

**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-109  
CITY, SOUTH DAKOTA, SEEKING )  
APPROVAL OF A GENERAL RATE )  
INCREASE )**

**REBUTTAL TESTIMONY OF**

**DAVID I. ROSENBAUM, Ph.D.**

**ON BEHALF OF**

**BLACK HILLS NEBRASKA GAS, LLC**

**October 13, 2020**

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**I. INTRODUCTION AND BACKGROUND**

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

A. My name is David I. Rosenbaum. My business address is 7730 Lowell Avenue, Lincoln NE 68506.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am a professor of economics at the University of Nebraska-Lincoln. I also consult and, in this case, I am testifying on behalf of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy (“BHSC” or “the Company”).

**Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

A. Yes.

**Q. ARE YOU SPONSORING ANY EXHIBITS TO YOUR REBUTTAL TESTIMONY?**

A. No.

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

A. The purpose of my testimony is to respond to an issue regarding the HEAT Incentives program raised in the Direct Testimony of Howard Solganick.

**II. HEAT INCENTIVES PROGRAM**

**Q. WHAT ARE MR. SOLGANICK’S CONCERNS WITH THE COMPANY’S PROPOSED HEAT INCENTIVES PROGRAM?**

A. Mr. Solganick suggests that the Commission require that the Company share the costs of the HEAT incentives equally between the jurisdictional customer and the Company to recognize the increased margin revenue between rate cases, the new investment

1 opportunities (due to new customers and the expansion of incentives to Rate Areas One,  
2 Two, and Three) and the customer attrition risk reduction enhanced by the HEAT  
3 incentives.

4 **Q. DO YOU AGREE WITH THIS RECOMMENDATION?**

5 A. No.

6 **Q. WHY SHOULDN'T THE COSTS OF THE HEAT INCENTIVES BE SHARED**  
7 **BETWEEN THE COMPANY AND THE CUSTOMERS?**

8 A. The Company's rates and investors' rates-of-return are ultimately fixed by the  
9 Commission. Just as with any cost that results in increased revenue, any increased revenue  
10 will be adjusted for in the rate setting process. Hence, there is no need to make arbitrary  
11 adjustments such as a sharing of the costs of the HEAT incentive program.

12 **Q. ARE THE COSTS OF THESE TYPES OF INCENTIVES SHARED BETWEEN**  
13 **COMPANIES AND SHAREHOLDERS IN OTHER STATES?**

14 A. Not that I know of.

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

16 A. Yes.

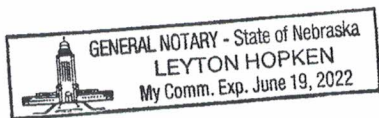
STATE OF NEBRASKA )  
 ) SS  
COUNTY OF LANCASTER )

I, Dr. David Rosenbaum, 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.

David Rosenbaum  
Dr. David Rosenbaum

Subscribed and sworn to before me this 9<sup>th</sup> day of October, 2020.

(SEAL)



Leyton Hopken  
Notary Public

My Commission Expires: 6-19-22