

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 AND EXHIBITS OF

KEVIN M. JAROSZ

Vice President of Nebraska Gas Operations

ON BEHALF OF

BLACK HILLS NEBRASKA GAS, LLC

October 13, 2020

Table of Contents

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION AND BACKGROUND	1
II. RESPONSE TO PUBLIC ADVOCATE’S ADJUSTMENTS TO RATE BASE	2
III. RESPONSE TO PUBLIC ADVOCATE’S ADJUSTMENTS TO OPERATING INCOME	9
IV. RESPONSE TO PUBLIC ADVOCATE’S SSIR RECOMMENDATIONS	13
V. CONCLUSION	20

Exhibits

Exhibit No. KMJ-6	Updated 2020 Capital Addition Projects
Exhibit No. KMJ-7	Summit Engineering Services Summary Report
Exhibit No. KMJ-8	Summit Engineering Services Detailed Report

1 **REBUTTAL TESTIMONY OF KEVIN M. JAROSZ**

2
3 **I. INTRODUCTION AND BACKGROUND**

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

5 A. My name is Kevin M. Jarosz. My business address is 1731 Windhoek Drive, Lincoln, NE
6 68512.

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

8 A. I am employed by Black Hills Nebraska Gas, LLC (“BH Nebraska Gas” or “the
9 Company”), d/b/a Black Hills Energy. My position is Vice President of Nebraska Gas
10 Operations.

11 BH Nebraska Gas is a wholly owned subsidiary of Black Hills Utility Holdings,
12 Inc. (“BHUH”). BHUH is a wholly owned subsidiary of Black Hills Corporation (“BHC”).
13 BHSC is a wholly owned subsidiary of Black Hills Corporation (“BHC”). BH Nebraska
14 Gas conducts business in Nebraska under the trade name of Black Hills Energy.

15 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

16 A. I am testifying on behalf of BH Nebraska Gas. BH Nebraska Gas is the natural gas utility
17 resulting from the recent internal consolidation of the Nebraska gas utility assets and
18 operations of BHC's two former Nebraska gas utility distribution subsidiaries, Black Hills
19 Gas Distribution, LLC (“BH Gas Distribution”) and Black Hills/Nebraska Gas Utility
20 Company, Inc. (“BH Gas Utility”)¹.

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

22 A. Yes, my Direct Testimony was filed in this proceeding on June 1, 2020.

¹ See Nebraska Public Service Commission Application No. NG-100.

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

2 A. Yes. I'm sponsoring the following exhibits:

Exhibit Name	Description
Exhibit KMJ-6	Updated 2020 Capital Additions Projects
Exhibit KMJ-7	Summit Engineering Services Summary Report
Exhibit KMJ-8	Summit Engineering Services Detailed Report

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

4 A. The purpose of my testimony is to respond to issues raised in Answer Testimonies of the
5 following witnesses as they relate to:

6 1) Rate Base Adjustments –

- 7
 - Capital Additions – Ms. Mullinax
 - Farm Tap Replacement Program – Ms. Mullinax

9 2) Operating Income Adjustments –

- 10
 - Payroll Adjustments – Ms. Mullinax
 - Line Locate Costs – Ms. Mullinax

12 3) SSIR Category Expansion – Mr. Fijnvandratt

13 **II. RESPONSE TO PUBLIC ADVOCATE'S ADJUSTMENTS**
14 **TO RATE BASE**

15 **Q. PLEASE DESCRIBE THE PUBLIC ADVOCATE'S POSITION WITH RESPECT**
16 **TO THE COMPANY'S PROPOSED RATE BASE.**

17 A. Public Advocate witness Ms. Mullinax has recommended that adjustments be made to the
18 Company's pro forma jurisdictional rate base. The areas of focus for adjustment include:
19 (1) Forecasted Plant; (2) Farm Tap Plant; (3) Accumulated Deferred Income Taxes (ADIT);

1 (4) Excess Deferred Federal Income Taxes (EDFIT) and Deficient Deferred Federal
2 Income Taxes (DDFIT); (5) Cash Working Capital; and (6) Reserve for Depreciation.²

3 **Q. ARE YOU RESPONDING TO ANY OF THE PUBLIC ADVOCATE'S PROPOSED**
4 **ADJUSTMENTS TO THE COMPANY'S RATE BASE?**

5 A. Yes, I will be responding to the Public Advocate's proposed adjustment to Capital
6 Additions and the proposed adjustment to Farm Tap Plant. Company witnesses Mr.
7 Bennett and Mr. Clevinger will also address aspects of the recommendations regarding
8 Capital Additions. Company witnesses Mr. Amdor and Mr. Bennett will also address
9 aspects of the recommendations regarding Farm Tap Plant.

10 **Q. PLEASE DESCRIBE THE PUBLIC ADVOCATE'S POSITION WITH RESPECT**
11 **TO CAPITAL ADDITIONS.**

12 A. Public Advocate witness Ms. Mullinax has recommended the removal of Capital Addition
13 expenditures beyond the Company's most recent update in July 2020 with the argument
14 that forecasted Capital Additions are not known or measurable.³ This adjustment reduces
15 jurisdictional rate base by \$35.3 million and increases jurisdictional net operating income
16 by \$759,338.⁴

17 **Q. DO YOU AGREE WITH THE PUBLIC ADVOCATE'S RECOMMENDATION TO**
18 **EXCLUDE \$35.3 MILLION FROM RATE BASE BASED ON THE BELIEF THAT**
19 **SOME OF THE COMPANY'S PLANNED CAPITAL ADDITION PROJECTS**
20 **WILL NOT BE PLACED INTO SERVICE BY THE END OF 2020?**

² Direct Testimony of Donna Mullinax, Page 14, Lines 14-21.

³ Direct Testimony of Donna Mullinax, Page 15, Line 1; Page 16, Lines 1-2.

⁴ Direct Testimony of Donna Mullinax, Page 15, Lines 9-12.

1 A. No, I do not agree with the Public Advocate's recommendation. As of September 30, 2020,
2 the Company has placed into service \$75,325,631 of Capital Additions. In addition,
3 another \$15,551,447 has already been spent on Capital Additions which I expect to be
4 placed in-service shortly. Finally, I am expecting an additional 18,895,013 to be spent and
5 placed into service during the fourth quarter of this year. In total, the Company expects to
6 spend \$109,772,091 by December 31, 2020. I am sponsoring Exhibit No. KMJ-6, which
7 is an updated Exhibit No. KMJ-4 concerning 2020 Capital Addition projects. These 2020
8 Capital Addition projects are known and measurable, will be placed into service prior to
9 December 31, 2020, and qualify to be included within the rate base as part of this
10 proceeding.

11 **Q. DO YOU BELIEVE IT IS APPROPRIATE TO INCLUDE FORECASTED**
12 **PROJECTS BEYOND SEPTEMBER 30, 2020, IN THE COMPANY'S RATE BASE?**

13 A. Yes, as explained further in the Rebuttal Testimony of Mr. Bennett, all projects being
14 proposed as Capital Additions are in progress and are near completion. The Company is
15 taking careful measures to ensure that projects are being completed on time and on budget.
16 I am sponsoring Exhibit No. KMJ-7, which is a summary report from Summit Engineering
17 Services which shows all of the project for that contractor to be completed in 2020 and
18 includes the footage contracted vs installed (i.e., the percentage complete) and the total
19 project cost estimated vs spend through September 27, 2020. Also included is the
20 remaining footage to be installed that gives a good indication of the final estimated costs
21 and in-service date. Exhibit No. KMJ-8 is a detailed report from Summit Engineering
22 Services for one project to be completed in 2020. Similar to the summary report, the
23 detailed report includes footage contracted vs installed (i.e., the percentage complete) and

1 the total project cost estimated vs spend through September 27, 2020. The detailed report
2 also includes details about materials ordered, installed, and forecasted, as well as weekly
3 progress of installation quantities. Based on reports like those contained in Exhibit No.
4 KMJ-7 and Exhibit No. KMJ-8, I can confidently state that I believe that all projects
5 included within the Company's Capital Additions will be completed and placed into service
6 by December 31, 2020.

7 Each of the Capital Additions projects proposed by BH Nebraska Gas in its rate
8 review application, and updated again as part of my rebuttal testimony are expressly
9 permitted by § 66-1817 of the State Natural Gas Regulation Act and by § 005.06D of the
10 Commission Regulations.

11 Commission Regulation 005.06(D) under Title 9 of the Commission Regulations
12 states as follows: "[R]equirements for Post-Test Year Adjustments: Post-test year
13 adjustments are permitted for known and measurable rate base adjustments to test-year for
14 12 months after the end of the test year where the utility accounts for any related impacts
15 on all aspects of the jurisdictional utilities operations." *Neb. Admin. Code, Ch. 9, §*
16 *005.06D.*

17 In addition, BH Nebraska Gas has satisfied all the evidentiary requirements that the
18 Commission established in prior Commission orders on this topic to qualify Capital
19 Additions in rate base where those projects will be completed within 12 months after the
20 end of the test year.⁵ For example, the project information provided in exhibits attached to
21 my direct testimony and updated in my rebuttal testimony contain the following items: a
22 list of all construction projects the utility is requesting to include into plant in service, a

⁵ See, Commission Orders in Commission Application NG-0041, NG-0060, and NG-0061.

1 description of the project; location of the project; purpose of the project; date construction
2 began; expected completion date; actual costs incurred as of the last day of the test year;
3 and finally total expected cost for the project at completion. As such, the Company's
4 Capital Additions projects also defined by the Public Advocate as "Forecasted Plant"
5 additions are known and measurable and qualify to be included in the Company's Rate
6 Base as set forth in the Company's revised revenue requirement study in Schedule D of
7 Exhibit MCC-9 provided with the rebuttal testimony of Mr. Clevinger.

8 **Q. PLEASE DESCRIBE THE PUBLIC ADVOCATE'S POSITION WITH RESPECT**
9 **TO FARM TAP PLANT.**

10 A. Public Advocate witness Ms. Mullinax has recommended the removal of farm tap plant
11 overruns beyond the \$4 million cap agreed to in the Stipulation in Docket NG-0090.⁶ This
12 adjustment reduces jurisdictional rate base by \$2.8 million and reduces the Company's
13 jurisdictional revenue deficiency by \$247,632.⁷

14 **Q. DO YOU AGREE WITH THE PUBLIC ADVOCATE'S RECOMMENDATION TO**
15 **EXCLUDE \$2.8 MILLION FROM RATE BASE BASED ON THE \$4 MILLION**
16 **CAP CONTAINED IN DOCKET NG-0090?**

17 A. No, I do not agree with the Public Advocate's recommendation. The Farm Tap
18 Replacement program was intended to improve system safety by eliminating the top risk
19 on the BH Gas Utility system at the time of that program. The expenses incurred by BH
20 Nebraska Gas to complete the Farm Tap Replacement program were properly included in
21 the Company's rate review application because all of those costs were prudently incurred
22 by BH Gas Utility (now BH Nebraska Gas).

⁶ Direct Testimony of Donna Mullinax, Page 21, Line 4.

⁷ Direct Testimony of Donna Mullinax, Page 21, Lines 10-14.

1 As the Director of Business Operations and now the Vice President of Operations,
2 I oversaw the expenditures for the Farm Tap Replacement program. My team managed the
3 farm tap replacements efficiently and worked with the impacted farm tap customers to
4 make our system and the public moresafe. Even though the Company initially experienced
5 a slow start due to flooding in Nebraska, BH Gas Utility kept on replacing or acquiring
6 customer farm tap facilities in accordance with the Commission’s approval of this project.
7 The Company was aware of a cap on the Farm Tap Replacement surcharge. However, the
8 Commission did not clarify over the three years that the \$4 million agreed to for the Farm
9 Tap Replacement surcharge mechanism was a complete cap on the cost of those facilities.
10 Even if the Public Advocate believed that the \$4 million was a cap on the cost of the
11 projects, the Commission should approve the actual costs of the Farm Tap Replacement
12 project since the primary purpose of the project is to address system and public safety.
13 As Mr. Amdor testifies in his rebuttal testimony, no one knew the expected replacement
14 costs at the time the settlement was negotiated, and this fact was made clear to all parties
15 on multiple occasions.

16 BH Nebraska Gas acknowledges that the total cost of the farm tap project has
17 exceeded original estimates of the cap established for the Farm Tap Surcharge in Docket
18 NG-0090. However, the actual cost of this public safety project is due to a myriad of
19 issues including, but not limited to, the uniqueness of the project, increases in farm tap
20 count, increases in average service line length, difficulties obtaining necessary easements,
21 and a lack of reliable data at the time of settlement in that proceeding for the Company to
22 reliably estimate the costs of the project. However, there is no dispute that the then existing
23 status quo surrounding farm taps created a significant safety risk that needed to be

1 addressed in order to provide safe and reliable service. The Company exercised reasonable
2 judgment and sound utility practices in completing the Farm Tap Replacement project. The
3 Company's understanding was that the \$4 million incurred by the Company for this public
4 safety project was a cap during the three-years project, but that any amounts above the \$4
5 million would be permitted in rate base as part of the next rate case. The farm tap facilities
6 are currently in service and used by the farm tap customers. The costs of those facilities
7 were prudently incurred even if they exceed the initial estimate and cap on the Farm Tap
8 Replacement surcharge. Accordingly, as supported by Mr. Amdor and Mr. Bennett, the
9 Company maintains that the actual costs to complete this project were prudent and within
10 the scope of the Commission's order in Docket NG-0090.

11 **Q. DO YOU BELIEVE THE COMPANY IS ATTEMPTING TO "BAIT AND SWITCH"**
12 **BY RECOVERING FARM TAP COSTS THAT ARE NEARLY TWICE THE**
13 **ORIGINAL ESTIMATE, AS SUGGESTED BY MS. MULLINAX?**

14 A. Absolutely not. Any attempt to deceive the Public Advocate, the Commission, or any of
15 our customers will not be tolerated by me or the Company. The Company places an
16 enormous amount of value on the relationships it has built with its regulators and its
17 customers, and we will continue to do everything in our power to build those relationships
18 even further. Obviously, if we knew then what we know now, we would have doubled our
19 estimate of the cost for the Farm Tap Replacement program. However, at the time the farm
20 tap project commenced, we used the information that was known to the Company at the
21 time. In his Rebuttal Testimony, Mr. Amdor addresses some of the forecasting challenges
22 and misunderstandings contained within Docket NG-0090 that led to the Public Advocate's
23 recommendation to deny recovery of \$2.8 million of Company rate base, and reduces the

1 Company's jurisdictional revenue deficiency by \$247,632. However, I want to make it
2 clear that the Company did not attempt to "bait and switch" in any form or manner by
3 including Farm Tap Plant in rate base. The reality is that the actual cost to complete the
4 Farm Tap Replacement program and to improve system and public safety is the prudently
5 incurred amounts included in the Company's rate review application in this proceeding.
6 Accordingly, in my view, the Commission should reject the Public Advocate's
7 recommendation on this item and approve the Company's proposed recovery of prudently
8 incurred amounts in the Company's rate review application.

9 **III. RESPONSE TO PUBLIC ADVOCATE'S ADJUSTMENTS**
10 **TO OPERATING INCOME**

11 **Q. PLEASE DESCRIBE THE PUBLIC ADVOCATE'S POSITION WITH RESPECT**
12 **TO THE COMPANY'S PROPOSED OPERATING INCOME.**

13 A. Public Advocate witness Ms. Mullinax has recommended that adjustments be made to the
14 Company's proposed jurisdictional net operating income. Ms. Mullinax has recommended
15 thirteen adjustments to the operating income.⁸

16 **Q. ARE YOU RESPONDING TO ANY OF THE PUBLIC ADVOCATE'S PROPOSED**
17 **ADJUSTMENTS TO THE COMPANY'S OPERATING INCOME?**

18 A. Yes, I will be responding to the Public Advocate's proposed adjustments to Labor Costs
19 and to Line Locate Costs. Company witness Mr. Clevinger will also address aspects of the
20 recommendations regarding Labor Costs. Company witnesses Mr. Amdor and Mr.
21 Clevinger will also address aspects of the recommendations regarding Line Locate Costs.

⁸ Direct Testimony of Donna Mullinax, Page 30, Lines 1-19.

1 **Q. PLEASE DESCRIBE THE PUBLIC ADVOCATE'S POSITION WITH RESPECT**
2 **TO LABOR ADJUSTMENTS.**

3 A. Public Advocate witness Ms. Mullinax believes that including the full complement of labor
4 costs is not reasonable under the circumstances.⁹ Ms. Mullinax recommends that payroll,
5 payroll taxes, and benefit costs associated with all pending positions and all the open
6 positions that were included in the Company's labor cost be excluded.¹⁰ The Public
7 Advocate's adjustment increases jurisdictional operating income by \$447,307.¹¹

8 **Q. ARE YOU MAKING ANY ADJUSTMENTS TO PLANNED POSITIONS THAT**
9 **WERE PREVIOUSLY DESCRIBED IN YOUR DIRECT TESTIMONY?**

10 A. Yes. In my Direct Testimony, I describe the Company's plan to hire eight Construction
11 Inspectors and one Construction Inspector Supervisor.¹² Upon further review of the
12 situation, a decision was made to reduce headcount and instead outsource these nine
13 positions. The reduction of headcount has been reflected in Mr. Clevinger's Exhibit No.
14 MCC-9.

15 **Q. CAN YOU PLEASE PROVIDE AN UPDATE ON THE COMPANY'S PENDING**
16 **AND OPEN POSITIONS?**

17 A. Yes. Below is a status update on the pending and open positions the Company intends to
18 fill prior to December 31, 2020:

- 19
 - 3 Utility Construction Specialists – These positions have been hired and are
20 currently in training.

⁹ Direct Testimony of Donna Mullinax, Page 35, Lines 9-10.

¹⁰ Direct Testimony of Donna Mullinax, Page 36, Lines 19-20; Page 37, Line 1.

¹¹ Direct Testimony of Donna Mullinax, Page 37, Lines 16-17.

¹² Direct Testimony of Kevin Jarosz, Page 42, Lines 20-23.

- 1 • 1 Supervisor of Utility Construction Specialists – The Company has filtered
2 through the candidates for this position, and the interview process will begin
3 shortly, with the intention of announcing a successful candidate by November 1,
4 2020.
- 5 • 1 Community Affairs Manager – The Company has filtered through the candidates
6 for this position, and the interview process will begin shortly, with the intention of
7 accounting a successful candidate by November 1, 2020.
- 8 • 1 Business Development Manager – This position has been posted. The Company
9 anticipates filling this position by the end of November 2020.
- 10 • 2 Damage Prevention Coordinators – These two positions have been posted. The
11 Company is currently taking applicants and will be reviewing and selecting the
12 successful applicants. The Company anticipates filling these positions by early
13 December 2020.
- 14 • 1 Regulatory and Financial Analyst – The Company completed a round of
15 interviews on October 9, 2020. The Company anticipates filling this position by
16 the end of November 2020.

17 **Q. DO YOU BELIEVE IT IS APPROPRIATE TO EXCLUDE THESE LABOR COSTS**
18 **FROM THE COMPANY’S OPERATING INCOME?**

19 A. No. The above-described positions will be filled prior to December 31, 2020, and the
20 Company has made adjustments to remove positions that would not be filled by the end of
21 2020. The Commission should allow recovery of the Company’s prudently incurred
22 employee related costs as those costs have been adjusted for known and measurable

1 changes. A full description of update headcounts can be found in Mr. Clevinger's Exhibit
2 No. MCC-9.

3 **Q. PLEASE DESCRIBE THE PUBLIC ADVOCATE'S POSITION WITH RESPECT**
4 **TO LINE LOCATE COSTS.**

5 A. Public Advocate witness Ms. Mullinax believes that the Company has not made a cost-
6 effective decision by using internal labor for line locates rather than outside contractors.¹³
7 While Ms. Mullinax does not recommend any specific adjustment to the Company's
8 operating income as a result of the move to internal labor, Ms. Mullinax uses her position
9 on Line Locate Costs to support her recommendation to adjust labor costs to remove
10 pending and vacant positions elsewhere in her testimony.¹⁴

11 **Q. DO YOU AGREE WITH THE PUBLIC ADVOCATE'S POSITION CONCERNING**
12 **LINE LOCATE COSTS?**

13 A. No, I do not. First, Ms. Mullinax dismisses the significant increases in outside contractor
14 costs the Company faced in 2020. While Ms. Mullinax is correct that the Company's
15 internal labor costs will also increase in the future due to wage and salary increases, by
16 using internal labor for line locating, the Company is able to control and manage those
17 costs in a prudent and responsible manner. By relying so heavily on outside contractors
18 for line locating, the Company is always at risk of facing significant cost increases as it
19 faced in 2020. The Company is exercising reasonable judgment in making a prudent
20 management decision to place itself in the best position to control line locating costs in the
21 future.

¹³ Direct Testimony of Donna Mullinax, Page 52, Lines 10-13.

¹⁴ Direct Testimony of Donna Mullinax, Page 55, Lines 7-12.

1 With each of these proposed adjustments, the Public Advocate appears to be
2 improperly substituting its judgement for that of the Company. As the Vice President of
3 Operations for Nebraska, and previously as the Director of Business Operations, I monitor
4 workflow, workloads, and areas of need between hiring and contracting for resources based
5 on the recommendation of the Managers that report to me and in discussion with my
6 Nebraska Operations team. In each of the items listed above, the Company efficiently
7 manages its workforce. The decisions to hire or contract were done exercising reasonable
8 judgement based on the facts and circumstances known at the time of the respective
9 decisions. Our company has a thorough and rigorous process for hiring or gaining contract
10 approval. If we hire or terminate employees, there is a lengthy review process that includes
11 upper management and human resources reviews and approvals. If outside resources are
12 needed, then our Company's Supply Chain Department will seek the most reasonable
13 vendor to ensure that the Company is acting in a reasonable and prudent manner. The
14 decisions made by BH Nebraska Gas related to the issues identified above were reasonable,
15 and the costs incurred were prudent. Accordingly, the Public Advocate's recommendations
16 are inappropriate and should be rejected. The costs included in the Company's revenue
17 requirement study provided by Mr. Clevinger should be approved.

18 **IV. RESPONSE TO PUBLIC ADVOCATE'S SSIR**
19 **RECOMMENDATIONS**

20 **Q. PLEASE DESCRIBE THE PUBLIC ADVOCATE'S POSITION WITH RESPECT**
21 **TO THE SSIR.**

22 A. The Public Advocate is generally supportive of the Company's SSIR and agrees that the
23 Commission should approve a cost recovery rider mechanism that will allow accelerated
24 recovery for certain capital costs associated with safety and integrity upgrades to the

1 Company's system.¹⁵ However, the Public Advocate argues that certain guidelines or
2 clarification is necessary before approval is appropriate.¹⁶

3 **Q. WHAT ARE THE PUBLIC ADVOCATE'S RECOMMENDATIONS WITH**
4 **RESPECT TO THE SSIR?**

5 A. The Public Advocate recommends various modifications to the Company's SSIR. I
6 specifically address the Public Advocate's recommendations regarding: (1) Redefining
7 existing SSIR categories concerning Top of Ground (TOG) projects, Meter Relocations,
8 and PVC Pipe Replacement; (2) Including additional SSIR project categories such as Data
9 Integrity Improvement Program (DIIP) projects and Reliability projects; and (3) 2021
10 Forecasted Projects.

11 **Q. WHAT IS THE PUBLIC ADVOCATE'S CONCERN WITH RESPECT TO**
12 **REDEFINING THE TOP OF GROUND CATEGORY?**

13 A. Public Advocate witness Mr. Fijnvandraat expresses concern that there is no firm definition
14 of shallow pipe that can guide auditors of future SSIR years in evaluating whether projects
15 are indeed eligible based on categorical criteria.¹⁷

16 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE PUBLIC ADVOCATE'S**
17 **CONCERN?**

18 A. While the Company will be compliant with regulatory and operational standards (e.g.,
19 minimum cover of 36 inches for transmission lines), only projects that fall out of
20 compliance with regulatory and operational standards and pose a significant risk will be
21 recommended for replacement in the SSIR. That risk will be based on the depth of the

¹⁵ Direct Testimony of Donna Mullinax, Page 58, Line 15.

¹⁶ Direct Testimony of Charles Fijnvandraat, Page 4, Lines 17-21; Page 5, Lines 1-3.

¹⁷ Direct Testimony of Charles Fijnvandraat, Page 6, Lines 12-16.

1 pipe, the location and use of the land, and the risk of failure. The Company will provide
2 this additional information for each project under this category as a part of the SSIR
3 Application.

4 **Q. WHAT IS THE PUBLIC ADVOCATE'S CONCERN WITH RESPECT TO**
5 **REDEFINING THE METER RELOCATION CATEGORY?**

6 A. Public Advocate witness Mr. Fijnvandraat expresses concern that there are ambiguities in
7 the definition associated with the At-Risk Meter Relocation (ARMR) program.¹⁸
8 Specifically, Mr. Fijnvandratt does not believe the Company has addressed the question of
9 when a meter is relocated under the ARMR program whether the same meter would simply
10 be relocated or if the current meter would be retired and replaced with a new meter.¹⁹ In
11 addition, Mr. Fijnvandratt believes it is unclear if additional assets will be included (e.g.,
12 service lines) for recovery in the SSIR.²⁰

13 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE PUBLIC ADVOCATE'S**
14 **CONCERN?**

15 A. The relocation of meters, whether from near a highway, street, alley or inside of a residence,
16 typically involves the installation of a new service line, the retirement of the existing meter,
17 and the installation of a new meter assembly (e.g., risers, regulator, bypass meter assembly,
18 and meter). The Company believes this is capital activity should be considered eligible for
19 the SSIR. If a relocation does not involve capital activity (e.g., no new service line or re-
20 use of a meter) then the project costs would not be eligible for inclusion an SSIR
21 Application.

¹⁸ Direct Testimony of Charles Fijnvandraat, Page 7, Lines 1-2.

¹⁹ Direct Testimony of Charles Fijnvandraat, Page 7, Lines 2-6.

²⁰ Direct Testimony of Charles Fijnvandraat, Page 7, Lines 8-9.

1 **Q. WHAT IS THE PUBLIC ADVOCATE’S CONCERN WITH THE PVC PIPE**
2 **REPLACEMENT CATEGORY?**

3 A. Public Advocate witness Mr. Fijnvandratt expresses concern with the risk ranking for
4 certain pipe made of material that is no longer the industry standard but may not necessarily
5 be considered a significant high risk in the context of failure and consequence.²¹ Mr.
6 Fijnvandratt recommends that the Company assemble defensible project risk analysis and
7 supply that information to future SSIR auditors who are evaluating the Company’s
8 inclusion of those projects in the SSIR Application.²²

9 **Q. WHAT IS THE COMPANY’S RESPONSE TO THE PUBLIC ADVOCATE’S**
10 **CONCERN?**

11 A. The Company recognizes that all pipe that is no longer the industry standard may not
12 necessarily be considered a significant high risk in the context of failure and consequence.
13 BH Nebraska Gas understands and agrees with the Public Advocate’s recommendation that
14 only that pipe that also poses a significant risk should be recommended for replacement.
15 That risk will be based on the risk model using factors including, but not limited to, age,
16 material, location, and the ability to locate the pipe. The Company will provide this
17 information for each project under this category of the SSIR Application.

18 **Q. WHAT IS THE PUBLIC ADVOCATE’S RECOMMENDATION CONCERNING**
19 **THE INCLUSION OF DIIP AS AN ADDITIONAL CATEGORY?**

20 A. Public Advocate witness Mr. Fijnvandratt recommends inclusion of DIIP as an additional
21 SSIR category, but recommends the Company include how the DIIP information influences
22 the DIMP and TIMP programs, the Company’s knowledge and population of high-risk-

²¹ Direct Testimony of Charles Fijnvandraat, Page 7, Lines 13-16.

²² Direct Testimony of Charles Fijnvandraat. Page 7, Lines 17-19.

1 defined assets, selection of annual portfolio of projects, and overall program(s) life cycles
2 in the Company's SSIR applications.²³

3 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE PUBLIC ADVOCATE'S**
4 **RECOMMENDATION?**

5 A. The Company agrees with the Public Advocate's recommendation. As data gaps are closed
6 and data is verified as a result of the DIIP, the results should be incorporated annually into
7 the DIMP and TIMP risk models. The effect of such action will lead to a continuous
8 improvement of the asset risk outputs, which will enhance the predictive abilities of the
9 models. Verification of location-based data will directly improve safety of the system, as
10 well.

11 As the DIIP progresses, future SSIR Applications will include the impact to the
12 TIMP and DIMP programs and risk models, the Company's knowledge and population of
13 high-risk-defined assets, the selection of annual portfolio of projects, and overall program
14 life cycles.

15 The Company has initiated a similar DIIP for transmission lines and has seen
16 significant improvement of data by increased spatial accuracy of transmission assets, in
17 some cases by hundreds of feet. Having accurate centerlines and mapping previously
18 unmapped service lines will have a direct impact on the DIMP and TIMP, and by extension
19 the safety of the public, environment, customers, and employees. Taking these additional
20 actions will also ensure proper One-Call coverage and have practical safety impacts for
21 third-party damage reduction, safe operations, and emergency response.

²³ Direct Testimony of Charles Fijnvandraat, Page 8, Lines 17-20.

1 **Q. WHAT IS THE PUBLIC ADVOCATE’S RECOMMENDATION CONCERNING**
2 **THE INCLUSION OF RELIABILITY AS AN ADDITIONAL CATEGORY?**

3 A. Public Advocate witness Mr. Fijnvandratt recommends inclusion of Reliability as an
4 additional SSIR category, but recommends the Company have some measurable criteria so
5 as to ensure the category is not being too broadly interpreted and that the projects selected
6 are chosen and prioritized based on a defensible approach.²⁴

7 **Q. WHAT IS THE COMPANY’S RESPONSE TO THE PUBLIC ADVOCATE’S**
8 **RECOMMENDATION?**

9 A. Projects to be included under the Reliability category of the SSIR will be based on
10 measurable criteria that improve safety and mitigate risk. The costs for installation or
11 replacement of pipe to primarily facilitate growth, whether for identified or expected
12 customers, may not be eligible to be included in the SSIR mechanism. The Company
13 agrees with the Public Advocate’s recommendation to provide this type of information for
14 each project under this category of the SSIR Application.

15 **Q. HAS THE COMPANY UPDATED ITS 2021 SSIR APPLICATION TO**
16 **INCORPORATE THESE UPDATES BASED ON THE PUBLIC ADVOCATE’S**
17 **RECOMMENDATIONS?**

18 A. Yes, Mr. Bennett has included Exhibit No. JLB-10 with his Rebuttal Testimony. This
19 Exhibit contains a red-lined version of the previously filed 2021 SSIR Narrative contained
20 within the SSIR Application with the new updates described above included within that
21 rebuttal exhibit.

²⁴ Direct Testimony of Charles Fijnvandraat, Page 9, Lines 7-10.

1 **Q. DID THE PUBLIC ADVOCATE RECOMMEND THAT ANY PROJECTS**
2 **INCLUDED IN THE COMPANY’S 2021 SSIR APPLICATION BE DISALLOWED?**

3 A. Yes, Public Advocate witness Mr. Fijnvandraat has recommended that four “Shallow”
4 projects and seven “Reliability” projects be disallowed due to insufficient specificity of
5 criteria in the 2021 SSIR Application.²⁵ Mr. Fijnvandratt’s proposed disallowances would
6 remove \$10,726,942 of projects from the 2021 SSIR.²⁶

7 **Q. DO YOU AGREE WITH THE PUBLIC ADVOCATE’S RECOMMENDATION TO**
8 **DISALLOW CERTAIN PROJECTS FROM THE 2021 SSIR APPLICATION?**

9 A. Generally, no. The Company has now taken several steps to address all of the concerns
10 raised by Mr. Fijnvandratt, as previously described in my testimony. These updates provide
11 sufficient detail and explanation of the Company’s proposed projects to allow for adequate
12 review and to provide sufficient criteria to perform future audits. However, upon further
13 review by our operations and Engineering teams, the Company has decided to remove one
14 “Reliability” project from the 2021 SSIR Application. The Company has removed the
15 “David City Loop” project from the 2021 SSIR Application. Therefore, all of the
16 “Shallow” and the three remaining “Reliability” projects, as revised with additional
17 information provided by Mr. Bennett, that were recommended for disallowance by the
18 Public Advocate should now be included in the Company’s 2021 SSIR Mechanism, and
19 approved by the Commission.
20

²⁵ Direct Testimony of Charles Fijnvandraat, Page 10, Lines 1-3.

²⁶ Direct Testimony of Charles Fijnvandraat, Page 10, Table 1: “Black Hills 2021 SSIR Forecasted Projects of PA Concern”.

V. CONCLUSION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15

Q. PLEASE SUMMARIZE THE POSITIONS OF BH NEBRASKA GAS AS OF THE DATE OF THIS REBUTTAL TESTIMONY.

A. The Company agrees with many of the recommendations from the Public Advocate and have made appropriate updates to exhibits regarding the following areas:

- 1) SSIR Category Expansion – Mr.Fijnvandraat

The Company disagrees with the recommendations from the Public Advocate and has made appropriate updates to exhibits regarding the following areas:

- 1) Capital Additions – Ms. Mullinax
- 2) Farm Tap Replacement Program – Ms. Mullinax
- 3) Labor Costs – Ms. Mullinax
- 4) Line Locate Costs – Ms. Mullinax
- 5) SSIR Disallowances – Mr. Fijnvandraat

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

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 9 day of October, 2020.

(SEAL)





Notary Public

My Commission Expires:

July 4, 2022