

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 LORI J. MACK

Manager of Regulatory

ON BEHALF OF BLACK HILLS NEBRASKA GAS, LLC

Date: September 15, 2025

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EXHIBITS

Confidential Rebuttal Exhibit LJM-3	Confidential Attachment PA 1-42 – Capital Spend by Year
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TABLE OF ABBREVIATIONS AND ACRONYMS

ADIT	Accumulated Deferred Income Taxes
BH Nebraska Gas or Company	Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Commission	Nebraska Public Service Commission
CWC	Cash Working Capital
CWIP	Construction Work in Progress
DDIT	Deficient Deferred Income Tax
FERC	Federal Energy Regulatory Commission
GCA	Gas Cost Adjustment
O&M	Operating and Maintenance
PA	Nebraska Public Advocate
PGA	Purchased Gas Adjustment
RRS	Revenue Requirement Study
Rebuttal RRS	Rebuttal Revenue Requirement Study
Test Year	Twelve months beginning on January 1, 2025, and ending December 31, 2025, applying adjustments for known and measurable changes.
TOIT	Taxes other than Income Taxes

REBUTTAL TESTIMONY OF LORI J. MACK

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Lori J. Mack. My business address is 7001 Mount Rushmore Road, Rapid City, South Dakota 57702.

Q. ARE YOU THE SAME LORI J. MACK 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 present and describe BH Nebraska Gas' position in the Rebuttal Revenue Requirement Study ("Rebuttal RRS") regarding rate base and depreciation expense. I also respond to issues raised in the direct testimonies of Mr. William Dunkel and Ms. Donna Mullinax on behalf of the Nebraska Public Advocate ("PA").

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

2 A. Yes. I am sponsoring one exhibit: Confidential Rebuttal Exhibit LJM-3 – Confidential
3 Attachment PA 1-42 – Capital Spend by Year.

4 **III. REBUTTAL REVENUE REQUIREMENT STUDY**

5 **Q. WHAT IS THE BASIS FOR THE COMPANY SUBMITTING REBUTTAL RRS**
6 **MODELS AND THE CHANGES REFLECTED THEREIN AS COMPARED TO**
7 **ITS ORIGINAL RRS MODELS FILED IN ITS DIRECT CASE?**

8 A. The Company stated in its direct case that it would update its “Revenue Requirement
9 Study (“RRS”) during the course of this proceeding. Upon review of the PA’s
10 testimony, the Company has calculated a Rebuttal RRS which made additional updates
11 and corrections for rate base and depreciation expense as detailed below in my rebuttal
12 testimony as well as updates and corrections to Operating and Maintenance (“O&M”)
13 expenses as detailed in Ms. Samantha K. Johnson’s rebuttal testimony.

14 **Q. PLEASE DESCRIBE THE ADDITIONAL UPDATES, CORRECTIONS, AND**
15 **CONCESSIONS MADE TO THE RRS AND THE UPDATED REVENUE**
16 **REQUIREMENT AND RESULTING REVENUE DEFICIENCY AS IT**
17 **RELATES TO RATE BASE.**

18 A. The following changes were made to rate base within the Rebuttal RRS:

- 19 • Removed the remaining Non-Protected Non-Property related Deficient
20 Deferred Income Tax (“DDIT”) items;
21 • Updated the depreciation rate for Federal Energy Regulatory Commission
22 (“FERC”) Account 381 – Meters – Small Volume and Other resulting in

adjustments to both depreciation expense, accumulated depreciation, and
Accumulated Deferred Income Tax (“ADIT”); and

- Updated Cash Working Capital (“CWC”) to capture iterative changes throughout the Rebuttal RRS.

Q. PLEASE SUMMARIZE THE RESULTS OF THE REBUTTAL RRS.

A. The Rebuttal RRS calculates a total revenue requirement for base rate revenues of \$169,486,878 and a jurisdictional revenue requirement of \$177,209,485 as summarized in Rebuttal Exhibit SKJ-6, Statement B, Pages 1 and 2. My rebuttal testimony, and that of Ms. Johnson, address the contested issues. A complete explanation of the uncontested adjustments made to the RRS can be found in Ms. Johnson’s direct testimony.

IV. RATE BASE ADJUSTMENTS

Q. WHAT WAS THE PA’S RECOMMENDATIONS RELATED TO RATE BASE?

A. The PA recommended five adjustments to the rate base including:

- Update Plant in Service to actual year-end December 31, 2025, amounts;
- Reduction in the Accumulated Depreciation relating to the change in depreciation rates;
- Removal of Non-Plant Related ADIT;
- Removal of Prepayments from Working Capital; and
- Removal of Purchased Gas and Choice Gas expenses from the CWC calculation and moving them to the Purchased Gas Adjustment (“PGA”).

1 **Q. DID THE PA MAKE THESE ADJUSTMENTS IN ITS RECOMMENDED**
2 **REVENUE REQUIREMENTS?**

3 A. Yes, the PA made these adjustments in its RRS, with the exception of the update to
4 actual Plant in Service. However, the reduction in accumulated depreciation was not
5 calculated correctly, and it did not account for the change in ADIT.

6 **Q. WHAT RECOMMENDATION DID THE PA MAKE REGARDING PLANT IN**
7 **SERVICE?**

8 A. PA Witness Ms. Donna Mullinax recommends “that before the Nebraska Public
9 Service Commission (“Commission”) issues a decision, a workshop be held to update
10 the status of the Construction Works in Progress (“CWIP”) and associated retirements
11 and to provide updated, actual year-end December 31, 2025, amounts to calculate the
12 final revenue requirement and associated rates.”¹

13 **Q. DOES THE COMPANY AGREE WITH THIS RECOMMENDATION?**

14 A. No, the Company does not agree with this recommendation. Since the technical
15 conference is scheduled for November, and a hearing on revised rates is expected on
16 December 2, 2025, the Company would be unable to close the 2025 books and produce
17 year-end data before the final order is issued on December 16, 2025.²

18 **Q. WHAT DOES THE COMPANY RECOMMEND?**

19 A. As Mr. Kevin M. Jarosz discusses in his rebuttal testimony, the Company is making
20 strong progress on its capital investment plant and is on schedule to complete all
21 capital additions included in the RRS when rates from this proceeding become

¹ Direct Testimony and Exhibits of Donna H. Mullinax at page 21, lines 2-4.

² Application No. NG-124 Procedural Schedule, dated June 10, 2025.

1 effective. As Ms. Mullinax cited in her testimony, Commission rules allow for the
2 inclusion of items completed and commenced within one year or less from the end of
3 the test year.³ All items in the Company's *pro forma* additions and retirements are
4 scheduled to be completed in 2025. The Company has an excellent track record over
5 the last three years of completing 100% of budgeted projects.⁴ In addition, the assets
6 will be serving customers when the rates become effective. With its proven track
7 record of completing budgeted projects, the Company recommends that the
8 Commission accept Plant in Service and Accumulated Depreciation as set forth in the
9 Rebuttal RRS.

10 **Q. WHAT RECOMMENDATION DID THE PA MAKE REGARDING**
11 **ACCUMULATED DEPRECIATION?**

12 A. PA Witness Ms. Mullinax recommends reducing accumulated depreciation by
13 \$5,503,752 (total company) or \$5,170,575 (jurisdictional) which is the reduction in
14 depreciation expense proposed by PA witness Mr. Dunkel.⁵

15 **Q. PLEASE EXPLAIN HOW THE ACCUMULATED DEPRECIATION**
16 **ADJUSTMENT WAS CALCULATED INCORRECTLY.**

17 A. The adjustment was calculated using the reduction in depreciation expense to reduce the
18 accumulated depreciation. In its direct filing, BH Nebraska Gas' adjustment to
19 accumulated depreciation was calculated using proposed rates on a mid-year convention
20 for *pro forma* additions and retirements. The adjustment for the existing assets as of
21 December 31, 2024, was calculated using current rates.⁶ Using the Company's

³ Direct Testimony and Exhibits of Donna H. Mullinax at page 18, lines 23-24.

⁴ Confidential Attachment PA 1-42 – Capital Spend by Year.

⁵ Direct Testimony and Exhibits of Donna H. Mullinax at page 21, lines 10-12.

⁶ Depreciation rates approved in Application No. NG-109.

1 methodology of calculating the *pro forma* changes in accumulated depreciation reduces
2 PA's proposed reduction from \$5,503,752 to \$177,410. Using the Company's
3 methodology would also have decreased ADIT by \$1,395,292.

4 **Q. DOES THE COMPANY AGREE WITH THE ADJUSTMENT TO**
5 **ACCUMULATED DEPRECIATION MADE BY MR. DUNKEL?**

6 A. No, the Company disagrees with the depreciation rates proposed by Mr. Dunkel. The
7 Company did include a correction to FERC Account 38100 depreciation rate due to a
8 calculation error. Mr. John J. Spanos discusses why Mr. Dunkel's depreciation rates
9 are inaccurate and the correction to FERC account 38100 in his rebuttal testimony.

10 **Q. WHAT RECOMMENDATION DID THE PA MAKE REGARDING ADIT?**

11 A. PA Witness Ms. Mullinax recommends removing non-plant book-tax differences from
12 rate base.⁷ This reduces rates by \$13,503,293 (total company) and \$12,949,020
13 (jurisdictional).

14 **Q. DOES THE COMPANY SUPPORT THE ADIT RATE BASE ADJUSTMENTS**
15 **RECOMMENDED BY THE PA?**

16 A. Partially. BH Nebraska Gas supports removing the Non-Protected Non-Property DDIT,
17 including the state portion, from rate base, but the other ADIT items recommended by
18 the PA should not be removed. Mr. Kenneth L. Crouch discusses these issues in further
19 detail in his rebuttal testimony.

20
21

⁷ Direct Testimony and Exhibits of Donna H. Mullinax at page 24, lines 7-9.

1 **Q. WHAT RECOMMENDATION DID THE PA MAKE REGARDING THE**
2 **INCLUSION OF PREPAYMENTS IN RATE BASE?**

3 A. PA Witness Ms. Mullinax recommends removing prepayments from rate base which
4 reduces it by \$259,364 (total company) or \$226,963 (jurisdictional).⁸

5 **Q. DOES THE COMPANY SUPPORT THE REMOVAL OF PREPAYMENTS**
6 **FROM THE WORKING CAPITAL?**

7 A. No, the Company also disagrees with the removal of Prepayments from Working
8 Capital. Including both prepaids and CWC in a utility's rate base is not double recovery
9 because these components serve distinct financial and operational purposes, and their
10 inclusion is based on regulatory principles of costs recovery and fairness. Prepaids are
11 expenses paid in advance for services or goods that will benefit a utility and its
12 customers over a future period - such as insurance premiums, rent or maintenance
13 contracts. CWC, on the other hand, refers to the ongoing liquidity needed to bridge the
14 timing gap between when a utility incurs expenses and when it receives revenues from
15 customers. Regulatory frameworks, including those from FERC⁹ and state
16 commissions, allow both prepaids and CWC in rate base because they are used and
17 useful in providing utility service. The lead-lag study is a rigorous method used to
18 determine the precise amount of CWC needed and ensures the actual net cash
19 requirement is included, avoiding any duplication with other assets.

⁸ Direct Testimony and Exhibits of Donna H. Mullinax at page 25, lines 7-9.

⁹ Cost-of-Service Rates Manual, Federal Energy Regulatory Commission at page 13.

1 **Q. WHAT RECOMMENDATION DID THE PA MAKE REGARDING THE**
2 **INCLUSION OF GAS PURCHASES IN THE CWC COMPONENT OF RATE**
3 **BASES?**

4 A. PA Witness Ms. Mullinax recommends that the CWC component for Gas Purchases-
5 PGA be removed and transferred to the PGA. She also recommends that the Choice
6 Gas supplier payments be removed from CWC and be directly assigned to customers
7 participating in the Choice Gas program. These adjustments would reduce rate base by
8 \$3,303,445 (total company) or \$3,091,568 (jurisdictional).¹⁰

9 **Q. DOES THE COMPANY ACCEPT THE PA’S RECOMMENDATION TO**
10 **MOVE THE GAS PURCHASES-PGA AND CHOICE GAS SUPPLIER**
11 **PAYMENTS OUT OF THE CWC CALCULATION?**

12 A. No. Both Gas Purchases - PGA and Choice Gas Supplier Payments are included in the
13 CWC calculation because they represent a significant recurring cash outflow that
14 directly affects BH Nebraska Gas’ working capital needs. Gas purchases are one of the
15 largest expenses for BH Nebraska Gas and excluding them could significantly
16 understate the Company’s actual cash requirements. There’s a lag between purchasing
17 gas and recovering the costs through the PGA (also sometimes referenced as Gas Cost
18 Adjustment (“GCA”) during which BH Nebraska Gas needs working capital to bridge
19 the gap. that pass-through costs, like gas purchases, can contribute to working capital
20 requirements if there is a measurable lag in recovery such as is the case for the
21 Company. This lag creates a need for investor-supplied working capital to bridge the
22 gap, which is precisely what the CWC calculation is intended to capture. Including gas

¹⁰ Direct Testimony and Exhibits of Donna H. Mullinax at page 27, lines 1-6.

1 purchases in the lead-lag study helps quantify this timing difference whereas removing
2 gas purchases arbitrarily would distort the results and undermine the integrity of the
3 study.

4 Ms. Mullinax also recommends that the Choice Gas Supplier Payments be
5 removed from the capital working capital calculation and assigned directly to
6 customers participating in the Choice Gas program.¹¹ Choice Gas customers do pay
7 for all gas costs relating to the Choice Gas program; however, since the Company pays
8 vendors for the gas first and then collects revenue from the customers, it still needs to
9 be included in the CWC calculation.

10 The Company maintains that the adjusted test year expenses of approximately
11 \$160 million for Gas Purchases - PGA and Choice Gas Supplier Payments should
12 remain in the CWC calculation.¹² Their inclusion is consistent with regulatory
13 principles, reflects actual cash flow timing and ensures the Company is fairly
14 compensated for the capital it must deploy to maintain reliable service.

15 **Q. WHAT ADJUSTMENTS DID THE COMPANY MAKE TO THE REBUTTAL**
16 **RRS SPECIFIC TO RATE BASE?**

17 A. The Company made three adjustments to rate base:

- 18 • Removed the remaining \$7,029,450 Non-Protected Non-Property DDIT (both
19 federal and state) for a total exclusion of \$7,498,080; and

¹¹ Direct Testimony and Exhibits of Donna H. Mullinax at page 27, lines 2-4.

¹² Rebuttal Exhibit SKJ-6 Schedule F-2 at page 2, lines 3 and 12, column c.

- Reduced accumulated reserve by \$18,860 for plant additions and retirements with a reduction in ADIT of \$121,636 relating to the change in depreciation rate for FERC Account 38100 Small Volume Meters.

- Increased CWC by \$624,964 due to the iterative changes in O&M, Taxes other than Income Taxes (“TOTI”), and Current Income Taxes.

Q. WHY WAS THE REMAINING NON-PROTECTED NON-PROPERTY DDIT REMOVED?

A. It was inadvertently included in the direct filing, so it was removed on Schedule C-1, Rebuttal Exhibit SKJ-6, to be consistent with the previous filing. This is discussed further in the Rebuttal Testimony of Kenneth L. Crouch. Amounts removed include the following:

- Line 19 – Account 254015 – DT 1525 – State (DDIT) – \$5,436,033; and
- Line 21 – Account 254015 – DT 5003 – Non—Protected Non-Property DDIT - \$2,062,047.

Q. PLEASE EXPLAIN THE ADJUSTMENT TO ACCUMULATED DEPRECIATION AND ADIT FOR THE CHANGE IN THE DEPRECIATION RATE FOR FERC ACCOUNT 38100.

A. When the revised depreciation rate for FERC Account 38100 is applied to the *pro forma* additions and retirements, it results in a net reduction of \$18,860 in Rebuttal Exhibit SKJ-6:

- Schedule E-2 – Line 30, Col (g) – new amount is \$85,370, a reduction of \$21,282

- Schedule E-3 – Line 30, Col (g) – new amount is (\$284,932), an increase of 2,422.

The new rate should not be applied to the accumulated depreciation roll forward for existing assets on Schedule E-4 since that adjustment was calculated using the current rates, not the proposed rates.

The revision of the depreciation rate also reduces ADIT by \$121,636 for the following tax items on Schedule C-1:

- Line 17 – Account 254015 – DT 5000 – Protected Property (EDFIT) – (\$5,739);
- Line 28 – Account 282300 – DT 4063 – Accumulated Depreciation – (\$96,751); and
- Line 38 – Account 282300 – DT 1059 – Accumulated Depreciation – State – (\$19,147).

Q. PLEASE EXPLAIN THE CHANGE TO CWC.

A. The change in CWC is a result of iterative changes throughout the Rebuttal RRS. One of the primary drivers is the large reduction in property tax expenses as discussed in Ms. Johnson’s rebuttal testimony.

V. DEPRECIATION EXPENSE

Q. PLEASE SUMMARIZE THE COMPANY’S PROPOSED ANNUAL DEPRECIATION EXPENSE INCLUDED IN ITS RRS MODELS FILED IN ITS DIRECT CASE.

A. The Company’s proposed annual depreciation expense was based on December 31, 2025, plant in service balance and calculated using rates from the Gannett Fleming

1 September 30, 2024, depreciation study. This calculation resulted in depreciation
2 expense of \$41,004,376 for the total company and \$36,047,454 for the jurisdictional
3 portion.

4 **Q. DID THE COMPANY MAKE ANY CHANGES TO THE PROPOSED ANNUAL**
5 **DEPRECIATION EXPENSE IN ITS REBUTTAL RRS?**

6 A. Yes, during the discovery process, Mr. Spanos recalculated the depreciation rate for
7 FERC account 381 – Meters – Small Volume and Other due to a math error that
8 excluded a portion of the plant balance. The corrected depreciation rate was updated
9 in the Rebuttal RRS on Schedules E-2, E-3, and J-1 and resulted in a reduction of
10 expense of \$479,864. Depreciation expense in the Rebuttal RRS is \$40,524,511 for
11 the total company and \$35,625,583 for the jurisdictional portion.

12 **Q. DID ANY PARTY CHALLENGE THE COMPANY’S CALCULATION OF**
13 **DEPRECIATION EXPENSE FOR PURPOSES OF DEVELOPING THE**
14 **REVENUE REQUIREMENTS IN THIS PROCEEDING?**

15 A. Yes, Mr. Dunkel proposed a different set of depreciation rates resulting in a reduction
16 of \$5,503,752 in depreciation expense for the total company and \$5,170,575 for the
17 jurisdictional portion.

18 **Q. DOES THE COMPANY AGREE WITH THE PA’S CONCLUSION ABOUT**
19 **DEPRECIATION EXPENSE?**

20 A. No, the Company does not agree with Mr. Dunkel’s calculations. This item is discussed
21 further in the Rebuttal Testimony of John J. Spanos.

VI. CONCLUSION

2 **Q. PLEASE SUMMARIZE THE POSITION OF BH NEBRASKA GAS AS OF THE**
3 **DATE OF THIS REBUTTAL TESTIMONY.**

4 A. The Company accepts the adjustments to Non-Protected Non-Plant ADIT, but it rejects
5 all other rate base adjustments proposed by the PA.

6 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

7 A. Yes.

STATE OF SOUTH DAKOTA)
) SS.
COUNTY OF PENNINGTON)

I, Lori J. Mack, 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.

Lori J. Mack
Lori J. Mack

Subscribed and sworn to before me this 8th day of September, 2025.




Notary Public

My Commission Expires:

My commission expires June 22, 2029