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March 31, 2023

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-112.2 – 2022 Annual Surveillance Report**

Dear Mr. Golden:

Pursuant to BHE Tariff page 128 approved in PSC Order Approving 2023 SSIR Charge entered December 13, 2022 in Docket No. NG-112.2, 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.

BHE tariff page 128 states:

“The Company shall make an annual surveillance filing within ninety 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 previous calendar year’s SSIR Project costs, actual or projected in-service dates, and, if any remain uncompleted at the time of submittal of the annual surveillance filing, the expected schedule for completion.”

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.

Attachment 2 to this letter is the status of the previous calendar year's SSIR Project costs, actual or projected in-service dates, and the expected schedule for completion for Projects that were uncompleted by the previous calendar year.

Please contact me at (605) 800-1799 if you have any questions or need additional information.

Sincerely,

/s/ Johanna Benson

Johanna Benson  
Manager of Regulatory & Finance  
(605) 800-1799

And

/s/ Douglas J. Law

Douglas J. Law, NE Bar #19436  
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Enclosures

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