

**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 SAMANTHA K. JOHNSON**

Atrium Economics

**ON BEHALF OF BLACK HILLS NEBRASKA GAS, LLC**

Date: September 15, 2025

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**EXHIBITS**

| Testimony Exhibits     |   |
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| Rebuttal Exhibit SKJ-6 | Rebuttal Revenue Requirement Study            |
| Rebuttal Exhibit SKJ-7 | Confidential Supplemental Attachment PA 9-232 |

**TABLE OF ABBREVIATIONS AND ACRONYMS**

|                            |   |
|----------------------------|---|
| ADIT                       | Accumulated Deferred Income Taxes   |
| AIP                        | Annual Incentive Plan   |
| Base Year                  | Twelve (12) months beginning on January 1, 2024, and ending on December 31, 2024  |
| BH Nebraska Gas or Company | Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy  |
| BHSC                       | Black Hills Service Company, LLC  |
| CWC                        | Cash Working Capital  |
| DDIT                       | Deficient Deferred Income Tax   |
| D&O                        | Director & Officer  |
| FERC                       | Federal Energy Regulatory Commission  |
| FICA                       | Federal Insurance Contributions Act   |
| LTIP                       | Long-Term Incentive Plan  |
| MGP                        | Manufactured Gas Plant  |
| O&M                        | Operations and Maintenance  |
| PA                         | Nebraska Public Advocate  |
| PGA                        | Purchased Gas Adjustment  |
| Rebuttal RRS               | Rebuttal Exhibit SKJ-6 - Rebuttal Revenue Requirement Study   |
| ROE                        | Return on Equity  |
| RRS                        | Revenue Requirement Study   |
| STIP                       | Short-Term Incentive Plan   |
| Test Year                  | Twelve months beginning on January 1, 2025, and ending December 31, 2025, applying adjustments for known and measurable changes |
| WACC                       | Weighted Average Cost of Capital  |

**REBUTTAL TESTIMONY OF SAMANTHA K. JOHNSON**

**I. INTRODUCTION**

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

A. My name is Samantha K. Johnson. My business address is 10 Hospital Center Commons, Suite 400, Hilton Head Island, South Carolina, 29926.

**Q. ARE YOU THE SAME SAMANTHA K. JOHNSON 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. Yes. Since filing my direct testimony in this proceeding, I have transitioned from my previous role as Director, Regulatory at Black Hills Energy to a Managing Consultant at Atrium Economics. Although I am no longer employed by the utility, I continue to serve as the revenue requirement witness in this case in my capacity as a consultant. My testimony remains based on my expertise, experience and familiarity with the utility's financial and regulatory matters, and I have maintained continuity in my analysis and recommendations.

**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").

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

3    A.    Yes, I am sponsoring the following attachments:

- 4           •       Rebuttal Exhibit SKJ-6 - Rebuttal Revenue Requirement Study
- 5           •       Rebuttal Exhibit SKJ-7 – Confidential Supplemental Attachment PA 9-232

6                               **II.   PURPOSE OF TESTIMONY**

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

8    A.    I sponsor and support the Company’s Rebuttal Revenue Requirement Study reflecting  
9       its rebuttal position which is provided as Rebuttal Exhibit SKJ-6 (“Rebuttal RRS”). I  
10       detail and explain the adjustments within the model as well as the changes made in  
11       Rebuttal RRS model, as compared to the Company’s initial proposed RRS model  
12       provided as Direct Exhibit SKJ-2 to my direct testimony. In addition, I will summarize  
13       the issues raised by the Nebraska Public Advocate (“PA”) witnesses affecting the  
14       revenue requirement and respond to PA’s positions regarding the following topics:

- 15           •       Rate Base
  - 16               ○    Accumulated Deferred Income Taxes (“ADIT”)
  - 17               ○    Prepayments
  - 18               ○    Cash Working Capital (“CWC”)
- 19           •       Capital Structure, Return on Equity (“ROE”), and Cost of Long-Term Debt
- 20           •       Operations and Maintenance (“O&M”) Expense Adjustments
  - 21               ○    Bad Debt
  - 22               ○    Direct Labor Costs
  - 23               ○    Service Company Allocated Labor Costs
  - 24               ○    Incentive Compensation
  - 25               ○    Severance
  - 26               ○    Employee Recognition Programs
  - 27               ○    Pooled Medical Insurance
  - 28               ○    Insurance and Deferred Accounting Treatment for Insurance
  - 29               ○    Expenses
  - 30               ○    Directors and Officers (“D&O”) Liability Insurance
  - 31               ○
  - 32               ○

- Advertising
- Public Awareness Campaign
- Alternative Forms of Payment
- Reclassification of Western, NE from Rate Area Five to Rate Area Three Savings

- Manufactured Gas Plant (“MGP”) Soil Sample Testing Deferred Accounting Treatment and Reclassification of Expenses
- Deferred Accounting Treatment for Insurance Expense
- Depreciation Expense
- Property Taxes including Stored Gas Property Taxes
- Corrected Payroll Taxes
- Annualized Customer Growth Revenue
- Interest Synchronization

### **III. REBUTTAL REVENUE REQUIREMENT STUDY**

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

A. Upon review of the intervenor’s testimony, the Company has calculated a Rebuttal RRS with updates, corrections, and concessions as detailed below. Ms. Brooke N. Bassell-Herman’s rebuttal testimony discusses the Company’s overall response to the intervenor testimony and explains why the Company has decided to reduce its requested revenue requirement.

1   **Q.     PLEASE DESCRIBE THE ADDITIONAL UPDATES, CORRECTIONS, AND**  
2       **CONCESSIONS MADE TO THE RRS AND THE UPDATED REVENUE**  
3       **REQUIREMENT AND RESULTING REVENUE DEFICIENCY.**

4   **A.**    The following changes were made to the Rebuttal RRS:

- 5           •     Removed remaining Deficient Deferred Income Tax (“DDIT”) from rate  
6                 base in the amount of \$7,498,080;
- 7           •     Updated depreciation expense, accumulated depreciation and ADIT based  
8                 on the updated proposed depreciation rate for Federal Energy Regulatory  
9                 Commission (“FERC”) Account 38100 from 8.82% to 7.06%;
- 10          •     Removed additional advertising costs identified by the Public Advocate in  
11                 the amount of \$8,425;
- 12          •     Corrected formula errors on Statement H;
- 13          •     Updated the pension & retiree healthcare adjustment to \$40,417;
- 14          •     Reduced Intercompany charges from Black Hills Service Company, LLC  
15                 (“BHSC”) adjustment on Schedule H-7 by \$559,176 which includes the  
16                 following items:
  - 17                 ○   Updated labor related costs removing 1/3 of the open positions in  
18                       the Twelve months beginning on January 1, 2025, and ending  
19                       December 31, 2025, applying adjustments for known and  
20                       measurable changes (“Test Year”);
  - 21                 ○   Removed labor costs associated with moving Western, NE from  
22                       Rate Area 5 to Rate Area 3 in the amount of \$7,462;



- Updated pooled medical costs associated with the removal of 1/3 of the open positions in the Test Year;
- Update insurance premium adjustment to actual invoices received since the Company's direct filing; and
- Remove 50% of the expense related to Director and Officer Liability Insurance in the amount of \$104,238.
- Reduced the Alternative Forms of Payment adjustment to \$208,736;
- Reduced the adjustment for the Public Awareness Campaign to \$106,053;
- Removed MGP expenses in the amount of \$138,821 pending approval of a deferred accounting mechanism;
- Updated Property Tax to Gross Plant Factor rate from 0.6733% to 0.6139%; and
- Updated Federal Insurance Contributions Act ("FICA") Tax Adjustment to remove the impact of Company-funded employee benefits not subject to payroll taxes.

**Q. PLEASE SUMMARIZE THE RESULTS OF THE REBUTTAL RRS MODEL.**

A. The Rebuttal RRS model calculates a total company revenue requirement for base rate revenues of \$169,486,878 and the total jurisdictional revenue requirement is \$177,209,485 as summarized in Rebuttal Exhibit SKJ-6, Statement B, Pages 1 and 2. The Rebuttal RRS is based on Twelve (12) months ending December 31, 2024 ("Base Year") updated with *pro forma* adjustments for known and measurable changes through December 31, 2025. My rebuttal testimony addresses the contested issues. A complete explanation of the uncontested adjustments made to the Company's filed Revenue

1 Requirement Study (“RRS”) can be found in my direct testimony. The resulting  
2 revenue requirement is based on the Company’s proposed ROE of 10.50%, a cost of  
3 long-term debt of 4.71%, and a capital structure of 50.52% equity, 49.48% debt, for an  
4 overall weighted average cost of capital (“WACC”) of 7.63%.

5 **Q. WHAT IS THE RESULTING REVISED INCREASE IN BASE RATE**  
6 **REVENUES THE COMPANY IS REQUESTING IN ITS REBUTTAL CASE?**

7 A. In summary, the Company is requesting a jurisdictional base rate increase of  
8 \$32,024,595, as shown in Table SKJ-6 – Rebuttal Jurisdictional Revenue Requirement  
9 below:

**Table SKJ-6 – Jurisdictional Revenue Requirement**

| <b>Description</b>                                      | <b>Jurisdictional Revenue Requirement</b> |
|---|---|
| Total Adjusted Rate Base                                | <b>\$780,361,392</b>                      |
| Rate of Return  | 7.63%                                     |
| <b>Return</b>   | <b>\$59,541,574</b>                       |
| Operations & Maintenance                                | 68,045,372                                |
| Depreciation/Amortization                               | 35,625,583                                |
| Taxes Other Than Income                                 | 9,395,277                                 |
| FIT - Existing Rates                                    | 2,349,143                                 |
| Other Operating Revenue                                 | (5,482,077)                               |
| <b>Total Cost of Service</b>                            | <b>\$169,474,873</b>                      |
| Revenue Under Existing Rates                            | 145,184,890                               |
| <b>Increase/(Decrease) Before Taxes</b>                 | <b>\$24,289,983</b>                       |
| Combined Tax Rate                                       | 24.15%                                    |
| <b>Revenue Deficiency / (Excess) After Tax Gross up</b> | <b>\$32,024,595</b>                       |
| <b>Total Revenue Requirement after Tax Gross up</b>     | <b>\$177,209,485</b>                      |

#### **IV. ISSUES RAISED BY INTERVENORS AFFECTING THE REVENUE REQUIREMENT**

**Q. WHAT ARE THE ISSUES THE PUBLIC ADVOCATE RAISES CONCERNING THE DEVELOPMENT OF THE REVENUE REQUIREMENT IN THIS PROCEEDING?**

A. The PA recommends the following adjustments, as shown in its proposed revenue requirement study, included as Exhibit DHM-2 to the 1 Direct Testimony and Exhibits of Donna H. Mullinax:

- ADIT

- PA witness Ms. Mullinax recommends reducing rate base by removing non-plant book-tax differences for \$13,503,293 (total company) and \$12,949,020 (jurisdictional).<sup>1</sup>

- The Company disagrees with this recommendation but does agree that the remaining DDIT from the direct filing be removed in rebuttal.

- Prepayments

- PA witness Ms. Mullinax recommends removing prepayments from Working Capital.<sup>2</sup>

<sup>1</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 24, lines 5-9.

<sup>2</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 25, lines 1-9.

- 1                   ○ The Company disagrees with the removing prepayments from  
2                   Working Capital and this issue is addressed in the Rebuttal  
3                   Testimony of Lori J. Mack.

4                   •       CWC

- 5                   ○ PA witness Ms. Mullinax recommends that the expenses associated  
6                   with Gas Purchases be removed from the CWC calculation and  
7                   transferred to the Purchased Gas Adjustment (“PGA”) recovery  
8                   mechanism and that the expenses associated with the Gas Purchase  
9                   – Choice Gas be removed from the CWC calculation and assigned  
10                  directly to the Choice Gas customers.<sup>3</sup>  
11                  ○ The Company disagrees with these recommendations and Company  
12                  witness Ms. Mack addresses this in her rebuttal testimony.

13                  •       Annualized Customer Growth Revenue Adjustment

- 14                  ○ PA witness Ms. Mullinax recommends including an adjustment to  
15                  annualize the customer growth revenues to reflect the additional  
16                  44,488 residential customer bills for the full year.<sup>4</sup>  
17                  ○ The Company disagrees with this methodology and this issue is  
18                  discussed further in the Rebuttal Testimony of Douglas H. Hyatt.  
19                  In addition to the overstatement of actual and expected customer  
20                  growth and the timing of adding in customer bills, as addressed in  
21                  Mr. Hyatt’s rebuttal testimony, PA witness Ms. Mullinax’s growth

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<sup>3</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 26, lines 1-6.

<sup>4</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 29, lines 15 and 16.

1 adjustment should be rejected as it fails to also account for the  
2 incremental costs associated with serving additional customers, such  
3 as customer service and billing, maintenance and operations,  
4 metering, and infrastructure support. As such, the adjustment, as  
5 proposed by the PA, creates a mismatch in the revenue requirement  
6 calculation. By increasing revenues without adjusting expenses, the  
7 methodology creates an artificial reduction in the revised revenue  
8 requirement eroding the ability of the company to recover its actual  
9 costs. The increased customer count without the corresponding  
10 increase in expenses violates the principle of matching revenues  
11 with expenses and results in a flawed representation and calculation  
12 of the utility's financial needs. To ensure a representative and  
13 accurate revenue requirement, the customer growth adjustment as  
14 proposed by Mr. Hyatt should be approved.

15 • Bad Debt

- 16 ○ PA witness Ms. Mullinax recommends adjusting the bad debt  
17 expense adjustment to reflect the revised revenue using the  
18 Company's average uncollectible rate.<sup>5</sup>  
19 ○ The Company agrees to use its average uncollectible rate consistent  
20 with its direct filing against the final revised revenue.

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<sup>5</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 40, lines 4-11.

• Direct Labor Costs

- PA witness Ms. Mullinax recommends the removal of the 12 open positions.<sup>6</sup>
- The Company disagrees with this adjustment which is addressed in my rebuttal testimony below.

• BHSC Allocated Labor Costs

- PA witness Ms. Mullinax recommends the removal of the 94.5 open positions.<sup>7</sup>
- The Company agrees with the recommendation in part and removes \$489,453 in labor and benefits. This adjustment is discussed in my rebuttal testimony below.

• Correct Payroll Taxes

- PA witness Ms. Mullinax recommends correcting the FICA tax calculation to remove non-payroll benefits.<sup>8</sup>
- The Company agrees with PA and has updated the calculations in the Rebuttal RRS.

• Incentive Compensation

- PA witness Ms. Mullinax recommends removal of 30% of Short-Term Incentive Plan (“STIP”) and 100% of Long-Term Incentive Plan (“LTIP”).<sup>9</sup>

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<sup>6</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 33, lines 1-9.

<sup>7</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 34, lines 16 and 17.

<sup>8</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 35, lines 3-21.

<sup>9</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 39, lines 10-12, and page 38, lines 5-7.

1                   ○ The Company maintains the position that 100% of STIP and LTIP  
2                   should be included in the RRS. This is discussed further in my  
3                   rebuttal testimony below and in the Rebuttal Testimony of Kris J.  
4                   Pontius.

5                   •       Severance

6                   ○ PA witness Ms. Mullinax recommends the removal of severance  
7                   expense.<sup>10</sup>  
8                   ○ The Company disagrees with this recommendation as discussed in  
9                   my rebuttal testimony below.

10                  •       Employee Recognition Programs

11                  ○ PA witness Ms. Mullinax recommends adjusting the employee  
12                  recognition programs down to a four-year average.<sup>11</sup>  
13                  ○ The Company disagrees with this recommendation and believes that  
14                  using the Base Year amount is the most accurate amount. This is  
15                  discussed in my rebuttal testimony below.

16                  •       Pooled Medical Insurance

17                  ○ PA witness Ms. Mullinax recommends removing pooled medical  
18                  insurance relating to the 94.5 open positions for BHSC.<sup>12</sup>  
19                  ○ The Company agrees in part and has removed \$20,047 in the rebuttal  
20                  RRS to match the reduction in BHSC allocated labor costs related  
21                  to the open positions.

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<sup>10</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 42, lines 21 and 22.

<sup>11</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 44, lines 8-10.

<sup>12</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 45, lines 5 and 6.

- 1           •     Insurance Expenses and Deferred Accounting Treatment related to  
2                 Insurance Expenses
  - 3                     ○ PA witness Ms. Mullinax recommends removing the adjustment to  
4                         increase insurance costs to the 2025 Test Year levels as well as  
5                         rejecting the deferred accounting treatment related to insurance  
6                         expenses.<sup>13</sup>
  - 7                     ○ The Company disagrees with this recommendation and includes an  
8                         adjustment to update insurance expenses to actual costs in its  
9                         Rebuttal RRS. It also maintains its position on the deferred  
10                         accounting treatment for insurance expenses which is further  
11                         discussed within the testimony of Ms. Bassell-Herman.
- 12          •     D&O Liability Insurance
  - 13                     ○ PA witness Ms. Mullinax recommends removing 50% of D&O  
14                         insurance expense.<sup>14</sup>
  - 15                     ○ The Company agrees with this recommendation and has removed  
16                         \$104,238 from its Rebuttal RRS.
- 17          •     Advertising
  - 18                     ○ PA witness Ms. Mullinax recommends removing an additional  
19                         \$8,425 in advertising-related expenses.<sup>15</sup>
  - 20                     ○ The Company agrees with this recommendation and has made this  
21                         adjustment in its Rebuttal RRS.

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<sup>13</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 46 line 16 through page 47 line 1.

<sup>14</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 48, lines 5-17.

<sup>15</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 57, lines 1-7.



• Public Awareness Campaign

○ PA witness Ms. Mullinax recommends no increase in the costs for the campaign.<sup>16</sup>

○ The Company has revised the adjustment from \$200,000 to \$106,053. This adjustment is discussed further in my rebuttal testimony and the Rebuttal Testimony of Kevin M. Jarosz.

• Alternative Forms of Payment

○ PA witness Ms. Mullinax recommends no increase for the cost of alternative forms of payment.<sup>17</sup>

○ The Company has revised the adjustment from \$241,388 to \$208,736. This adjustment is discussed further in my rebuttal testimony below.

• Property Taxes

○ PA witness Ms. Mullinax recommends matching property taxes to the actual year-end December 31, 2025, plant balances.<sup>18</sup>

○ The Company disagrees that plant in service should be updated to actuals which would remove the need to update property tax expense. This is discussed in the rebuttal testimony of Ms. Mack. However, the Company did update the property tax gross to plant factor reflecting a decrease of \$774,189. This adjustment is discussed in my rebuttal testimony below.

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<sup>16</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 53, lines 1 and 2.

<sup>17</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 53, lines 12-13.

<sup>18</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 54, lines 4-8.

- 1           •       Stored Gas Property Taxes
  - 2                   ○ PA witness Ms. Mullinax recommends moving the recovery of
  - 3                   stored gas costs to the PGA.<sup>19</sup>
  - 4                   ○ The Company disagrees with this recommendation which is
  - 5                   discussed further in my rebuttal testimony and the Rebuttal
  - 6                   Testimony of Kenneth L. Crouch.
- 7           •       Depreciation Expense
  - 8                   ○ PA witness William W. Dunkel recommends a reduction of
  - 9                   \$5,503,752 (total company) in annual depreciation expense, based
  - 10                  upon his proposed depreciation rates.<sup>20</sup>
  - 11                  ○ The Company disagrees with this recommendation and continues to
  - 12                  use the rates set forth in the depreciation study conducted by Gannett
  - 13                  Fleming. However, Mr. Spanos proposes updating one account in
  - 14                  his rebuttal testimony, resulting in a reduction to depreciation
  - 15                  expense of \$479,864. Depreciation rates are discussed in more
  - 16                  detail in the Rebuttal Testimony of John J. Spanos and depreciation
  - 17                  expense is discussed in the rebuttal testimony of Ms. Mack.
- 18          •       Reclassification of Western, NE from Rate Area 5 to Rate Area 3 Savings
  - 19                   ○ PA witness Howard Solganick supports the reclassification of
  - 20                   Western, NE, from Rate Area 5 to Rate Area 3, and also
  - 21                   recommends a reduction of \$7,462 in associated expenses.<sup>21</sup>

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<sup>19</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 55, lines 1-5.

<sup>20</sup> Direct Testimony and Exhibits of William W. Dunkel at page 50, lines 6-12.

<sup>21</sup> Direct Testimony and Exhibits of Howard H. Solganick at page 41, lines 5-7

1                   ○ The Company accepts the PA's recommendation and has removed  
2                   \$7,462 from its Rebuttal RRS.

3                   • MGP Soil Sample Testing Deferred Accounting Treatment and  
4                   Reclassification of Expenses

5                   ○ PA witness Ms. Mullinax recommends the approval of the deferred  
6                   accounting treatment of MGP, but it requests the reclassification of  
7                   \$138,821 in expenses from base rates to the deferred asset.<sup>22</sup>

8                   ○ The Company agrees to the reclassification of the deferred  
9                   accounting treatment is approved and has removed this expense  
10                  from its Rebuttal RRS.

11                  • Interest Synchronization

12                  ○ PA witness Ms. Mullinax recommends adjusting interest expense  
13                  based on the weighted cost of debt which utilizes PA witness S.  
14                  Keith Berry's proposed cost of debt.<sup>23</sup>

15                  ○ The Company agrees to calculate interest expense using the  
16                  finalized cost of debt consistent with its direct filing.

17   **Q. DID THE PUBLIC ADVOCATE MAKE ANY ERRORS IN THE**  
18   **DEVELOPMENT OF THEIR REVENUE REQUIREMENT IN THIS**  
19   **PROCEEDING?**

20   A. Yes, the PA made three errors in its development of its revenue requirement. The first  
21   error is the application of the reduction in depreciation expense to the accumulated

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<sup>22</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 63, lines 4-8

<sup>23</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 57, lines 4-5 and Direct Testimony and Exhibits of S. Keith Berry at page 20, lines 10-11

1 reserve and deferred tax assets and liabilities. Ms. Mack discusses these errors further  
2 in her rebuttal testimony.

3 The second error relates to the calculation of Annual Incentive Plan (“AIP”)  
4 and STIP. The PA used the data from the direct payroll annualization but included  
5 employees in the STIP calculation that receive AIP, not STIP, thus over-stating the  
6 reduction due to STIP. Ms. Mullinax’s revenue requirement removed \$305,300 for  
7 direct charged STIP, however that adjustment should have only removed \$26,999.

8 The third error relates to the use of the jurisdictional allocation factors. The  
9 total company cost of service needs to be run through the class cost of service model  
10 in order to generate the jurisdictional allocation factors which are then applied to create  
11 the jurisdictional revenue requirement as well as to update the jurisdictional federal  
12 income tax. The PA didn’t update the factors after updating the total company revenue  
13 requirement which would result in an inaccurate allocation to the jurisdictional  
14 customers.

15 **Q. PLEASE SUMMARIZE THE PARTIES’ REVENUE REQUIREMENTS AND**  
16 **REVENUE DEFICIENCIES.**

17 A. See Table SKJ-7 – Comparison of Proposed Revenue Requirements for a summary of  
18 the Company’s jurisdictional direct position, the PA’s position, and the Company’s  
19 rebuttal position.

**Table SKJ-7 – Comparison of Proposed Revenue Requirements**

| <b>Description</b>  | <b>Company<br/>Jurisdictional<br/>Direct</b> | <b>Public<br/>Advocate<br/>Position</b> | <b>Company<br/>Jurisdictional<br/>Rebuttal</b> |
|---|--|---|--|
| Total Adjusted Rate Base                                    | \$785,247,119                                | \$774,150,143                           | \$780,361,392                                  |
| Rate of Return  | 7.63%  | 7.02%                                   | 7.63%  |
| <b>Return</b>   | <b>\$59,914,355</b>                          | <b>\$54,345,340</b>                     | <b>\$59,541,574</b>                            |
| Operations & Maintenance                                    | \$68,808,905                                 | \$64,414,836                            | \$68,045,372                                   |
| Depreciation/Amortization                                   | 36,047,454                                   | 30,876,878                              | 35,625,583                                     |
| Taxes Other Than Income                                     | 10,155,504                                   | 9,902,409                               | 9,395,277                                      |
| FIT - Existing Rates  | 2,232,866                                    | 4,999,081                               | 2,349,143                                      |
| Other Operating Revenue                                     | (5,485,646)                                  | (5,485,646)                             | (5,482,077)                                    |
| <b>Total Cost of Service</b>                                | <b>\$171,673,438</b>                         | <b>\$159,052,898</b>                    | <b>\$169,474,873</b>                           |
| Revenue Under Existing Rates                                | 145,184,890                                  | 146,397,518                             | 145,184,890                                    |
| <b>Increase/(Decrease) Before Taxes</b>                     | <b>\$26,488,548</b>                          | <b>\$12,655,380</b>                     | <b>\$24,289,983</b>                            |
| Combined Tax Rate   | 24.15%                                       | 24.15%                                  | 24.15%   |
| <b>Revenue Deficiency / (Excess) After<br/>Tax Gross up</b> | <b>\$34,923,246</b>                          | <b>\$16,685,209</b>                     | <b>\$32,024,595</b>                            |
| <b>Total Revenue Requirement after Tax<br/>Gross up</b>     | <b>\$180,108,135</b>                         | <b>\$163,082,727</b>                    | <b>\$177,209,485</b>                           |

**V. RATE BASE ADJUSTMENTS**

**Q. DID THE COMPANY MAKE ANY ADJUSTMENTS TO RATE BASE IN ITS REBUTTAL RRS?**

A. Yes, as discussed in the rebuttal testimonies of Ms. Mack and Mr. Crouch, the Company adjusted Accumulated Depreciation and ADIT to account for the change in the Account 38100 depreciation rate as well as the removal of the DDIT.

1                   **VI.     CAPITAL STRUCTURE, ROE, AND COST OF**  
2                                   **LONG-TERM DEBT**

3   **Q.     PLEASE SUMMARIZE THE INTERVENOR RECOMMENDATIONS**  
4       **RELATED TO CAPITAL STRUCTURE, COST OF DEBT, ROE, AND WACC.**

5   A.     PA witness Mr. Berry recommended a WACC of 7.02%.<sup>24</sup> This results from a 50/50  
6       capital structure, a 4.61% cost of debt, and a 9.42% ROE.

7   **Q.     WHAT IS THE COMPANY PROPOSING IN ITS REBUTTAL CASE WITH**  
8       **RESPECT TO CAPITAL STRUCTURE, COST OF DEBT, ROE AND WACC?**

9   A.     The Company maintains its proposed capital structure of 49.48% debt and 50.52%  
10       equity, a 4.71% cost of debt, and a 10.5% ROE resulting in a WACC of 7.63%. These  
11       recommendations are discussed further in the rebuttal testimonies of Mr. Thomas  
12       Stevens and Mr. Adrien McKenzie.

13                   **VII.   O&M EXPENSE ADJUSTMENTS**

14   **Q.     DID THE COMPANY MAKE ANY ADJUSTMENTS TO O&M IN THE**  
15       **REBUTTAL REVENUE REQUIREMENT?**

16   A.     Yes, the Company made several adjustments to O&M expenses. They include the  
17       following:

- 18           •       Corrected formulas on Stmt H;
- 19           •       Removal of additional advertising expenses;
- 20           •       Updated pension and retiree healthcare adjustment;

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<sup>24</sup> Direct Testimony and Exhibits of. S. Keith Berry at page 32, line 21 and Exhibit SKB-7.

- Updated Intercompany Allocated Chares from BHSC specific to:
  - Insurance expenses including removal of 50% of D&O insurance;
  - Labor costs relating to Western, NE, reclassification;
  - Updated open positions included in the Rebuttal RRS; and
  - Pooled medical expenses.
- Updated adjustment for alternative forms of payment;
- Updated public awareness campaign adjustment; and
- Removed MGP expenses.

**Q. PLEASE DESCRIBE THE ADJUSTMENT TO CORRECT FORMULAS ON STATEMENT H.**

A. The data from Schedule H-3 was inadvertently linked to the wrong line on Statement H. Data from FERC account 893 was linked to the cell on line 61, column (g), but should have linked to line 62, column (g). Data from FERC account 912 was linked to line 87, column (g), but should have linked to line 88, column (g). The overall adjustment did not change. However, due to the jurisdictional allocators for those accounts, the jurisdictional total increased by \$31.

**Q. PLEASE DESCRIBE THE ADJUSTMENT TO REMOVE ADDITIONAL ADVERTISING COSTS.**

A. The PA recommended removing an additional \$8,425 in promotional materials.<sup>25</sup> The Company agrees with this recommendation and removed the costs on Schedule H-2, column (e), lines 1, 6, and 9.

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<sup>25</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 57, lines 1-7

1   **Q.    PLEASE DESCRIBE THE ADJUSTMENT TO UPDATE PENSION AND**  
2   **RETIREE HEALTHCARE EXPENSE AMOUNTS.**

3   A.    It was discovered that the per book Base Year amount was overstated by \$5,745 due to  
4       a formula error. Correcting the Base Year amounts increased the total adjustment by  
5       \$81. Together, pension and retiree healthcare-related costs in the Test Year revenue  
6       requirement is \$1,418,743 as shown on Schedule H-6 in Rebuttal Exhibit SKJ-6.

7   **Q.    PLEASE DESCRIBE THE UPDATES TO THE INTERCOMPANY**  
8   **ALLOCATED CHARGES FROM BHSC.**

9   A.    The adjustments to the BHSC charges include a reduction to labor and benefits expense  
10       related to the open positions, updating insurance expenses, removing 50% of the D&O  
11       insurance expense and removing the expenses related to Western, NE.

12   **Q.    PLEASE DESCRIBE THE UPDATES TO THE LABOR COSTS FOR THE**  
13   **BHSC OPEN POSITIONS .**

14   A.    The first adjustment pertains to the BHSC open positions included in the Company's  
15       direct RRS. The Company disagrees with the PA's removal of the labor costs  
16       associated with the 94.5 open positions, which assumes a complete and indefinite  
17       vacancy of these roles, which is not consistent with the Company's operational plans.  
18       The Company acknowledges that not all positions may be filled during each day of the  
19       Test Year, and an adjustment was made to remove the costs associated with one-third  
20       of the open positions. This adjustment reflects a more reasonable expectation of the  
21       Company's ability to fill a portion of these roles during the Test Year. It balances the  
22       need for prudent cost recovery with recognition of current labor market conditions and  
23       internal hiring capacity. Removing the full cost of the open positions would understate



1 the Company's actual staffing needs and impair its ability to provide safe and reliable  
2 service and would result in an artificially lower revenue requirement. As of August 31,  
3 2025, the company has filled 32 of the 94.5 open positions. The one-third adjustment  
4 represents a conservative yet reasonable estimate of the number of positions that will  
5 be filled at the end of the Test Year and results in a reduction of \$489,453 on Schedule  
6 H-7.

7 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO REMOVE LABOR COSTS**  
8 **RELATING TO WESTERN, NE.**

9 A. Consistent with the PA's recommendation, the Company reduced the BHSC labor  
10 adjustment by \$7,462.

11 **Q. PLEASE DESCRIBE THE UPDATES TO POOLED MEDICAL COSTS FOR**  
12 **BHSC.**

13 A. Consistent with the reduction of the labor expenses to remove the costs associated with  
14 one-third of the open positions, an adjustment was made to remove the associated  
15 pooled medical costs of one-third of the open positions, resulting in a reduction to  
16 expense of \$20,047 on Schedule H-7.

17 **Q. PLEASE DESCRIBE THE UPDATES TO INSURANCE EXPENSES.**

18 A. The Company noted in its direct filing that it would update insurance premiums to  
19 actuals as they became available. Based on premium renewals received in 2025, the  
20 Company has increased the overall insurance adjustment by \$62,028 which includes a  
21 reduction to FERC account 924 of \$4,450 and an increase to FERC account 925 of  
22 \$66,478. This brings the total insurance adjustment to \$1,013,669. This amount was  
23 then reduced by the removal of 50% of the D&O insurance in the amount of \$104,238,

1 resulting in a total adjustment of \$909,431 as shown on Schedule H-7. The fact that  
2 actual premiums were greater than the planned increase by the Company in the direct  
3 filing further supports the Company's position that a deferred accounting mechanism  
4 for insurance costs is needed as these costs continue to be volatile and outside the  
5 company's control.

6 **Q. PLEASE DESCRIBE THE UPDATE MADE TO THE ADJUSTMENT FOR**  
7 **ALTERNATIVE FORMS OF PAYMENT.**

8 A. The Company recalculated the 2025 Test Year expenses using actual data through July  
9 31, 2025, and annualized for the Test Year. This resulted in a reduction of the  
10 adjustment by \$32,652, for a total adjustment of \$208,736 as shown in Schedule H-9.

11 **Q. PLEASE DESCRIBE THE CHANGE MADE TO THE ADJUSTMENT FOR**  
12 **THE PUBLIC AWARENESS CAMPAIGN.**

13 A. The Company revised its total program expense to \$250,000, thus reducing the  
14 requested increase by \$93,947 as shown on Schedule H-12. Additional program details  
15 are discussed in the rebuttal testimony of Mr. Jarosz.

16 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR MGP COSTS.**

17 A. The Company removed the Base Year MGP expenses of \$138,821 on Schedule H-14  
18 based on the PA's recommendation that the deferred accounting treatment of the MGP  
19 be approved and costs be reclassified from base rates to the deferred asset. As discussed  
20 in the rebuttal testimony of Ms. Bassell-Herman, if the MGP deferred accounting  
21 mechanism is not authorized, the MGP expenses should be included in base rates.

22

1 **Q. WHY DID THE COMPANY NOT MAKE AN ADJUSTMENT FOR DIRECT**  
2 **LABOR COSTS?**

3 A. The Company did not make an adjustment for direct labor costs because as of August  
4 31, 2025, it had filled the 12 open positions from its original filing. These are known  
5 and measurable costs that are prudent to be included in the RRS.

6 **Q. DO THE INTERVENING PARTIES HAVE ANY OTHER**  
7 **RECOMMENDATIONS REGARDING O&M EXPENSES?**

8 A. Yes, the PA recommends adjustments for bad debt expense, incentive compensation  
9 expense, severance expense, and employee recognition programs. These items are  
10 discussed in more detail below.

11 **Q. HOW DOES THE COMPANY CALCULATE THE ADJUSTMENT FOR BAD**  
12 **DEBT?**

13 A. As shown on Schedule H-8, the Company calculates the adjustment for bad debt  
14 expense as a three-year average applied against the incremental new revenue. Ms.  
15 Mullinax agreed with the Company's methodology of calculating the average.<sup>26</sup> The  
16 Company agrees to update bad debt expense based on the final revenue requirement.

17 **Q. WHAT DOES THE PA RECOMMEND RELATED TO INCENTIVE**  
18 **COMPENSATION?**

19 A. The PA supports inclusion of 100% of AIP costs in the RRS consistent with the  
20 Company's direct filing, removal of the portion of STIP that is related to EPS reducing  
21 the expense by \$566,863, and 100% disallowance of LTIP expenses.<sup>27</sup>

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<sup>26</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 30, lines 8 and 9.

<sup>27</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 37, lines 6-12, page 39, lines 10-12, and page 38, lines 5-7.

1   **Q.     WHAT IS THE COMPANY’S POSITION ON INCENTIVE COMPENSATION?**

2   A.     The Company maintains its position on incentive compensation that 100% of STIP and  
3           100% of LTIP should be recoverable in base rates. Mr. Pontius discusses this further  
4           in his rebuttal testimony.

5   **Q.     DID THE COMPANY MAKE AN ADJUSTMENT FOR SEVERANCE**  
6           **EXPENSE IN ITS REBUTTAL RRS?**

7   A.     No, the Company maintains its position that severance is a legitimate and appropriate  
8           cost to include in the revenue requirement. Severance payments are a necessary  
9           component of workforce management and are incurred to ensure operational efficiency,  
10          cost control and alignment with strategic objectives. Mr. Pontius discusses the need  
11          for severance expenses further in his rebuttal testimony.

12   **Q.     WHAT WAS THE PA’S RECOMMENDATION REGARDING EMPLOYEE**  
13          **RECOGNITION PROGRAMS?**

14   A.     Ms. Mullinax recommended a reduction of \$415,176 by comparing a four-year average  
15          of costs against Base Year costs.<sup>28</sup>

16   **Q.     DOES THE COMPANY AGREE WITH THE PA’S RECOMMENDATION?**

17   A.     No, the data request that Ms. Mullinax used to calculate the average included only the  
18          direct costs of employee recognition programs, not the allocated costs. In Rebuttal  
19          Exhibit SKJ-7 - Confidential Supplemental Attachment PA 9-232, the Company  
20          demonstrated that Base Year employee recognition costs in total were less than the  
21          four-year average.<sup>29</sup> Therefore, the Company did not make an adjustment to this

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<sup>28</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 44, lines 8-10.

<sup>29</sup> Confidential Supplemental Attachment PA 9-232 – BH Nebraska Gas Employee Recognition Program Awards 2021-2025 was served to all parties on August 27, 2025.

1 expense and maintains its position that the Base Year expenses should be included in  
2 the RRS.

3 **VIII. DEPRECIATION EXPENSE**

4 **Q. DID ANY PARTY CHALLENGE THE COMPANY'S CALCULATION OF**  
5 **ANNUALIZED DEPRECIATION EXPENSE FOR PURPOSES OF**  
6 **DEVELOPING REVENUE REQUIREMENTS IN THIS PROCEEDING?**

7 A. Yes, Mr. Dunkel proposed different depreciation rates for FERC accounts 37606,  
8 37680, 38009, 38100, and 38201.<sup>30</sup> Changes to these rates are addressed by Mr.  
9 Spanos, and the overall depreciation expense is addressed by Ms. Mack.

10 **IX. TAXES OTHER THAN INCOME TAX**

11 **Q. DID INTERVENING PARTIES RECOMMEND ADJUSTMENTS TO ANY**  
12 **TAXES OTHER THAN INCOME TAX?**

13 A. Yes, Ms. Mullinax recommended adjusting the FICA tax calculation to exclude non-  
14 payroll benefits.<sup>31</sup> She also recommended that the amortization of the historical  
15 stored gas property tax be recovered through the PGA.<sup>32</sup>

16 **Q. DID THE COMPANY MAKE ANY ADJUSTMENTS TO TAXES OTHER**  
17 **THAN INCOME TAX IN ITS REBUTTAL RRS?**

18 A. Yes. The Company made two adjustments to Taxes Other Than Income Taxes. The  
19 first adjustment is an update to the calculation of FICA taxes. This adjustment included  
20 a combination of the reduction in BHSC allocated headcount and the removal of the

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<sup>30</sup> Direct Testimony and Exhibits of William W. Dunkel, Exhibit WWD-5 at page 2

<sup>31</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 35, lines 3-21.

<sup>32</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 55, lines 1-5.

1 cost of non-payroll benefits from the adjustment amount. This resulted in a decrease  
2 of \$93,462 as shown on Schedule L-1, Lines 4 and 7 (d).

3 The Company also updated the Property Tax to Gross Plant Factor on Schedule  
4 L-1, Line 23 (d) from 0.6733% to 0.6139% based on the most recent information  
5 received from the state of Nebraska. This reduced the property tax adjustment by  
6 \$774,189.

7 **Q. DOES THE COMPANY BELIEVE THE AMORTIZATION OF THE**  
8 **HISTORICAL STORED GAS PROPERTY TAX SHOULD BE RECOVERED**  
9 **THROUGH THE PGA?**

10 A. No, the Company believes that the amortization should be recovered through base rates  
11 because it aligns with the recovery of all other BH Nebraska Gas property taxes. This  
12 is further addressed by Mr. Crouch.

13 **X. REVENUE ADJUSTMENTS**

14 **Q. DID INTERVENING PARTIES RECOMMEND ANY ADJUSTMENTS TO**  
15 **REVENUES?**

16 A. Yes, Ms. Mullinax recommended an adjustment to annualize the increase in customer  
17 bills.<sup>33</sup> The Company disagrees with this recommendation which is discussed in further  
18 detail in the rebuttal testimony of Mr. Hyatt.

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<sup>33</sup> Direct Testimony and Exhibits of Donna H. Mullinax at page 29, lines 15 and 16.

**XI. ACCOUNTING TRACKING MECHANISMS**

**Q. WHAT DID THE COMPANY PROPOSE WITH RESPECT TO DEFERRED ACCOUNTING TREATMENT IN ITS DIRECT FILING?**

A. The Company is proposed two new deferred accounting trackers, which would allow the Company to record and defer insurance expenses and expenses associated with MGP research, environmental monitoring cleanup, and other appropriate or necessary remediation costs. Generally, deferred accounting orders are used to grant a public utility the opportunity to defer unanticipated costs with the opportunity to request recovery of the costs at a later time. The costs are generally significant in amount and/or could stem from unanticipated costs and/or are from new federal or state laws or rules that impact the utility's costs.

**Q. WHAT DID THE COMPANY PROPOSE WITH RESPECT TO DEFERRED ACCOUNTING TRACKER FOR INSURANCE EXPENSES IN ITS DIRECT FILING IN THIS PROCEEDING?**

A. The Company proposed a deferred accounting mechanism for insurance expenses. Generally, deferred accounting orders are used to grant a public utility the opportunity to defer and track unanticipated costs, typically outside the control of the utility, with the opportunity to request recovery of the costs at a later time. The costs are generally significant in amount and/or could stem from unanticipated costs and/or are from new federal or state laws or rules that impact the utility's costs.

1   **Q.     PLEASE EXPLAIN WHY THE COMPANY IS CONTINUING TO PROPOSE**  
2       **AN INSURANCE EXPENSE TRACKER IN THIS PROCEEDING.**

3   A.    As discussed above, and in more detail by Ms. Bassell-Herman, the Company has  
4        updated its insurance expense amount in the Rebuttal RRS to reflect actual insurance  
5        expenses for the Test Year. As supported in my direct testimony, insurance expenses  
6        are highly variable year over year, outside the control of the management, and are  
7        required to be paid. The tracker ensures customers pay no more or no less than the  
8        assessed insurance expense.

9   **Q.     WHAT DID THE COMPANY PROPOSE WITH RESPECT TO DEFERRED**  
10       **ACCOUNTING TRACKER FOR MGP COSTS IN ITS DIRECT FILING IN**  
11       **THIS PROCEEDING?**

12   A.    The Company proposed deferred accounting treatment for on-going costs related to the  
13        MGP remediation as discussed by Ms. Bassell-Herman with the baseline amount set at  
14        \$138,821.

15   **Q.     IS THE COMPANY CONTINUING TO PROPOSE DEFERRED**  
16       **ACCOUNTING FOR THE MGP COSTS IN THIS PROCEEDING.**

17   A.    Yes, however, as discussed above and consistent with the PA's recommendation, the  
18        Company has removed the Base Year expenses of \$138,821 from the Rebuttal RRS for  
19        inclusion in the deferred regulatory asset. Ms. Bassell-Herman addresses this further in  
20        her rebuttal testimony.



**XII. CONCLUSION**

1

2 **Q. WHAT ARE YOUR RECOMMENDATIONS?**

3 A. I recommend that the Commission approve the revenue requirement resulting from the  
4 Rebuttal RRS model of \$177,209,485, reflected in Rebuttal Exhibit SKJ-6, which  
5 yields an increase in annual base rate revenues of \$32,024,595. I also recommend the  
6 approval of the deferred accounting mechanisms for MGP and insurance expenses.  
7 Lastly, I recommend the RRS be based upon the proposed depreciation rates, as  
8 discussed by Mr. Spanos in his direct and rebuttal testimonies.

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

10 A. Yes.

[illegible]

I, Samantha K. Johnson, 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.

  
Samantha K. Johnson

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



### My Commission Expires:

**My commission expires June 22, 2029**

  
\_\_\_\_\_  
Notary Public