



SUBJECT: Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy, Docket No. NG-124 Review of March 2, 2026, Interim Rate Refund Plan

EXECUTIVE SUMMARY

On March 2, 2026, Black Hills Nebraska Gas, LLC, d/b/a Black Hills Energy (“BHE” or “Company”) filed its Interim Rate Refund Plan (“Refund Plan”) subsequent to the Order Approving the Stipulation and Settlement Agreement entered on December 9, 2025, in Application No. NG-124. Based upon Blue Ridge’s review of the Company’s submitted Refund Plan, Blue Ridge finds that BHE’s proposed plan to refund excess charges accumulated during the period of interim rates is not unreasonable.¹ Blue Ridge recommends that the Commission accept the Company’s Refund Plan with one modification: the Company should revise the minimum refund amount from \$5 to \$2, consistent with the Commission’s previous approval in Application No. NG-109.

BACKGROUND

Joint Stipulation and Agreements

On May 1, 2025, based upon a test year ending December 31, 2024, BHE sought a revenue increase of \$34.9 million per year. On December 9, 2025, the Nebraska Public Service Commission (“Commission”) approved two Joint Stipulation and Agreements of Settlement (“Settlement” or “Settlement Agreement”) entered on October 7, 2025, in BHE’s general rate case in Docket No. NG-124.²

The Commission order approved these items:

- An increase in general retail gas rates of \$23,907,670
- Continuation of the Choice Gas Program, which will remain unchanged in this proceeding except for reclassifying customers in Western, Nebraska from Base Rate Area Five (which participates in the Choice Gas Program) to Base Rate Area Three (which does not participate in the program)

Western is currently the only Choice Program community served by the interstate pipeline Northern Natural Gas Company, which creates additional administrative costs. The reclassification aligns Western with similar communities and is expected to reduce jurisdictional operating expenses by \$6,527. Black Hills will notify Western customers in the first quarter of 2026 and will file revised tariff sheets around May 1, 2026, with the reclassification becoming effective June 1, 2026.

¹ Blue Ridge uses the phrase “not unreasonable” instead of “reasonable” for our conclusions to reflect a deliberate and nuanced distinction. While “reasonable” implies a definitive endorsement based on full knowledge of all relevant facts and circumstances, “not unreasonable” acknowledges the limits of our review and the possibility of factors outside the scope of our analysis. This phrasing communicates that, based on the specific information we evaluated, the Company’s action appears justifiable, but it stops short of asserting a comprehensive conclusion that presumes perfect knowledge. This approach aligns with our commitment to provide a fair and impartial assessment within the boundaries of our review.

² See Commission Order Issued on December 9, 2025, Application No. NG-124, in which the Commission approved the settlement agreement between BHE, PA and WoodRiver (Choice Gas Program Settlement) and the Settlement Agreement between BHE and the Public Advocate (PA Settlement Agreement). Also see Joint Motion to Amend Order Setting Procedural Schedule and Notice of Hearing and Filing of Settlement Agreements, Application No. NG-124, at 1 (October 7, 2025).

- One set of system-wide rates with a declining block rate structure with the first tier of rates adjusted to reflect the lower revenue requirements agreed to in the Stipulation
The rate structure consists of two tiers of distribution rates and fixed customer charges for the residential class and commercial classes. BHE will also adopt two commercial classes statewide. The parties agreed to these customer charges and rates:

Charge	BHE Settlement
Residential Customer Charge	\$27.95/month
Residential Distribution Charge-Tier 1	\$0.42989/Therm for the First 10 Therms
Residential Distribution Charge-Tier 2	\$0.15000/Therm Over 10 Therms
Small Commercial Customer Charge	\$48.00/month
Small Commercial Distribution Charge-Tier 1	\$0.95940/Therm for the First 20 Therms
Small Commercial Distribution Charge-Tier 2	\$0.15000/Therm Over 20 Therms
Large Commercial Customer Charge	\$112.00/month
Large Commercial Distribution Charge-Tier 1	\$0.17803/Therm for the First 500 Therms
Large Commercial Distribution Charge-Tier 2	\$0.15000/Therm Over 20 Therms

The Commission approved the agreed-upon rate structure, noting that separating small and large commercial customers is an improvement over the previous single commercial class. However, it expressed concerns about the large increase in fixed customer charges and the shift of revenue recovery away from usage-based (volumetric) rates. The Commission warned that higher fixed charges may reduce customers’ ability to lower bills through conservation, discourage energy efficiency investments, and disproportionately affect low-usage customers. It also reiterated concerns that the existing declining block rate structure does not promote conservation.

Although the settlement was approved, the Commission emphasized that this approval does **not** mean it supports the size of the fixed charge increases or the continued use of declining block rates. For future rate cases, the Commission expects more gradual increases in fixed charges, greater reliance on variable rates, and detailed analysis showing that bill impacts are not unfairly distributed among customer groups.

The parties agreed to these other items:

- The System Safety and Integrity Rider (“SSIR”) mechanism will be renewed for a period of five years.³
- BHE will develop a two-year pilot program for the Weather Normalization Adjustment Rider (“WNA Rider”). At the end of the pilot period, a final true-up factor will be filed and applied to customer bills, and the Public Advocate can conduct an audit of the accuracy of the WNA and file its findings. The WNA will not be extended unless the Commission affirmatively approves an application to do so⁴;
- BHE will defer the costs related to the McCook Manufactured Gas Plant site in McCook, Nebraska. These costs will be tracked in a deferred asset account, allowing the Company to potentially seek recovery in a future regulatory proceeding. As part of this process, \$138,821 (Total Company) and \$121,430 (Jurisdictional) will be removed from base rates and transferred to the deferred asset account once the Commission issues the deferred

³ Settlement Agreement at 22.

⁴ Settlement Agreement at 22.

accounting order. The deferred asset will serve only as a tracking mechanism, and any future recovery of these costs will require a Commission prudence review and approval.⁵

- BHE will track future insurance expenses to a baseline amount of \$3,012,652 (Jurisdictional) in a deferred asset account.⁶ Future recovery of the deferred asset account is contingent on a Commission prudence review and approval.

The approved Settlement also specified agreement that the interim rates implemented on August 1, 2025, and the final rates approved by the Commission are subject to refund with interest. BHE requested and was granted leave to file a refund plan for the balance on March 2, 2026. The Commission ordered to include the following items in the refund plan:

- Calculation of the total amount over collected
- Narrative description detailing BHE’s plan to refund ratepayers
- Justification for BHE’s approach to refunding ratepayers
- Supporting information and exhibits necessary for the Commission’s review of the refund plan⁷

INTERIM REFUND PLAN

On March 2, 2026, BHE filed its Interim Refund Plan subsequent to the Order Approving the Stipulation and Settlement Agreement entered on December 9, 2024, in Application No. NG-124. The filing included these items:

- BH Nebraska Gas Interim Rate Refund Plan
- Exhibit 1 – Refund Summary
- Exhibit 2 – Refund Calculation Before Interest
- Exhibit 3 – Interest Calculation

The following tables compare the interim (effective August 1, 2025) and final rates (effective January 1, 2026).

Table 1: Comparison of Interim and Final Rates—Residential

	Interim Rates (8/1/2025)	Final Rates (1/1/2026)
Monthly Customer Charge	\$31.00	\$27.95
Distribution Charge (per therm)		
First Tier	\$0.42242	\$0.42989
Second Tier	\$0.15000	\$0.15000

Table 2: Comparison of Interim and Final Rates—Small Commercial

	Interim Rates (8/1/2025)	Final Rates (1/1/2026)
Monthly Customer Charge	\$48.00	\$48.00
Distribution Charge (per therm)		
First Tier	\$0.95940	\$0.95940
Second Tier	\$0.15000	\$0.15000

⁵ Settlement Agreement at 21.
⁶ Settlement Agreement at 22.
⁷ NG-124 Order Approving Settlement Agreements (December 9, 2025).

Table 3: Comparison of Interim and Final Rates—Large Commercial

	Interim Rates (8/1/2025)	Final Rates (1/1/2026)
Monthly Customer Charge	\$121.00	\$112.00
Distribution Charge (per therm)		
First Tier	\$0.22484	\$0.17803
Second Tier	\$0.15000	\$0.15000

The Company proposes a total refund of \$4.7 million, which represents the difference between the Interim Rates, commencing August 1, 2025, and Final Rates, effective January 1, 2026. BHE then applied the difference between the two rates to the actual customer consumption data from August 1 through December 31, 2025. Based on this calculation, the Company proposes to refund the average residential customer approximately \$15, and the average large commercial customer will receive a refund of approximately \$131. There is no refund for Small Commercial customers because their Final Rates are the same as the Interim Rates.

The following table summarizes the components that make up the total refund of \$4.7 million.

Table 4: Summary of Items Subject to Refund

Items Subject to Refund	Total Amount
Interim Rates	
• Customer Charge (Residential)	\$(4,063,768)
• Customer Charge (Large Commercial)	\$(205,839)
• Distribution-Tier 1 (Residential)*	\$84,783
• Distribution-Tier 1 (Large Commercial)	\$(375,593)
Interest through (April 2026) - Residential	\$(129,065)
Interest through (April 2026) - Large Commercial	\$(17,687)
Total Refund	\$(4,707,169)
<u>Source:</u> Compiled from BHE Refund Plan, Exhibit 2.	
*The Final Rate for the Residential Distribution Tier 1 was slightly higher than the interim rate. The Company will net the increase against the customer's customer charge refund.	

Blue Ridge presents these observations:

- Customer Charge
 - The over-collection is the difference between the interim and final customer charge.⁸
 - Interim customer charges were effective August 1, 2026. All customers were assessed a prorated portion of the increased Customer Charge based on a “cycle” billing system.
 - In response to the PA’s clarification queries regarding the actual billing data for August 2025 through January 2026 that support the terms used in the refund calculation, the Company explained that its billing system automatically calculates customer refund based on customers with active service agreements between August 1, 2025, and December 31, 2025, as well as their actual usage for that period. The system automatically generates the Tier 1 refund using the customer’s actual Tier 1 usage during the refund period and calculates the customer charge refund based on the number of months the customer was active during the refund period.⁹ Blue Ridge has reviewed and

⁸ Refund Plan, page 5.

⁹ Response to Public Advocate’s Clarification Queries (March 13, 2026), PA-25-10.

confirmed that the Company's pre-calculation refund report generated automatically from its billing system results in a refund amount of \$4.7 million, consistent with the refund amount contained in Exhibit 2 of the Company's Interim Refund Plan.¹⁰

- Distribution—Tier 1
 - The August 1, 2025, interim rates were applied to all volumes consumed under various distribution rate blocks during the month, and any adjustments to consumption by customers during that month will be refunded.
 - The change from Interim Rates to Final Rates is prorated on a straight-line basis by cycle.
 - The refund rate was multiplied by the volumes to determine the refund amount.¹¹
 - The Final Rate for the Residential Distribution Tier 1 was slightly higher than the interim rate. The Company will net the increase against the customer's customer charge refund.
 - In response to the PA's clarification queries regarding the proration process design and how that design is understood in relation to volumetric rates, the Company responded that the refund for the volumetric rate is applied to usage for August 1 through December 31, 2025. Because of cycle billing, some of the December 2025 usage is billed in January 2026, which is why Exhibit 2 shows January 2026 usage; it is actually the December 2025 usage billed in January 2026.¹²
- Interest
 - The interest calculation is based on Nebraska Statute. The annual interest rate ranges from 5.612% to 6.256% and is based on the Judgment Interest Rate from the Nebraska Judicial Branch.¹³
 - Interest is calculated monthly and applied on the full month balance regardless of billing date. The Company's methodology applies interest on interest.¹⁴ The Company's application of interest is in the customer's favor.
 - Interest will be paid through April 30, 2026, under the assumption that the Commission will review and approve the Refund Plan in time for refunds to commence sometime in May 2026.¹⁵
- Refund Logistics
 - Residential and Large Commercial customers who were on the Company's gas distribution system during the interim rate period will receive a one-time bill credit (beginning in May 2026).¹⁶
 - Current customers who are still on the system when the refund is distributed will receive a one-time bill credit refund based on the number of months the customer

¹⁰ See response to Public Advocate's Clarification Queries (March 13, 2026), PA-25-10, CONFIDENTIAL Attachment PA-25-10 – Report by RateID. There is a \$7,832 rounding difference between the refund report by RateID and Exhibit 2. Variance is due to rounding at the aggregate level (Exhibit 2) versus the rounding at the customer level (Refund Report by RATEID).

¹¹ Refund Plan, page 5.

¹² Response to Public Advocate's Clarification Queries (March 13, 2026), PA-25-7.

¹³ Refund Plan, Exhibit 3. Also see link: <https://supremecourt.nebraska.gov/rules/administrative-policies-schedules/interest-rate>.

¹⁴ Refund Plan, Exhibit 3. Also see Responses to Public Advocate's Clarification Queries (March 13, 2026), PA-25-13.

¹⁵ Refund Plan, page 7. Also see responses to Public Advocates' Clarification Queries (March 13, 2026), PA-25-2.

¹⁶ Response to Public Advocate Clarification Queries (March 13, 2026) indicates that the Company plans to process the refunds as soon as possible after the Commission approves the Refund Plan; and that the Company anticipates that the refunds will be processed sometime in May 2026, but the actual date is not yet known.

- was on the system during the interim period and on their individual usage during that same period.
- Former customers no longer receiving service from BHE will be issued refund checks if their forwarding address is known and the refund exceeds \$5.00. BHE will undertake commercially reasonable actions to locate these former customers.¹⁷ In response to Blue Ridge’s question on the plan for refunding customers whose refund are less than \$5.00, the Company explained that under the current plan customers whose refund are less than \$5.00 would not receive a refund, and their refunds would be included in the escheat process.¹⁸ The Company acknowledges that in Application No. NG-109, the Company provided refunds to all customers with refunds that are greater than \$2.00, and that it is considering whether to amend the minimum check provisions in its Refund Plan to reduce the minimum from \$5.00 to \$2.00 as approved by the Commission in that application. If amended, the Company plans to issue a refund to former customers if the forwarding address is known and the refund exceeds \$2.00.¹⁹ Given that the refund in Application NG-109 was implemented in June 2021, Blue Ridge notes that the Company has not explained why a 150% increase in the minimum refund amount (from \$2.00 to \$5.00) is not unreasonable in this case. Therefore, Blue Ridge recommends that the Company provide refunds to customers whose refunds are more than \$2.00, consistent with Application No. NG-109.
 - Undistributed refunds and any printed checks mailed and returned to BHE will be remitted per the Nebraska escheat process.²⁰
 - The proposed method for refunding current customers is consistent with prior refunds in prior BHE rate cases.²¹
- BHE’s proposed notice is consistent with the approved message from Application No. NG-109. The notice states, “The Nebraska Public Service Commission approved a one-time rate refund for the difference between current service rates and interim rates in place between August 1, 2025, through December 31, 2025. For more details, visit blackhillsenergy.com/reliableNE.” Blue Ridge finds this message acceptable, given its consistency with previous ones.
 - Internal Controls and Audit
 - Although the Company objected to the discovery request to confirm whether the interim and rate calculations are subject to Sarbanes-Oxley audits, based on relevance and privilege, Blue Ridge notes that the Company’s previous response in Application No. NG-109 confirmed that interim rate calculations are not subject to review as part of Sarbanes-Oxley 404 or 302, and an audit does not review the calculations or rate design. However, the Company explained that it does have established preparation and review processes, experienced personnel and access to regulatory guidance,

¹⁷ Refund Plan, page 7. In Response to PA25-4, BHE indicates that refund checks issued to former customers are mailed to the last mailing address on file. If a check is returned by the U.S. Postal Service (USPS) as undeliverable, the Company will attempt to contact the customer using any available email address and/or phone number to obtain an updated mailing address. If the customer provides a new address, the refund check is mailed to that updated location. If the Company is unable to obtain a valid address, the check is held until the start of the next escheatment cycle. The escheatment period runs from July 1 through June 30 of the previous year.

¹⁸ Response to Public Advocate’s Clarification Queries (March 13, 2026), PA-25-5.

¹⁹ Response to Public Advocate’s Clarification Queries (March 13, 2026), PA-25-5.

²⁰ Refund Plan, page 8.

²¹ Refund Plan, page 8.

which provide assurance that Company financial statements and disclosures are materially stated in compliance with regulatory rulings and filings.²²

CONCLUSION AND RECOMMENDATIONS

In conclusion, Blue Ridge finds that BHE's proposed Refund Plan (based on the information submitted) to refund excess charges accumulated during the period of interim rates is not unreasonable. Blue Ridge recommends that the Commission accept the Company's Refund Plan with one recommended modification: the Company should revise the minimum refund amount from \$5 to \$2 consistent with the Commission's previous approval in Application No. NG-109.

SUPPORTING DOCUMENTS

1. Application No. NG-124 Order Approving Stipulation and Settlement Agreement (December 9, 2025)
2. Application No. NG-124, Joint Stipulation and Agreement of Settlement between Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy, the Public Advocate of Nebraska and WoodRiver (October 7, 2025)
3. Application No. NG-124 Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy, Interim Refund Plan (March 2, 2026) and supporting Excel files
4. Responses to Public Advocate's Clarification Queries (March 13, 2026)

²² Response to Public Advocate's Clarification Queries (March 13, 2026), PA-25-15.