

**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 THOMAS D. STEVENS**

Vice President, Treasurer

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

Date: September 15, 2025

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**TABLE OF ABBREVIATIONS AND ACRONYMS**

BH Nebraska Gas or Company	Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
PA	Nebraska Public Advocate
ROE	Return on Equity
RRA	Regulatory Research Associates
Test Year	Twelve months beginning on January 1, 2025, and ending December 31, 2025, applying adjustments for known and measurable changes

**REBUTTAL TESTIMONY OF THOMAS D. STEVENS**

**I. INTRODUCTION**

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

A. My name is Thomas D. Stevens. My business address is 7001 Mount Rushmore Road, Rapid City, South Dakota 57702.

**Q. ARE YOU THE SAME THOMAS D. STEVENS 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 capital structure, cost of debt and cost of equity recommendations presented in the Direct Testimony and Exhibits of S. Keith Berry submitted on behalf of the Nebraska Public Advocate (“PA”).

**III. CAPITAL STRUCTURE AND COST OF CAPITAL**

**Q. PLEASE SUMMARIZE THE COMPANY'S AND THE PA'S PROPOSALS REGARDING BH NEBRASKA GAS' CAPITAL STRUCTURE AND COST OF CAPITAL IN THIS PROCEEDING.**

A. Please see Table TDS-1 below summarizing the Company's and PA's positions.

**Table TDS-1: SUMMARY OF PROPOSALS**

<b>Parties Position</b>	<b>Capital Structure</b>	<b>ROE</b>	<b>Cost of Long-term Debt</b>	<b>WACC</b>
BH Nebraska Gas	50.52% Equity, 49.48% Debt	10.50%	4.71%	7.63%
Public Advocate	50% Equity, 50% Debt	9.42%	4.61%	7.02%

**Q. WHAT CAPITAL STRUCTURE DOES THE PA RECOMMEND FOR SETTING RATES IN THIS PROCEEDING?**

A. Mr. Berry recommends a capital structure of 50% equity and 50% debt<sup>1</sup> instead of the Company's proposed capital structure of 50.52% equity and 49.48% debt.

**Q. HAS BH NEBRASKA GAS REVISED ITS CAPITAL STRUCTURE PROPOSAL SINCE ISSUING ITS DIRECT TESTIMONY?**

A. No. The Company continues to support a proposed 50.52% equity and 49.48% debt capital structure for the Test Year ending December 31, 2025. The Company's actual capital structure as of the most recent quarter ending June 30, 2025, is 50.62% equity

<sup>1</sup> Direct Testimony and Exhibits of S. Keith Berry at page 20, line 15.

1 and 49.38% debt, reflecting slightly higher equity than the Company's proposed capital  
2 structure in this proceeding.

3 **Q. WHAT IS BH NEBRASKA GAS' RESPONSE TO THE PA'S CAPITAL**  
4 **STRUCTURE RECOMMENDATION?**

5 A. Although the PA's recommendation of 50% equity is fairly close to the Company's  
6 proposed 50.52% equity, the PA does not establish why the Company's proposed  
7 capital structure is unreasonable and should not be used for setting rates in this  
8 proceeding. As discussed in my direct testimony, the Company's proposed capital  
9 structure of 50.52% equity reflects the funding levels necessary to support BH  
10 Nebraska Gas' utility operations during the Test Year.

11 **Q. MR. BERRY NOTES THAT THE PA'S PROPOSED 50% EQUITY AND 50%**  
12 **DEBT CAPITAL STRUCTURE IS BASED ON THE SAME RATIO USED IN**  
13 **THE SETTLEMENT OF BH NEBRASKA GAS' 2020 RATE REVIEW. HOW**  
14 **DO YOU RESPOND TO THIS POSITION?**

15 A. I agree that the settlement approved by this Commission in BH Nebraska Gas' 2020  
16 rate review reflected a capital structure of 50% equity and 50% debt. However, the  
17 approved settlement agreement from the Company's last rate review is not precedential  
18 and should not be relied upon by this Commission for the purpose of setting rates in  
19 this proceeding. Of note, that settlement also included, among various considerations,  
20 an authorized Return on Equity ("ROE") of 9.5%. Yet, despite evidence presented by  
21 Mr. Berry in this proceeding highlighting that ROEs have increased since 2020, he  
22 actually recommends a lower ROE of 9.42% in this proceeding. Recommending a

1 lower ROE is inconsistent with his reliance on the capital structure included in the  
2 approved settlement agreement in the Company's last rate review.

3 **Q. MR. BERRY ARGUES THAT A 50 PERCENT EQUITY AND 50 PERCENT**  
4 **DEBT CAPITAL STRUCTURE IS SUPPORTED BY THE FACT THAT THE**  
5 **COMPANY TARGETS AN EQUITY TO CAPITALIZATION RANGE OF 50**  
6 **PERCENT TO 52 PERCENT. DO YOU AGREE WITH MR. BERRY'S**  
7 **CONCLUSION?**

8 A. No. As discussed in my direct testimony, the Company targets a 50% to 52% equity-  
9 to-capitalization level in line with how gas utility operating companies are commonly  
10 capitalized. A range is targeted to provide some flexibility on a quarterly basis given  
11 variation in earnings and capital expenditure timing. Rather than proposing the  
12 midpoint of this range of 51% equity, or the high end or low end of the range, for  
13 purposes of establishing rates in this proceeding it is appropriate to use the 50.52%  
14 equity capital structure proposed by the Company reflecting the actual financing of BH  
15 Nebraska Gas' utility operations during the Test Year.

16 **Q. DOES MR. BERRY DEMONSTRATE THAT BH NEBRASKA GAS'**  
17 **PROPOSED CAPITAL STRUCTURE IS IMPRUDENT OR UNREASONABLE**  
18 **IN COMPARISON TO THE AUTHORIZED CAPITAL STRUCTURES OF**  
19 **OTHER REGULATED GAS UTILITIES?**

20 A. No. As shown in Table 4 of Mr. McKenzie's rebuttal testimony, the Company's  
21 proposed capital structure of 50.52% equity falls within the range of capital structures  
22 recently approved for other gas utilities, over the past eight quarters, as reported by  
23 Regulatory Research Associates ("RRA"). In fact, BH Nebraska Gas' proposed capital

1 structure of 50.52% equity falls well below the average of 52.21% of allowed common  
2 equity and reflects how the Company finances its utility operations. Further, the  
3 Company's proposed capital structure falls squarely within the range of historical  
4 capital structures of other gas utilities, as reflected on Mr. McKenzie's Direct Exhibit  
5 AMM-11.

6 **Q. MR. BERRY REJECTS BH NEBRASKA GAS' 4.71% COST OF DEBT AND**  
7 **INSTEAD USES 4.61%. IS THIS AN APPROPRIATE ADJUSTMENT?**

8 A. No. The PA recommends a cost of debt of 4.61%, which reflects the Company's actual  
9 cost of debt as of June 30, 2025. Mr. Berry arrives at this figure by excluding a planned  
10 debt issuance expected to occur before the end of the Test Year. Given that a portion  
11 of the Company's existing debt is maturing and must be refinanced in the current higher  
12 interest rate environment, it is reasonable to incorporate an increase in the cost of debt  
13 to address the near-term required refinancing. Based on prevailing market data for  
14 unsecured bond issuances, the Company anticipates a cost of debt of 4.71% once it  
15 completes its required refinancing later this year.

16 **Q. IS THERE A DISPUTE AS TO THE APPROPRIATE RETURN ON EQUITY**  
17 **("ROE") TO BE APPROVED IN THIS CASE?**

18 A. Yes. Mr. Berry is recommending a ROE of 9.42%, which is lower than the ROE  
19 approved by this Commission in the Company's last rate review proceeding in 2020  
20 which Mr. Berry pointed to support his capital structure recommendation.



1   **Q.    ARE YOU OFFERING REBUTTAL TESTIMONY ON THE ISSUE OF ROE?**

2   A.    Only that BH Nebraska Gas continues to request a return on equity of 10.5% as  
3       supported by Company witness Mr. McKenzie, who is submitting rebuttal testimony  
4       on the issue of ROE.

5                                   **IV.   CONCLUSION**

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

7   A.    Yes.

COUNTY OF PENNINGTON )

and that the facts set forth are true to the best of my knowledge, information and belief.

Thomas D. Stevens

Subscribed and sworn to before me this 12<sup>th</sup> day of September, 2025.



Notary Public

My Commission Expires:

**My commission expires June 22, 2029**