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March 1, 2022

**REDACTED PUBLIC VERSION**

Col. Thomas Golden (Ret.)  
Executive Director  
Nebraska Public Service Commission  
1200 N Street, Suite 300  
Lincoln, NE 68508

**Re: Black Hills Nebraska Gas LLC d/b/a Black Hills Energy  
Docket No. NG-112.1 – 2021 Annual Surveillance Report**

Dear Mr. Golden:

Pursuant to the Order Approving Application entered December 14, 2021 (“Application”) in Docket No. NG-112.1, Black Hills Nebraska Gas LLC d/b/a Black Hills Energy (“BHE”) hereby submits for filing with the Nebraska Public Service Commission (“Commission”) the Annual surveillance report.

As stated in the Application:

“The Commission finds the revised tariff sheets should be approved, effective January 1, 2022.”

Further, tariff page attached to the Application:

“The Company shall make annual surveillance filings within sixty days of the end of each calendar year. Such filings shall include calculations of the rate base separated into regular and SSIR components, the realized rates of return on the rate base components, along with supporting calculations. Additionally, the filing shall include an update regarding the status of the current calendar year’s SSIR Project costs, projected in-service dates, and the expected schedule over the remainder of the calendar year.”

BHE prepared the annual surveillance report using the following four (4) calculations:

Calculation 1: For the most recent annual period, the calculation of the realized rate of return on the Composite, SSIR, and Non-SSIR rate bases, determined on a period ending rate base.

Calculation 2: For the most recent annual period, the rate base shown separately for the composite, SSIR, and non-SSIR components, including gross plant, construction work in progress, accumulated depreciation reserve, customer advances, accumulated deferred income taxes, and customer deposits.

Calculation 3: For the most recent annual period, the 12-month total revenue, weather normalized, shown separately for the non-SSIR and SSIR tariff components.

For the most recent annual period, the 12-month total of operating and maintenance expenses shown by FERC Account including depreciation expenses.

For the most recent annual period, the 12-month total operating income shown separately for the composite, SSIR, and non-SSIR components.

Calculation 4: For the most recent annual period, the most recent weighted average cost of capital including the outstanding balances for the capital structure (long-term debt and common equity); the cost of debt; and the most recently authorized rate of return on common equity for the Nebraska regulatory jurisdiction.

These period end calculations are consistent with the methodology used in BHE's last general rate case, Application No. NG-109.

Attachment 1 to this letter is the four (4) calculations using a period-end rate base.

Lastly, current calendar year 2022 SSIR Project costs, projected in-service dates, and expected schedule over the remainder of the calendar year continue to be consistent with BHE's 2022 SSIR Application and Model filed in Application No. NG-112.1 on August 2, 2021.

Please contact me at (402) 858-3561 if you have any questions or need additional information.

Sincerely,

/s/ Tyler E. Frost

Tyler E. Frost  
Manager of Regulatory & Finance  
(402) 858-3561

And

/s/ Douglas J. Law

Douglas J. Law, NE Bar #19436  
Associate General Counsel  
(402) 221-2635

Enclosures

cc: William F. Austin, Esq., Nebraska Public Advocate  
Nichole Mulcahy, Director of Natural Gas Department, NPSC

**Black Hills Nebraska Gas, LLC**  
**Realized ROR & ROE**  
**Base Year - 12 Months Ending December 31, 2021**  
**Period End Rate Base**

**CONFIDENTIAL**

Line No.	Description	Jurisdictional Composite	Jurisdictional SSIR	Jurisdictional Excluding SSIR	Reference
	(A)	(B)	(C)	(D)	
1	Net Jurisdictional Operating Earnings	[REDACTED]			
2	Total Rate Base (Period Ending)	[REDACTED]			
3	Realized Actual Rate of Return	[REDACTED]			
4	Realized Actual Return on Equity	[REDACTED]			

Black Hills Nebraska Gas, LLC  
 Revenue Requirement Calculation  
 Base Year - 12 Months Ending December 31, 2021  
 Period End Rate Base

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Line No.	Description (A)	Jurisdictional (B)	Jurisdictional SSIR (C)	Jurisdictional without SSIR (D)	Reference
1	Base Year:				
2	Return on Rate Base				
3	Operations & Maintenance Expenses				
4	Administrative & General Expenses				
5	Taxes Other Than Income				
6	Depreciation & Amortization Expenses				
7	Income Tax Expense				
8					
9	Total Revenue Requirement				
10	Other Revenues				
11					
12	Net Cost of Service				
13					
14	Jurisdictional Base Rate Revenue				
15					
16	Revenue Deficiency / (Excess)	\$3,928,624	\$1,303,516	\$2,625,108	Line 12 - Line 14

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Line No.	Description	FERC Account	Total Nebraska	Non-Jurisdictional	Jurisdictional	Jurisdictional without SSIR	Jurisdictional SSIR
1	RATE BASE ADDITIONS						
2	Plant in Service	101, 106, 118					
3	Prepayments	165					
4	Materials and Supplies	154, 163					
5	Cash Working Capital	Last Rate Review					
6	Deferred Debits	182-191					
7	Construction Work in Progress	107					
8	Subtotal						
9							
10	RATE BASE DEDUCTIONS						
11	Accumulated Provision for Depreciation	108, 119					
12	RWIP	108001					
13	Accumulated Deferred Income Tax	190, 282, 283, 254					
14	Consumer Advances for Construction	252					
15	Consumer Deposits	235					
16							
17	Subtotal						
18							
19	Total Rate Base						
20							
21	Return on Rate Base						
22	Earned Rate of Return on Rate Base						
23	Authorized Rate of Return on Rate Base					6.71%	
24	Authorized Rate of Return on Equity					9.50%	
25	Capital Structure in Docket No. NG-109 - Percent Debt		50.00%				
26	Capital Structure in Docket No. in NG-109 - Percent Equity		50.00%				
27	Cost of Debt in Capital Structure in Docket No. NG-109					3.91%	

**CONFIDENTIAL**

Line No.	Description	FERC Account	Total Nebraska	Non-Jurisdictional	Jurisdictional	Jurisdictional without SSIR	Jurisdictional SSIR
1	OPERATING INCOME AND DEDUCTIONS						
2	Utility Operating Revenues						
3	TCJA Refund				(148,141)	(148,141)	
4	Weather Normalization						
5	<b>Normalized Revenue</b>						
6	Other Gas Revenues						
7	<b>Total Operating Revenues</b>						
8							
9	Utility Operating Expenses						
10	Operation Expenses						
11	Transmission Expense - Operation	850-860					
12	Transmission Expense - Maintenance	861-867					
13	Distribution Expense - Operation	870-881					
14	Distribution Expense - Maintenance	885-894					
15	Customer Accounts Expense	901-905					
16	Customer Service & Information Expense	907-910					
17	New Business Expense	911-916					
18	Administrative & General Expense	920-935					
19							
20	Depreciation Expense	403					
21							
22							
23							
24	Taxes Other Than Income Taxes	408					
25							
26	<b>Total Utility Operating Expenses</b>						
27							
28	<b>Net Utility Operating Income Before Income Taxes</b>						
29							
30	Interest & Debt Expense		(12,594,550)	(1,726,830)	(10,867,720)	(10,081,018)	(786,702)
31	Tax Expense						
32							
33	<b>Net Utility Operating Income</b>						
34							
35	Tax Rate						
36	Income Tax (Federal and State) Calculated at the Following Rate		26.73%				
37	Federal Tax Rate - 21.00%						
38	State Tax Rate - 7.25%						
39	Combined Rate = 21.00% + 7.25% - (21.00% x 7.25%) = 26.7275%						

**Black Hills Nebraska Gas, LLC**  
**Rate of Return & Cost of Capital**  
**Base Year - 12 Months Ending December 31, 2021**  
**Period End Rate Base**

**[CONFIDENTIAL]**

Line No.	Actual Capital Categories (A)	Average Capitalization (B)	Percent of Total (C)	Cost of Capital (D)	Weighted Cost of Capital (E)
<b>Base Year Balances</b>					
1	Long Term Debt				
2	Equity				
3	Total Capital				

**Notes:**

- (1) Long term debt consists of the total of FERC account 233, less the intercompany interest expense at 233153 and less the debt assignement related to Storm Uri, which, as of 12/31/21, was \$76,720,000 at an all-in rate of 1.24%.
- (2) Equity consists of FERC accounts 211 and 216 plus net income less \$20M of Storm Uri-related infused equity.

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Line No.	FERC Account	FERC Account Description	Total Nebraska Per Book	Non-Jurisdictional Allocation %	Non-Jurisdictional Amount	Jurisdictional Allocation %	Jurisdictional Amount	Jurisdictional without SSIR	Jurisdictional SSIR
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1		<b>Transmission Expense: Operations</b>							
2	850	Operation Supervision and Engineering							
3	851	System Control and Load Dispatching							
4	852	Communication System Expenses							
5	853	Compressor Station Labor and Expenses							
6	856	Mains Expenses							
7	857	Measuring and Regulating Station Expenses							
8	859	Other Expenses							
9	860	Rents							
10		<b>Total Transmission Expense: Operation</b>							
11		<b>Transmission Expense: Maintenance</b>							
12	861	Maintenance Supervision and Engineering							
13	862	Maintenance of Structures and Improvements							
14	863	Maintenance of Mains							
15	864	Maintenance of Compressor Station Equipment							
16	865	Maintenance of Measuring and Regulating Station Equipment							
17	866	Maintenance of Communication Equipment							
18	867	Maintenance of Other Equipment							
19		<b>Total Transmission Expense: Maintenance</b>							
20		<b>Total Transmission Expense</b>							
21		<b>Distribution Expense: Operations</b>							
22	870	Operation Supervision and Engineering							
23	871	Distribution Load Dispatching							
24	872	Compressor Station Labor and Expenses							
25	874	Mains and Services Expenses							
26	875	Measuring and Regulating Station Expenses--General							
27	876	Measuring and Regulating Station Expenses--Industrial							
28	877	Measuring and Regulating Station Expenses--City Gate Check Stations							
29	878	Meter and House Regulator Expenses							
30	879	Customer Installations Expenses							
31	880	Other Expenses							
32	881	Rents							
33		<b>Total Distribution Expense: Operation</b>							
34		<b>Distribution Expense: Maintenance</b>							
35	885	Maintenance Supervision and Engineering							
36	886	Maintenance of Structures and Improvements							
37	887	Maintenance of Mains							
38	888	Maintenance of Compressor Station Equipment							
39	889	Maintenance of Measuring and Regulating Station Equipment--General							
40	890	Maintenance of Measuring and Regulating Station Equipment--Industrial							
41	891	Maintenance of Measuring and Regulating Station Equipment--City Gate Check Stations							
42	892	Maintenance of Services							
43	893	Maintenance of Meters and House Regulators							
44	894	Maintenance of Other Equipment							
45		<b>Total Distribution Expense: Maintenance</b>							
46		<b>Total Distribution Expense</b>							

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Line No.	FERC Account	FERC Account Description	Total Nebraska Per Book	Non-Jurisdictional Allocation %	Non-Jurisdictional Amount	Jurisdictional Allocation %	Jurisdictional Amount	Jurisdictional without SSIR	Jurisdictional SSIR
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
									Page 2 of 2
47		<b>Customer Accounts Expense</b>							
48	901	Supervision							
49	902	Meter Reading Expenses							
50	903	Customer Records and Collection Expenses							
51	904	Uncollectible Accounts							
52	905	Miscellaneous Customer Accounts Expenses							
53		<b>Total Customer Accounts Expense</b>							
54		<b>Customer Service &amp; Information Expense</b>							
55	907	Customer Service Supervision							
56	908	Customer Assistance Expenses							
57	909	Informational and Instructional Advertising Expenses							
58	910	Miscellaneous Customer Service and Informational Expenses							
59		<b>Total Customer Service &amp; Information Expense</b>							
60		<b>New Business Expense</b>							
61	911	Supervision							
62	912	Demonstrating and Selling Expenses							
63	913	Advertising Expenses							
64	916	Miscellaneous Sales Expenses							
65		<b>Total New Business Expense</b>							
66		<b>Administrative &amp; General Expense: Operation</b>							
67	920	Administrative & General Salaries							
68	921	Office Supplies & Expense							
69	922	Administrative Expenses Transferred-Cr							
70	923	Outside Services Employed							
71	924	Property Insurance							
72	925	Injuries and Damages							
73	926	Employee Pensions & Benefits							
74	928	Regulatory Commission Exp							
75	929	Duplicate Charges - Credit							
76	930.1	General Advertising Expenses							
77	930.2	Miscellaneous General Expenses							
78	931	Rents							
79		<b>Total Administrative &amp; General Expense: Operation</b>							
80		<b>Administrative &amp; General Expense: Maintenance</b>							
81	932	Maintenance of General Plant							
82		<b>Total Administrative &amp; General Expense: Maintenance</b>							
83		<b>Total Administrative &amp; General Expense</b>							
84		<b>Total Before Depreciation, Amortization and Taxes</b>							
85		<b>Total Depreciation</b>							
86	403	Depreciation Expense							
87	403.1	Depreciation Expense for Asset Retirement Costs	-		-		-	-	-
88	404	Amortization of Other Limited-Term Gas Plant	-		-		-	-	-
89	406	Amortization of Gas Plant Acquisition Adjustments	-		-		-	-	-
90	407.3	Regulatory Debits	-		-		-	-	-
91	408.1	<b>Taxes Other Than Income (sum)</b>							
92	408.1	Taxes - Other than Income - Property Tax Expense							
93	408.1	Taxes - Other than Income - Labor - Payroll Taxes							
94	408.1	Taxes - Other than Income - Sales/Use Taxes							
95		<b>TOTAL OPERATING EXPENSE</b>							

Black Hills Nebraska Gas, LLC  
Rate Base Inputs  
Base Year - 12 Months Ending December 31, 2021  
Line

**CONFIDENTIAL**

Attachment 1  
Rate Base  
Page 1 of 2

No.	Account	Total Nebraska Per Book	Non-Jurisdictional Allocation %	Non-Jurisdictional Amount	Jurisdictional Allocation %	Jurisdictional Amount	Jurisdictional without SSIR	Jurisdictional SSIR
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	<b>Account No. 101 Plant:</b>							
2	<b>Intangible Plant</b>							
3	301 Intangibles Organization							\$0
4	302 Intangibles Franchises & Consents							0
5	303 Intangibles Miscellaneous							0
6	303.01 Intangibles Miscellaneous - Easements							0
7	Sub-total Intangible Plant							
8	<b>Transmission Plant</b>							
9	365.03 Right-of-Way							\$0
10	366.01 Structures and Improvements							0
11	367 Transmission Plant - Mains							0
12	369.03 Transmission Plant - Meas. & Reg. Sta. Equip.							0
13	Sub-total Transmission Plant							
14	<b>Distribution Plant</b>							
15	374.01 Distribution Plant - Land							
16	374.02 Land Rights (Non-Depreciable)							
17	374.03 Land Rights - Right of Way (Depreciable)							
18	375.01 Structures and Improvements							
19	375.2 Structures and Improvements - Other							
20	376 Distribution Plant - Mains							
21	378 Distribution Plant - Meas. & Reg. Sta. Equip. - General							
22	379 Measuring & Regulating Station Equip.- City Gate Check Stn.							
23	380 Distribution Plant - Services							
24	381 Meters							
25	382.01 Meter Installations							
26	383 Distribution Plant - House Regulators							
27	384.01 House regulator installations							
28	385 Industrial Measuring & Regulating Station Equipment							
29	386 Other Property on Customers' Premises							
30	387 Other Equipment							
31	Sub-total Distribution Plant							
32	<b>General Plant</b>							
33	389.01 Land							
34	389.02 Land Rights - Right of Way							
35	390.01 Structures and Improvements							
36	390.51 Leasehold Improvements							
37	391.01 Office Machines							
38	391.02 Office Furniture							
39	391.03 Computer Hardware							
40	391.04 Software							
41	391.05 System Development							
42	391.07 Ipad Hardware							
43	392.01 Transportation Equipment							
44	392.02 Cars							
45	392.03 Light Trucks							
46	392.04 Medium Trucks							
47	392.05 Heavy Trucks							
48	392.06 Trailers							
49	393 Stores Equipment							
50	394 Tools, Shop, and Garage Equipment							
51	395 Laboratory Equipment							
52	396 Power Operated Equipment							
53	397 Communication Equipment							
54	398 Miscellaneous Equipment							
55	399 Other Tangible Property							
56	Sub-total General Plant							
57	107 <b>Construction Work in Progress</b>							
58	107 Transmission Plant							
59	107 Distribution Plant							
60	107 General and Intangible Plant (and Common)							
61	Sub-total Construction Work in Progress							
62	<b>Allocated Plant from Service Company</b>							
63	118 Other Utility Plant (Corporate Shared Assets - Allocated on Custom							
64	118 Other Utility Plant (Corporate Shared Assets - Allocated on Blended							
65	Sub-total Allocated Plant from Service Company							
66	252 <b>Contributions In Aid of Construction</b>							
67	Distribution							
68	General							
69	Sub-total Contribution In Aid of Construction							
70	108 <b>Accumulated Depreciation</b>							
71	Distribution							
72	General							
73	Sub-total Accumulated Depreciation							
74	<b>Net Plant in Service</b>							

Black Hills Nebraska Gas, LLC  
Rate Base Inputs  
Base Year - 12 Months Ending December 31, 2021  
Line

**CONFIDENTIAL**

Attachment 1  
Rate Base  
Page 1 of 2

No.	Account	Total Nebraska Per Book	Non-Jurisdictional Allocation %	Non-Jurisdictional Amount	Jurisdictional Allocation %	Jurisdictional Amount	Jurisdictional without SSIR	Jurisdictional SSIR
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Page 2 of 2								
75	Customer Deposits							\$0
76	Accumulated Deferred Income Taxes							
77	Federal							
78	190 Deferred Tax Assets							
79	254 Excess/Deficient Deferred Income Taxes (Jurisdictional Only)							
80	282 Other Property							
81	283 Other							
82	Sub-total Federal							
83	State							
84	190 Deferred Tax Assets							
85	254 Excess/Deficient Deferred Income Taxes (Jurisdictional Only)							
86	282 Other Property							
87	283 Other							
88	Sub-total State							
89	Total Accumulated Deferred Income Taxes							
90	Working Capital							
91	Prepayments							
92	Materials and Supplies							
93	Purchased Gas Working Capital							
94	Property Tax Working Capital							
95	Other Working Capital Allowance							
96	Sub-total Working Capital							
97	Total Rate Base							
98	Rate of Return on Rate Base							
99	Return on Rate Base							
100	Adjustments for Tax Purposes:							
101	Interest & Debt Expense Percentage							
102	Interest & Debt Expense	(12,594,550)		(1,726,829)		(10,867,720)	(10,081,018)	(786,702)
103	Taxable Rate Base Earnings							
104	Income Tax							
105	Total Income Taxes							
		26.73%		26.73%		26.73%	26.73%	26.73%

**Tax Rate**  
Income Tax (Federal and State) Calculated at the Following Rate  
Federal Tax Rate - 21.00%  
State Tax Rate - 7.25%  
Combined Rate = 21.00% + 7.25% - (21.00% x 7.25%) = 26.7275%

**TAX CALCULATION INPUTS (DO NOT DELETE)**  
Federal Tax Rate 21.00%  
State Tax Rate 7.25%  
26.73%