 1,200,937	\$ 242,654	\$ 1,200,937	Alternative Project		
31	Alternative	10077503	PVC - Sutton (Sutton 13)	DIMP	PVC		\$ -	\$ -	\$ -	5/7/24	\$ 1,156,083	\$ 961,757	\$ 194,326	\$ 961,757	Alternative Project		
32	Alternative	10077503	PVC - Sutton (Sutton 3)	DIMP	PVC		\$ -	\$ -	\$ -	12/17/24	\$ 642,726	\$ 534,693	\$ 108,033	\$ 534,693	Alternative Project		
33	Relocation	10075002N	192nd & Giles Relocation (Connest Sippy)	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	2/1/23	\$ 115,255	\$ 98,849	\$ 16,406	\$ 98,849	Facility Relocations		
34	Relocation	10075000N	West A St Relocation - 2731 W A street	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	2/16/24	\$ 28,532	\$ 24,471	\$ 4,061	\$ 24,471	Facility Relocations		
35	Relocation	10075005N	BHE - York Blackburn Ave Relocation (services)	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	3/25/24	\$ 168,009	\$ 144,094	\$ 23,915	\$ 144,094	Facility Relocations		
36	Relocation	10075005N	Blackburn Main Replacement - G222 302 N Blackburn Ave	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	6/11/24	\$ 63,784	\$ 54,704	\$ 9,080	\$ 54,704	Facility Relocations		
37	Relocation	10075000N	BHE RM - Francis St & N 56th	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	5/24/24	\$ 41,384	\$ 35,495	\$ 5,889	\$ 35,495	Facility Relocations		
38	Relocation	10075005N	Seward 6th St Project - NDOT	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	6/26/24	\$ 326,174	\$ 279,747	\$ 46,427	\$ 279,747	Facility Relocations		
39	Relocation	10075005N	Milford NDOT Project Hwy 6	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	5/28/24	\$ 177,927	\$ 152,599	\$ 25,328	\$ 152,599	Facility Relocations		
40	Relocation	10075000N	BHE RM - S 40th & Prairie Wind	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	5/8/24	\$ 31,134	\$ 26,701	\$ 4,433	\$ 26,701	Facility Relocations		
41	Relocation	10075000N	BHE RM - Lexington Ave & N 60th	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	5/29/24	\$ 18,792	\$ 16,117	\$ 2,675	\$ 16,117	Facility Relocations		
42	Relocation	10075005N	Black Hills Energy - NDOT Hwy 6 (Service Replacements)	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	5/24/24	\$ 102,430	\$ 87,851	\$ 14,579	\$ 87,851	Facility Relocations		
43	Relocation	10075005N	Bradford Street Replacement G222 - 305 N 8th	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	6/19/24	\$ 27,777	\$ 23,825	\$ 3,952	\$ 23,825	Facility Relocations		
44	Relocation	10075003N	33rd & Lincoln St G222 - 526 N 33rd	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	7/29/24	\$ 60,750	\$ 52,103	\$ 8,647	\$ 52,103	Facility Relocations		
45	Relocation	10075000N	West A St Sewer Loop G222 - 2253 Calhoun St	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	7/25/24	\$ 39,742	\$ 34,084	\$ 5,658	\$ 34,084	Facility Relocations		
46	Relocation	10075002N	77th and Park Drive Shallow Line - G222 7631 Park Dr	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	6/24/24	\$ 25,751	\$ 22,084	\$ 3,667	\$ 22,084	Facility Relocations		
47	Relocation	10075000N	BHE RM - W O St & SW 32nd Street	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	6/24/24	\$ 18,064	\$ 15,494	\$ 2,570	\$ 15,494	Facility Relocations		
48	Relocation	10075002N	234th and Schram Line Hi G222 - 23312 Schram Rd	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	6/26/24	\$ 34,168	\$ 29,304	\$ 4,864	\$ 29,304	Facility Relocations		
49	Relocation	10075001N	GMR City Project between 2nd and 3rd	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	7/1/24	\$ 31,963	\$ 27,414	\$ 4,549	\$ 27,414	Facility Relocations		
50	Relocation	10075002N	BelleVue Mission Ave Calhoun Sidewalk G222 - 2253 Calhoun St	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	11/5/24	\$ 83,750	\$ 71,830	\$ 11,920	\$ 71,830	Facility Relocations		
51	Relocation	10075001N	GMR E Park & N Colfax (Street Project)	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	9/30/24	\$ 30,523	\$ 26,177	\$ 4,346	\$ 26,177	Facility Relocations		
52	Relocation	10075000N	BHE RM - Saunders Ave from 14th to Springfield	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	9/13/24	\$ 75,139	\$ 64,445	\$ 10,694	\$ 64,445	Facility Relocations		
53	Relocation	10075002N	72nd St Thompson Creek G222 - 7510 72nd Street	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	11/11/24	\$ 34,486	\$ 29,478	\$ 4,908	\$ 29,478	Facility Relocations		
54	Relocation	10075002N	Lincoln Ave 6 Inch Pipe G222 - 916 Lincoln Ave	Gov-Mandated	Facility Relocations		\$ -	\$ -	\$ -	10/4/24	\$ 117,818	\$ 101,047	\$ 16,771	\$ 101,047	Facility Relocations		
	Alternative		Data Infrastructure Improvement Program - Transmission/Gathering TVC Records NE	DIMP	DIMP	12/31/24	\$ 996,061	\$ 858,293	\$ 137,768	12/31/24	\$ 1,627,657	\$ 1,402,531	\$ 225,126	\$ 544,238	Shifted dollars from Distribution Main & Service Centerline Survey work to TVC Records to accelerate the timeline to complete the project		
	Alternative		Data Infrastructure Improvement Program - Gas Service Card Mapping NE	DIMP	DIMP		\$ -	\$ -	\$ -	12/31/24	\$ 248	\$ 213	\$ 34	\$ 213	Minimal Variance		
	Alternative		Data Infrastructure Improvement Program - Distribution Main & Service Centerline S	DIMP	DIMP		\$ 747,047	\$ 643,721	\$ 103,326		\$ 104,396	\$ 89,957	\$ 14,439	\$ 35,555	6,937		
	Alternative		Data Infrastructure Improvement Program - Distribution Data Attribute Improvement	DIMP	DIMP	12/31/24	\$ 249,014	\$ 214,572	\$ 34,442	12/31/24	\$ 257,065	\$ 221,510	\$ 35,555	\$ (1,480,553)			
						12/31/24	\$ 47,779,332	\$ 42,035,986	\$ 5,743,346		\$ 46,112,439	\$ 40,555,433	\$ 5,557,005	\$ (1,480,553)			

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 City, South Dakota, seeking
approval of a general rate increase.

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Application No. NG-124

AFFIDAVIT OF WITNESS

STATE OF South Carolina
COUNTY OF Greenville

)
) ss.
)

I, Donna H. Mullinax, being first duly sworn on oath, depose
and state that I am the witness identified in the foregoing prepared testimony filed in the above-
captioned action and I am familiar with its contents, and that the facts set forth therein are true to
the best of my knowledge, information, and belief.

Donna Mullinax

SUBSCRIBED and sworn to before me this 14 day of August, 2025.

(SEAL)

Shauna Pelfrey
Notary Public

My Commission Expires:

SHAUNA PELFREY
Notary Public - State of South Carolina
My Commission Expires
June 12, 2033



SHAWNA FLEURY, Notary Public - State of South Carolina

I, Shawna Fleury, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in my records.

Notary Public - State of South Carolina

Shawna Fleury

Notary Public

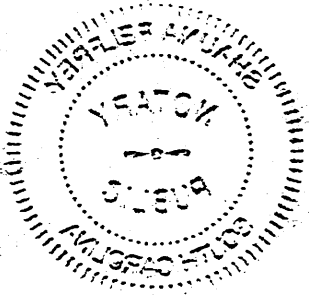
Shawna Fleury

I, Shawna Fleury, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in my records.

Shawna Fleury

Notary Public - State of South Carolina

Shawna Fleury



SHAWNA FLEURY
Notary Public - State of South Carolina
My Commission Expires
June 15, 2023