

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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

REBUTTAL TESTIMONY OF KEVIN M. JAROSZ

Vice President of Nebraska Gas Operations

ON BEHALF OF BLACK HILLS NEBRASKA GAS, LLC

Date: September 15, 2025

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TABLE OF ABBREVIATIONS AND ACRONYMS

| | |
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| AACE | Association for the Advancement of Cost Engineering |
| BH Nebraska Gas or Company | Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy |
| BPI | Buried Pipe Inspection |
| DIIP | Data Infrastructure Improvement Program |
| MGP | Manufactured Gas Plant |
| NDEE | Nebraska Department of Environment and Energy |
| Commission | Nebraska Public Service Commission |
| PA | Nebraska Public Advocate |
| PRP | Potentially Responsible Parties |
| RAP | Remedial Action Plan |
| SME | Subject Matter Expert |
| SSIR | System Safety Integrity Rider |
| TVC | Traceable, Verifiable, and Complete |

REBUTTAL TESTIMONY OF KEVIN M. JAROSZ

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. ARE YOU THE SAME KEVIN M. JAROSZ WHO FILED DIRECT TESTIMONY IN THE ORIGINAL FILING OF THE APPLICATION IN DOCKET NG-124?

A. Yes, I am.

Q. HAS THERE BEEN ANY CHANGE TO YOUR EMPLOYMENT OR QUALIFICATION SINCE DIRECT TESTIMONY WAS SUBMITTED IN THIS DOCKET?

A. No.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy ("BH Nebraska Gas" or "Company").

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to the testimony and recommendations of witnesses for the Nebraska Public Advocate ("PA"). This rebuttal testimony specifically addresses the following recommendations by PA witnesses:

- **Recommendations of the PA** - The Company's general response to the PA's filed position related to the Company's Application;

- 1 • **2025 Capital Investments** - Update on the progress of the Company's
- 2 2025 forecasted capital investment;
- 3 • **Formalized Action Plans** - PA's request to create formalized action
- 4 plans;
- 5 • **DIIP Progress** - PA's request to expedite progress on certain DIIP
- 6 programs;
- 7 • **Unlocatable Plant** - PA's request to undertake efforts to address issues
- 8 related to unlocatable plant;
- 9 • **Supply Chain Vulnerabilities** - PA's request to ensure the Company
- 10 is addressing supply chain vulnerabilities with suppliers and vendors;
- 11 • **McCook Manufactured Gas Plant** - PA's requests addressing
- 12 remediation cost estimates, remediation timeline, identification of and strategies for
- 13 pursuing Potentially Responsible Parties ("PRPs");
- 14 • **BH Nebraska Gas Direct Employee Labor Expense** - PA's
- 15 recommended adjustment for BH Nebraska Gas vacant employee positions; and
- 16 • **Public Awareness Campaign** - PA's recommended adjustment to the
- 17 Company's requested Public Awareness Campaign.

18 **A. Recommendations of the PA**

19 **Q. PLEASE SUMMARIZE THE PRINCIPAL DRIVERS OF YOUR REBUTTAL**

20 **TESTIMONY.**

21 A. The principal drivers of my rebuttal testimony clearly demonstrate why the Nebraska

22 Public Service Commission ("Commission") should reject the specified aspects of the

23 adjustments proposed by the PA. If adopted, these adjustments would significantly

1 impair BH Nebraska Gas’ ability to operate effectively and continue delivering the safe,
2 reliable service our Nebraska customers depend on.

3 As Vice President of Operations, I can affirm that the expenses included in BH
4 Nebraska Gas’ rate application are not speculative—they reflect the real, ongoing costs
5 necessary to maintain and improve our gas utility system. These costs have been
6 carefully managed and are the result of prudent decision-making.

7 Since the last general rate case in 2020, the Company has continued to invest in
8 critical infrastructure while controlling costs, all without compromising service quality.
9 This approach has directly benefited Nebraska customers by avoiding the disruptions
10 and uncertainties that come with frequent rate changes.

11 To sustain this responsible approach, it is essential that the Commission
12 approve BH Nebraska Gas’ rate application as adjusted in our rebuttal testimony. Doing
13 so will ensure the Company has a fair opportunity to recover our prudently incurred
14 costs and continue delivering the high standard of service our customers expect.
15 Conversely, adopting the PA’s recommendations would jeopardize our ability to
16 maintain system reliability and delay necessary investments—ultimately harming the
17 very customers those adjustments aim to protect.

18 **B. 2025 Capital Investments**

19 **Q. PLEASE PROVIDE AN UPDATE ON THE COMPANY’S CAPITAL**
20 **INVESTMENTS FOR 2025.**

21 A. The Company is making strong progress on its capital investment plan for 2025. As of
22 the date of this testimony, construction and implementation efforts are proceeding on
23 schedule, and the Company remains confident that all forecasted capital projects will

1 be placed in service by December 31, 2025. These investments will be used and useful,
2 and are critical to maintaining system integrity, enhancing reliability, and supporting
3 the safe delivery of natural gas to our customers.

4 **C. Formalized Action Plans**

5 **Q. PA WITNESS MR. FIJNVANDRAAT RECOMMENDED**
6 **IMPLEMENTATION OF A FORMAL PROCESS FOR DEVELOPING**
7 **WRITTEN ACTION PLANS FOR UNDERPERFORMING METRICS.¹ DO**
8 **YOU AGREE?**

9 A. The Company respectfully disagrees with the Mr. Fijnvandraat's recommendation to
10 implement a formal process for developing written action plans for underperforming
11 metrics. Our existing process has been successfully utilized for several years and
12 allows for flexibility in addressing any performance issues as they arise. The
13 operations managers and the general manager convene monthly to review performance
14 results, share best practices, and discuss ongoing challenges. Performance issues are
15 addressed through ongoing dialogue and collaboration. Managers work closely with
16 their supervisory teams to identify root causes of underperformance and to implement
17 targeted strategies for improvement. The Company will always be focused on
18 continuous improvement to ensure our customers receive safe, reliable, and high-
19 quality service.

¹ Direct Testimony and Exhibits of Charles A. Fijnvandraat, PE at page 6, lines 18-20.

1 **D. DIIP Progress**

2 **Q. PA WITNESS MR. FIJNVANDRAAT RECOMMENDED EXPEDITING**
3 **PROGRESS ON DIIP PROJECTS.² HOW DO YOU RESPOND?**

4 A. The Company appreciates Mr. Fijnvandraat’s recognition for the need for this program
5 and the enthusiasm for accelerating it. The DIIP has developed and prioritized projects
6 to address significant data gaps and dependencies. To date, the Company has focused
7 on the Traceable, Verifiable, and Complete (“TVC”) Records project, Gas Service Card
8 Mapping, and the Distribution Centerline & Attribute Improvement project.
9 Implementing pressure systems, emergency response zones, and cathodic protection
10 zones is dependent on completing the TVC Records project, Gas Service Card
11 Mapping, and the Distribution Centerline & Attribute Improvement project first in
12 order to create a connected system. As preliminary DIIP projects in BH Nebraska
13 Gas are completed, the Company can begin to connect the system and implement
14 projects with connected system dependencies. Buried Pipe Inspection (“BPI”) and
15 Subject Matter Expert (“SME”) Pipeline Attribute Assessment and Document
16 Management Migration are projects we intend to complete but recognize the need to
17 prioritize projects that enable us to achieve a connected system.

² Direct Testimony and Exhibits of Charles A. Fijnvandraat, PE at page 6, line 21 through page 7, line 6.

1 **E. Unlocatable Plant**

2 **Q. PA WITNESS MR. FIJNVANDRAAT RECOMMENDED THE COMPANY**
3 **UNDERTAKE EFFORTS TO ADDRESS ISSUES RELATED TO UN-**
4 **LOCATABLE PLANT.³ HOW DO YOU RESPOND?**

5 A. We appreciate Mr. Fijnvandraat's response regarding the vulnerability associated with
6 unlocatable plant. This issue is recognized as a potential risk, and in response, we have
7 proactively acquired a new pipe locator "Gas Tracker 2", specifically designed to detect
8 and trace buried plastic gas pipelines. This advanced device enables accurate
9 identification of both the position and direction of buried plastic pipe from the surface.
10 We will continue to utilize this technology and intend to incorporate unlocatable plant
11 into the System Safety Integrity Rider ("SSIR") mechanism in future filings.

12 **F. Supply Chain Vulnerabilities**

13 **Q. PA WITNESS MR. FIJNVANDRAAT RECOMMENDED DEEPER ANALYSIS**
14 **OF SUPPLY CHAIN TO IDENTIFY POTENTIAL VULNERABILITIES AND**
15 **TO DEVELOP APPROPRIATE CONTINGENCY PLANS.⁴ HOW DO YOU**
16 **RESPOND?**

17 A. The Company's supply chain department continues to remain focused on resiliency.
18 The Company continues to see a complex and dynamic global supply chain landscape.
19 Geopolitical conflicts, high interest rates, and economic uncertainty continue to drive
20 ongoing challenges, tariffs being a good example. To stay resilient and manage costs
21 effectively, the Company is leveraging suppliers and alliance partners to proactively

³ Direct Testimony and Exhibits of Charles A. Fijnvandraat, PE at page 7, lines 7-10.

⁴ Direct Testimony and Exhibits of Charles A. Fijnvandraat, PE at page 7, lines 11-15.

1 address challenges, such as forward buying to avoid future price increases, and
2 anticipating lead time and labor market shifts where job growth has fallen short of
3 expectations.

4 **G. McCook Manufactured Gas Plant**

5 **Q. PA WITNESS MR. FIJNVANDRAAT RECOMMENDED PROVIDING**
6 **BETTER COST ESTIMATES AND SCOPE DELINEATION FOR THE**
7 **MCCOOK MANUFACTURED GAS PLANT (“MGP”) SITE.⁵ HOW DO YOU**
8 **RESPOND?**

9 A. The Company’s consultant for the site characterization developed the Class 5 cost
10 estimate as defined by recommended practices of the Association for the Advancement
11 of Cost Engineering (“ACE”) and is to be used as a feasibility or screening-level cost
12 estimate only. A more detailed cost estimate will be developed as further sampling is
13 completed and additional information is gathered as part of the site assessment. The
14 Company will coordinate with the Nebraska Department of Environment and Energy
15 (“NDEE”) as the site assessment is completed which will assist in the development of
16 a more detailed and accurate cost estimate.

17 **Q. PA WITNESS MR. FIJNVANDRAAT RECOMMENDED SUPPLYING PRP**
18 **IDENTIFICATION AND NEGOTIATION STRATEGY FOR THE MCCOOK**
19 **MGP SITE.⁶ HOW DO YOU RESPOND?**

20 A. The Company respectfully disagrees with the PA’s recommendation to publicly
21 disclose negotiation strategies or PRP identification methodologies. Such disclosures

⁵ Direct Testimony and Exhibits of Charles A. Fijnvandraat, PE at page 8, lines 12-20.

⁶ Direct Testimony and Exhibits of Charles A. Fijnvandraat, PE at page 8 at line 21 through page 9, line 4.

1 would risk compromising legal strategy and could waive the protections afforded by
2 the attorney-client privilege and attorney work-product doctrine. Additionally,
3 publicizing strategic approaches could harm the Company's position in future
4 negotiations or litigation which could lead to higher costs born by customers. The
5 Company remains committed to using all reasonable and prudent efforts to negotiate
6 in good faith with PRPs and using best efforts to mitigate costs associated with the
7 McCook MGP Site.

8 **Q. PA WITNESS MR. FIJNVANDRAAT RECOMMENDED AN UPDATED**
9 **REMEDATION TIMELINE RELATED TO THE MCCOOK MGP SITE.⁷**
10 **HOW DO YOU RESPOND?**

11 A. BH Nebraska Gas continues to investigate and monitor the Site in compliance with the
12 NDEE rules, regulations, and oversight. This Site investigation will continue into the
13 first quarter of 2026. Once the Site investigation is complete, BH Nebraska Gas will
14 prepare a Remedial Action Plan ("RAP"), which will need to be reviewed and approved
15 by the NDEE. Any updates to the remediation timeline will not be available until
16 additional discussions with PRPs are completed and the RAP is finalized with the
17 NDEE. The Company will continue to update the remediation timeline to ensure an
18 accurate representation of project status.

⁷ Direct Testimony and Exhibits of Charles A. Fijnvandraat, PE at page 9 at lines 5-10.

1 **H. BH Nebraska Gas Direct Employee Labor Expense**

2 **Q. PA WITNESS MS. MULLINAX RECOMMENDED INCLUDING A**
3 **HEADCOUNT OF 329.5 EMPLOYEES BASED ON TWELVE OPEN**
4 **VACANCIES.⁸ DO YOU AGREE WITH THAT RECOMMENDATION?**

5 A. No. While Ms. Mullinax's recommendation relies on the Company's vacancy lag at the
6 time of the direct filing, BH Nebraska Gas continues to support a headcount of 341.5
7 employees to effectively run the business and directly serve Nebraska customers. This
8 staffing level is necessary to respond to after-hour emergencies, build, operate and
9 maintain a safe and reliable system for our customers. Since the filing of the Company's
10 application on May 1, 2025, BH Nebraska Gas has filled all 12 open job vacancies and
11 is currently staffed at 341.5 employees, this is known and measurable. This full staffing
12 level is essential due to the growth in both the number of rate base assets maintained
13 and operated by BH Nebraska Gas and the expanding customer base, further
14 reinforcing the need for the requested staffing levels.

15 I continue to reiterate that a total headcount of 341.5 local Nebraska-based
16 employees, who are essential in providing safe and reliable service, is necessary.

⁸ Direct Testimony and Exhibits of Donna H. Mullinax at page 33, lines 1-9.

1 **I. Public Awareness Campaign**

2 **Q. PA WITNESS MS. MULLINAX RECOMMENDS REDUCING THE AMOUNT**
3 **OF REQUESTED PUBLIC AWARENESS FUNDS BY \$200,000.⁹ DO YOU**
4 **AGREE WITH THAT RECOMMENDATION?**

5 A. No, I do not agree. Damage prevention through a Public Awareness Campaign is one
6 of the most critical components of BH Nebraska Gas' public safety strategy, and
7 reducing this investment would hamper the Company's ability to better educate
8 customers, contractors, and the public on safe-digging requirements.

9 Damage caused by third party excavators remains one of the single greatest
10 risks to public and customer safety. The Commission should support BH Nebraska Gas'
11 commitment to public safety by approving this ongoing investment. Consequences of
12 a damaged natural gas line can be severe, including uncontrolled gas releases, service
13 outages, property damage, and even life-threatening incidents. Preventing these events
14 before they occur is not only a regulatory and operational priority, it is a moral
15 obligation to protect the communities BH Nebraska Gas serves.

16 Every incident prevented through proactive outreach, education, and
17 enforcement of safe digging practices avoids the significant costs and risks associated
18 with emergency response and repair. These efforts also reduce service disruptions and
19 help maintain customer trust.

20 That said, BH Nebraska Gas has carefully evaluated both our original proposal
21 and the PA's recommendation. Based on this review, we have revised our request to
22 reflect a more targeted and efficient program, while still maintaining the integrity and

⁹ Direct Testimony and Exhibits of Donna H. Mullinax at page 53, lines 1 and 2.

1 effectiveness of our safety outreach. For these reasons, I strongly recommend that the
2 Commission reject the PA's proposed reduction and approve the adjustment of
3 \$106,053 as discussed in the Rebuttal Testimony of Samantha K. Johnson. Each
4 incident of damage prevented not only benefits customers by eliminating the life-
5 threatening hazards that come with the uncontrolled release of natural gas but also
6 provides financial benefit as the prevention expense is a fraction of the cost required to
7 respond to and repair the damage once it has occurred.

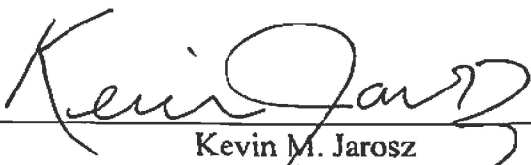
8 **III. CONCLUSION**

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

10 A. Yes.

STATE OF NEBRASKA)
) SS.
COUNTY OF LANCASTER)

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

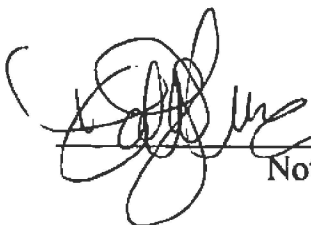


Kevin M. Jarosz

Subscribed and sworn to before me this 5th day of September, 2025.

(SEAL)





Notary Public

My Commission Expires: