

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 CITY, SOUTH DAKOTA**

SEEKING APPROVAL OF A GENERAL RATE INCREASE

Commission Application No. NG-109

SUMMARY OF FINAL RATES

January 15, 2021



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EXHIBITS

Exhibit No	Exhibit Purpose
Exhibit No. 1 – Final Revenue Requirement	Reflects the Revenue Requirement with updates and final adjustments through December 31, 2020
Exhibit No. 2 – Final Plant Additions Summary	Reflects workpapers related to the Plant Additions through 12/31/2020
Exhibit No. 3 – Final CCOSS and Rate Design	Reflects the Consolidated CCOSS with updates to rate design and customer bill impact as of December 31, 2020
Exhibit No. 4 – Final Customer Bill Impacts	Reflects detail of the final rates and associated Customer Bill Impacts with updates through December 31, 2020
Exhibit No. 5 – HEAT Multi-Family Tariff	Provides Revised HEAT Tariff language - sample

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**IN THE MATTER OF THE APPLICATION OF)
BLACK HILLS NEBRASKA GAS, LLC, D/B/A) APPLICATION NO. NG -109
BLACK HILLS ENERGY, RAPID CITY, SOUTH)
DAKOTA, SEEKING APPROVAL OF A)
GENERAL RATE INCREASE)**

**BLACK HILLS NEBRASKA GAS, LLC
D/B/A BLACK HILLS ENERGY**

SUMMARY OF FINAL RATES

A. Applicant

Black Hills Nebraska Gas, LLC, d/b/a Black Hills Energy (“BH Nebraska Gas” or “Company”), a “jurisdictional utility” under Section 66-1802 (10) of the State Natural Gas Regulation Act (“Act”), provides retail natural gas distribution service to approximately 297,000 customers located in or around 319 communities Nebraska¹. With the Rate Review Application, BH Nebraska Gas filed by BH Nebraska Gas on June 1, 2020, the Company requested approval from the Nebraska Public Service Commission (“Commission”) of a general rate increase under the Act for its Nebraska jurisdictional customers. *Neb. Rev. Stat. §§ 66-1801 et. seq.*

Black Hills Nebraska Gas, LLC is the combination of Black Hills/Nebraska Gas Utility Company, LLC (“BH Gas Utility” formerly Aquila) and Black Hills Gas Distribution, LLC (“BH Gas Distribution” formerly Source Gas) and operates under tariffs effective January 1, 2020 pursuant to approval of the Commission in Commission Application No. NG - 100.²

The BH Nebraska Gas service area is divided into five rate areas: (1) Rate Area One represents towns adjacent to the Omaha Metropolitan area, (2) Rate Area Two represents the City of Lincoln and nearby communities, (3) Rate Area Three represents the remaining 94 communities in the former BH Gas Utility service territory; (4) Rate Area Four represents non-jurisdictional transportation customers served under the High Volume Contracts or Interruptible Customers, and (5) Rate Area Five represents all of the former BH Gas Distribution communities. A copy of the existing rate areas is included within the Tariff of BH Nebraska Gas.

¹ The jurisdictional customer count is approximately 288,000 and non-jurisdictional customer count is approximately 9,200.

² *In Re the Joint Application of Black Hills Gas Distribution, LLC and Black Hills/Nebraska Gas Utility Company, LLC and Black Hills Nebraska Gas, LLC for a Commission Decision Approving Internal Transfers, Consolidating the Nebraska Tariffs, Assets, Liabilities, and Operations of Black Hills Gas Distribution, LLC and Black Hills/Nebraska Gas Utility Company, LLC and to rename the consolidated entity Black Hills Nebraska Gas, LLC, Application No. NG-100.*

B. Procedural Background

1. On June 1, 2020, BH Nebraska Gas filed its Application. The Commission accepted the Application under Commission Application No. NG-109, issued public notice, and established July 6, 2020 as the deadline for Intervenors to file Petitions to Intervene in the proceeding. BH Nebraska Gas sought approval of an increase in retail gas rates in the amount of \$17,295,841.

2. On June 1, 2020, BH Nebraska Gas filed a Motion for Protective Order, and on June 8, 2020, the Commission issued a Protective Order for this proceeding.

3. On June 10, 2020, a Protest was filed by the Nebraska Public Advocate. On June 29, 2020, the Public Alliance for Community Energy (“ACE”) and the Nebraska Municipal Power Pool (“NMPP”) filed petitions for formal intervention.

4. On June 29, 2020, the Commission issued its Order Granting Intervention of Public Advocate and Setting Planning Conference.

5. On July 3, 2020, the International Brotherhood of Electrical Workers Local 244 (“IBEW”) also filed a motion to intervene.

6. On July 8, 2020, the Commission held a Planning Conference.

7. On July 9, 2020, BH Nebraska Gas filed a motion objecting to the intervention of IBEW.

8. On July 10, 2020, the Commission issued its Order Granting Interventions for the ACE, NMPP, and IBEW.

9. On July 13, 2020, the Commission issued its Order Setting Procedural Schedule and Notice of Hearing and its Amended Order Setting Procedural Schedule and Notice of Hearing, which established various deadlines and scheduled hearing dates of October 26-30, 2020.

10. On July 17, 2020, the Public Advocate filed a Response to the Motion of BH Nebraska Gas for an Interim Rate Surcharge.

11. On July 22, 2020, Heartland Natural Gas (“HNG”) filed a Petition for Informal Intervention.

12. On July 23, 2020, the Commission issued its Order Granting Informal Intervention for HNG.

13. On July 28, 2020, the Commission issued an Order Denying Motion For An Interim Rate Surcharge.

14. On August 5, 2020, the Commission issued an Order Setting Town Hall Meetings to occur September 22, 23, and 24th.

15. On August 11, 2020, the Commission issued an Order Revising Dates of Town Hall Meetings.

16. On September 14, 2020, the Public Advocate filed Answer Testimony and Exhibits in the above-captioned proceeding.

17. On September 14, 2020, HNG filed Answer Testimony.

18. On September 23, 2020, the Commission issued an Order Changing Hearing Location and Revised Notice of Hearing.

19. During the week of September 21-26, the Commission held three separate town hall meetings that were available and open to the general public, the purpose of which was to familiarize the public with the particulars of the Application and procedure for review of the same, and to receive comments and to answer questions from the public.

20. On October 2, 2020, HNG filed a Motion to withdraw this testimony. By Order dated, October 6, 2020, the Commission issued an order granting withdrawal of the HNG testimony.

21. On October 8, 2020, the Commission issued an Order Releasing List of Disputed Issues and Seeking Comment.

22. On October 13, 2020, BH Nebraska Gas filed its rebuttal testimony and exhibits.

23. During the period of October 13th and October 28th, the Public Advocate and BH Nebraska Gas engaged in settlement discussions.

24. On October 22, 2020, the Commission held a Prehearing Conference.

25. On October 22, 2020, the Parties submitted their respective witness and Hearing Exhibit lists to the Commission. In addition, the Parties informed the Commission that the Public Advocate and BH Nebraska Gas had reached full agreement on the disputed issues raised in this proceeding.

26. On October 22, 2020, the Commission issued an Order Postponing Hearing and Revised Notice of Hearing to establish new hearing date to commence on Wednesday, October 28, 2020 at 1:00 pm.

27. On October 23, 2020, the Commission issued an Order Revising Procedural Schedule to reflect new procedural dates and deadlines in consideration of the Settlement Agreement reached between the Parties.

28. On October 28, 2020, the Parties submitted Joint Stipulations and Agreement of Settlement between the Public Advocate and BH Nebraska Gas (“Settlement Agreement”).

29. On October 28, 2020, the Commission held a hearing on the Stipulation and Settlement Agreement. In addition to a hearing and presentation of the Settlement Agreement, the Commission accepted all the evidence offered in this proceeding, including but not limited to pre-filed testimony, exhibits, discovery, and live testimony.

30. On December 1, 2020, the Commission issued its Second Order Revising Procedural Schedule.

31. On December 14, 2020, Black Hills Nebraska Gas filed a revised revenue requirement study showing updates through November 30, 2020 to the construction work in progress and job positions requested as part of the revenue requirement study.

32. On December 15, 2020, the Commission held a workshop to review the revised revenue requirement study and to discuss issues related to the updated revenue requirement schedules (i.e., construction work in progress (“CWIP”) and open job positions).

33. On January 15, 2021, BH Nebraska Gas filed its final updates to its revenue requirement study. As part of the January 15, 2021 compliance filing, BH Nebraska Gas filed updates to (a) capital projects placed in service by December 31, 2020, (b) open positions filled by December 31, 2020, (c) an additional adjustment to the Accumulated Deferred Income Taxes (“ADIT”) and Deferred Deficiency of Income Taxes (“DDIT”), (d) a revised Class Cost of Service Study, (e) a revised customer impact analysis, and (f) revised HEAT tariff qualification language pursuant to the terms of the Settlement Agreement and discussions following the Commission’s December 14, 2020 Workshop in this proceeding.

34. On January 15, 2020, BH Nebraska Gas also filed revised tariff language for the High Efficiency Appliance Tool (“HEAT”), including a tariff to provide incentives for multi-family dwellings as agreed in the Settlement Agreement and discussed throughout this proceeding.

C. Rate Review Application Summary

BH Gas Utility has not had a general rate increase under Neb. Rev. Stat. § 66-1838 in Nebraska since 2009.³ BH Gas Distribution’s last general rate under Neb. Rev. Stat. § 66-1838 was in 2011.⁴ This Rate Review proceeding is the first general rate review proceeding for the consolidated BH Nebraska Gas.

As presented by BH Nebraska Gas, the primary reasons or drivers for filing a Rate Review Application seeking a rate review were as follows:

1. Capital Infrastructure Project Investment Recovery

BH Gas Utility and BH Gas Distribution each made a significant capital investment in their gas distribution system infrastructure since the last general rate proceeding for either BH Gas Utility or BH Gas Distribution (“Capital Infrastructure Projects”). In fact, BH Nebraska Gas has increased its rate base by approximately \$322 million since the last rate review proceedings for BH Gas Utility and BH Gas Distribution. Those Capital Infrastructure Projects investments were made to improve the respective gas distribution systems of BH Gas Utility or BH Gas Distribution.

The combined rate base of BH Gas Utility and BH Gas Distribution at the end of the Base Year (i.e., December 31, 2019) is approximately \$526 million.

The combined rate base for BH Nebraska Gas as of December 31, 2020 is approximately \$586 million, of which \$504 million is BH Nebraska jurisdictional rate base as shown on Statement D of the Final Revenue Requirement Model filed on January 15, 2021.

a) Rolled-in Capital Investment.

A significant amount of the Capital Infrastructure Projects investment was made by either BH Gas Utility or BH Gas Distribution in system safety infrastructure (i.e., “Integrity” projects). That investment has been recovered through either a Pipeline Replacement Charge or an SSIR Charge.

³ Black Hills/Nebraska Gas Utility Company, LLC d/b/a Black Hills Energy’s rate review proceeded under Commission Application No. NG–0061.

⁴ SourceGas Distribution, LLC’s rate review proceeded under Commission Application No. NG–0067.

On the other hand, significant investment in other Capital Infrastructure Projects (i.e., Growth, Reliability, or General Plant projects) had not yet been incorporated into tariff rates by BH Gas Utility or BH Gas Distribution.

Capital Infrastructure Projects investment is included (i.e., rolled into Rate Base) in the revenue requirement model and tariff rates through this general rate proceeding. The final Rolled-in Capital Infrastructure investment included in this rate review proceeding is detailed on Statement D and Schedules D-1, D-2, and D-3 included in the FINAL -BH – Reve Req Model – January 15, 2021 (i.e., the Revenue Requirement Study filed on January 15, 2021).

b) 2020 Capital Additions Investment.

As part of its June 1, 2020 rate application, BH Nebraska Gas initially estimated that it would invest approximately, \$102 million in Capital Additions during 2020. As part of the Settlement Agreement, the Parties agreed that BH Nebraska Gas could include up to \$110 million in verified Capital Additions projects as part of its final BH Nebraska Gas revenue requirement.

As of December 31, 2020, BH Nebraska Gas invested approximately \$115.2 million in Capital Additions projects during 2020. However, pursuant to the Settlement Agreement, the Company only included \$110 million in Capital Additions within its revenue requirement model. *See Exhibit 2 - Final Plant Additions Update Summary.* Exhibit 2 summarizes the Capital Additions investment that were completed and placed into service during 2020.

The 2020 Capital Additions included in the Rate Review Application provided with the testimony of Mr. Kevin Jarosz. The project “in service” requirement mandated by the Act and Commission regulation was verified by audit of various selected Capital Additions projects by the Public Advocate. The Final Revenue Requirement Model reflects the \$110 million in plant additions that are permitted pursuant to the Settlement Agreement.

Any Capital Additions project investment that was not placed in service by December 31, 2020 was not included in the Final Revenue Requirement filed on January 15, 2020.

c) 2021 SSIR Capital Investment.

In 2021, BH Nebraska Gas plans to invest \$51 million in SSIR projects. The Application for the 2021 SSIR projects was provided with the testimony of Mr. Jason Bennett. The Rebuttal Testimony of Mr. Bennett

as clarified by the Settlement Agreement identifies the projects that are eligible and excluded from the 2021 SSIR. The Parties further agreed to continue refining the tariff language for future SSIR applications as appropriate or necessary. The 2021 SSIR Charges to become effective on March 1, 2020, are set forth in the table below.

d) Five-Year Plan Capital Investment.

The Company plans to invest an additional \$455 million (i.e. approximately \$91 million average per/year) on Capital Infrastructure Projects over the next five years in BH Nebraska Gas. BH Nebraska Gas will spend approximately \$50 million of the \$91 million per year on programmatic System Safety Integrity Rider (“SSIR”) projects.

The SSIR investment will be recovered through review and approval of future SSIR applications. The 2022 SSIR Application will be filed in early August.

The additional investment in growth and other projects will be subject to Commission review in the Company’s next general rate proceeding.

2. Pipeline Replacement Charge Renewal, SSIR Renewal, Extension, and other SSIR Modifications

As presented in the Company’s, June 1, 2020 rate application and supported throughout this proceeding, the Pipeline Replacement Charge and SSIR mechanisms are designed to (a) improve customer safety, (b) drive collaboration between the Commission, the Public Advocate and the Company, and (c) reduce regulatory lag. Recovery of required capital investment through a Pipeline Replacement Charge or SSIR Charge extends the time between Rate Review Applications.

Accordingly, the understanding and agreement provided for in the Settlement Agreement is (a) the renewal of the system safety mechanisms (i.e., Pipeline Replacement Charge and SSIR Charge), (b) extension of the SSIR mechanism to all Rate Areas, (c) modification of the SSIR’s definition of eligible projects, categories, and criteria, (d) a change in the SSIR Surveillance Reports, and (e) modification of the SSIR mechanism to include recovery of Data Integrity Improvement Program (“DIIP”) costs through the SSIR Charge.

3. High Efficiency Appliance Tool (“HEAT”) Tariff

As demonstrated in this proceeding, BH Nebraska Gas faces constant and seemingly increased competition from public power districts in Nebraska.

As part of the Settlement Agreement, the Parties agreed to extend the HEAT mechanism throughout all BH Nebraska Gas rate areas. BH Nebraska Gas agreed to defer collection of the HEAT Surcharge until January 1, 2022 for Rate Areas One, Two and Three, and to refund the surcharge revenue charged during the interim refund period to Rate Areas One, Two, and Three,

but to surcharge the Rate Area Five customers for the under-collected HEAT Surcharge. The Parties agree that to avoid impact on Rate Area Five customers due to the under-collection of the HEAT charge, BH Nebraska Gas will net the under-collection of the HEAT charge during the interim rate period against the interim rate refund to address over and under collection of HEAT during the refund period and going forward.

The Parties agreed that BH Nebraska Gas may modify the eligibility tariff requirements to include multi-family dwellings, and that the approved \$1 million HEAT incentives limited investment may be split equally between single family dwelling and the multi-family dwellings.

BH Nebraska Gas provided a proposed tariff for the HEAT program as part of its June 1, 2020 rate application. At the Commission's December 14, 2020 Workshop in this proceeding, BH Nebraska Gas provided draft tariff language for multi-family dwellings to be included as part of the proposed HEAT tariffs. The Public Advocate raised some concerns with the eligibility requirements of the HEAT tariffs. Specifically, the Public Advocate held concerns with the inclusion of "firepits" and "torches" as eligible appliances.⁵

BH Nebraska Gas addresses the Public Advocate's concerns by providing revised HEAT tariff language included is provided as part of this January 15, 2021 compliance filing.⁶ The HEAT surcharge for Rate Area Five customers is \$.39 per month through December 31, 2021. Pursuant to the Settlement Agreement, the Rate Areas One, Two, and Three HEAT Surcharge will not go into effect until January 1, 2022. The HEAT Surcharge will be recalculated and filed for approval with a filing to be made by BH Nebraska Gas in November 2021. The Commission-approved HEAT Surcharge calculated for all rate areas will become effective on January 1, 2022.

The refund and surcharge of the over-collection from Rate Areas One, Two, and Three along with the assessment of the under-collection of the Heat Surcharge from Rate Area Five customers will be addressed as part of the Interim Rate Refund Plan to be filed by April 1, 2021.

4. Revenue Deficiency

BH Nebraska Gas requested an increase in its revenue of approximately \$17 million. The Base Year for the Rate Review Application is January 1, 2019 through December 31, 2019. The Test Year adjusts the Base Year for known and measurable changes, as well as applying normalization adjustments, as required by the Act, and an annualized adjustment to correct for out-of-period billing entries. As permitted under the State Natural Gas Regulation Act, the Company proposed to include in rate base capital projects that went into service after the end of the Base Year and through the end of 2020.

⁵ BH Nebraska Gas states that the approval of the HEAT program as set forth in the Settlement Agreement should be granted in order to expand the program. However, the Company acknowledges that it will continue to cooperate with the Public Advocate and the Commission to further refine future level of investments in the HEAT program, conduct additional studies to obtain additional customer information needed to make adjustments to the HEAT Program, or to make other changes beneficial to customers and BH Nebraska Gas.

⁶ Exhibit 5 - HEAT Multi-Family Tariff contains the language that BH Nebraska Gas will incorporate into the eligibility requirements for appliances for its single-family and multi-family HEAT tariffs to be filed with the tariffs required after Commission approval of the Settlement Agreement.

The Settlement Agreement provided for a revenue deficiency of approximately \$11.1 million, with the understanding that the revenue requirement model would be updated with this filing to reflect the December 31, 2020 Capital Additions and Open Positions. The final revenue deficiency is \$10,688,337. *See Exhibit 1 – Final Revenue Requirement, MCC Testimony Tab.*

a) **Final Capital Additions Adjustment.**

As noted above, the Capital Additions placed in service during 2020 exceeded the \$110 million limit provided for in the Settlement Agreements. However, Exhibit 1 - Final Revenue Requirement Model only reflect \$110 million of Capital Additions investment.

b) **Final Open Positions Adjustment.**

As for open positions, the Company ended the year with 357 of the 375 originally requested positions. The Company has reduced the proposed June 1, 2020 revenue requirement by \$512,590 to reflect the amount of the 357 positions as of December 31, 2020. This adjustment was accomplished on Exhibit 1 – Final Revenue Requirement Model. *See Schedule H-4 of Exhibit 1 filed on January 15, 2021.*

A summary of the Black Hills Service Company positions is set forth below. The table demonstrates the changes in headcount though the course of this proceeding.

Requested Headcount Summary				
Line No.	Department	Initial Filing	Rebuttal	Final filing
1	Gas Engineering	31	21	22
2	IT	30	21	24
3	Training	10	4	5
4	Bus Dev	7	7	7
5	Accounting	24	20	19
6	Risk	2	2	2
7	Reg/Finance	6	6	6
8	Land	3	3	3
9	Community Affairs	1	1	1
10	Environmental	1	1	1
11	HR	2	2	2
12	Supply Chain	7	6	7
13	Asset Programs	3	2	2
14	Gas Asset Opt.	3	2	2
15				
16	Total	130	98	103

While the final adjustment to BHSC headcount showed an increase of \$271,353 the Company had already reduced the amount of Headcount in rebuttal to reflect only positions actually filled or advertised. The final Settlement Agreement was to reflect actual headcount as of December 31, 2020. The adjustment on Schedule H-6 of Exhibit 1 – Final Revenue Requirement Model was updated to reflect a net 103 additional headcount at BHSC.⁷

c) Final ADIT /DDIT Adjustment.

In addition to the final adjustment and revision to the Revenue Requirement Model for the open positions and for 2020 Capital Additions, the Company also made a revision to the ADIT/DDIT balances in accordance with the Settlement Agreement. There was a difference of interpretation between the Public Advocate and BH Nebraska Gas regarding the level of ADIT and DDIT amounts to recover through the Revenue Requirement Model. Pursuant to further explanation and negotiation between the Public Advocate and the Company, the Parties have reached further understanding and agreement as to the proper level to include in Exhibit 1- Final Revenue Requirement Model.

Accordingly, the final revenue deficiency to be approved is provided in the FINAL – BH - Revenue Requirement Model – January 15, 2021 and is \$10,688,337 million.⁸

Proposed Revenue Deficiency	Capital Structure	ROE	Cost of Debt	Weighted Cost of Capital
\$17.3 million	50% Equity/50% Debt	10%	4.11%	7.06%

Settled Revenue Deficiency	Capital Structure	ROE	Cost of Debt	Weighted Cost of Capital
\$11.1 million	50% Equity/50% Debt	9.5%	3.91%	6.71%

Final Rates Revenue Deficiency	Capital Structure	ROE	Cost of Debt	Weighted Cost of Capital
\$10.7 million	50% Equity/50% Debt	9.5%	3.91%	6.71%

⁷ The workpaper for the BH Nebraska Gas headcount and the BHSC Headcount is the same as provided for the November update. There was no activity during the month of December in Headcount. Therefore, the workpapers provided for the December 15 Workshop meeting was used as the basis of the adjustments in the Exhibit 1 – Final Revenue Requirement Model, which was filed with the Commission on January 15, 2021.

⁸ See Exhibit 1 – Final Revenue Requirement Model at MCC Testimony Table tab, column A, line 32.

5. Statewide Consolidated Rates

This Rate Review Application covers BH Nebraska Gas Rate Areas One, Two, Three (former BH Gas Utility rate areas), and Five (former BH Gas Distribution rate area).⁹ BH Nebraska Gas' Nebraska customers are served by common interstate natural gas pipeline systems.¹⁰

BH Nebraska Gas proposed and the Settlement Agreement allows uniform base rates for each customer class within the BH Nebraska Gas rate areas. As part of the statewide rate consolidation, BH Nebraska Gas raise the customer charges and establish block rates (a/k/a "Block Rate" rate design).

As explained in the testimony of Mr. Sullivan, the change in rate design is necessary to compete effectively with public power districts in Nebraska.

BH Nebraska Gas has designed its proposed rates to accomplish the following results: (1) standardization of rates between all jurisdictional rate areas; (2) simplicity; (3) fair apportionment of costs among various customer sizes; (4) an opportunity for BH Nebraska Gas to set rates which are reflective of its current cost structure and business conditions; (5) an opportunity to add stability to BH Nebraska Gas' rate structure; and (6) an opportunity to allow BH Nebraska Gas to meet competition from other energy providers.

BH Nebraska Gas provides a final revised class cost of service study (Exhibit 3 – Final CCOSS and Rate Design) incorporating the final revenue requirement model revenue deficiency.

The Rate Design Tab of Exhibit 3 – Final CCOSS and Rate Design shows the final rate design after applying the revenue increase provided for in Exhibit 1 – Final Revenue Requirement Model.

In addition, BH Nebraska Gas provides a detailed customer bill impact study in Exhibit 4 – Final Customer Bill Impacts filed on January 15, 2021.

A summary of the average customer bill impacts from Exhibit 1 – Final Revenue Requirement Model are shown on the tables shown on the pages below.

⁹ Rate Area 4 is a designation of the Agricultural and High Volume non-jurisdictional transportation customers whose service is provided pursuant to Neb. Rev. Stat. § 66-1810. The rates, terms, and conditions of service for customers served under Rate Area 4 non-jurisdictional transportation customers are not subject to this filing other than allocation of costs between regulated and non-regulated customers. *See Tariff Sheet Nos. 20-27* for more detail regarding BH Nebraska Gas rate areas.

¹⁰ Northern Natural Gas Company ("NNG") and Tallgrass Interstate Gas Transmission ("TIGT") are primary interstate pipelines delivering interstate natural gas supplies to Black Hills Energy and its customers in Nebraska.

BH Nebraska Gas - Rate Design

PROPOSED RATES – JUNE 1, 2020

Proposed Rates	BH Gas Utility Current	BH Gas Distribution Current	BH Nebraska Gas Proposed
Residential Customer Charge	\$13.50 per Month	\$14.70 per Month	\$15.45 per Month
Commercial Customer Charge	\$18.50 per Month	\$22.75 per Month	\$31.10 per Month
Large Commercial Customer Charge	NA	\$56.15 per Month	N/A
Residential Distribution Charge Tier 1	\$.19500/Therm	\$.04675/Therm First 20 Therms	\$.59960/Therm First 20 Therms
Residential Distribution Charge Tier 2	N/A	\$.1338/Therm Over 20 Therms	\$.15000/Therm Over 20 Therms
Small Commercial Distribution Charge Tier 1	\$.17245/Therm	\$.4675/Therm First 40 Therms	\$.59960 /Therm First 40 Therms
Small Commercial Distribution Charge Tier 2	N/A	\$.1338 Therms Over 40 Therms	\$.1500/Therm Over 40 Therms
Large Commercial Distribution Charge Tier 1	N/A	\$.4675/Therm First 80 Therms	N/A
Large Commercial Distribution Charge Tier 2	N/A	\$.4675/Therm Over 80 Therms	N/A

SETTLEMENT RATES

<u>SETTLEMENT RATES</u>	BH Gas Utility Current	BH Gas Distribution Current	BH Nebraska Gas Settled
Residential Customer Charge	\$13.50 per Month	\$14.70 per Month	\$15.45 per Month
Commercial Customer Charge	\$18.50 per Month	\$22.75 per Month	\$28.60 per Month
Large Commercial Customer Charge	NA	\$56.15 per Month	N/A
Residential Distribution Charge Tier 1	\$.19500/Therm	\$.4675/Therm First 20 Therms	\$.51415/Therm First 20 Therms
Residential Distribution Charge Tier 2	N/A	\$.1338/Therm Over 20 Therms	\$.15000/Therm Over 20 Therms
Small Commercial Distribution Charge Tier 1	\$.17245/Therm	\$.4675/Therm First 40 Therms	\$.51415 /Therm First 40 Therms
Small Commercial Distribution Charge Tier 2	N/A	\$.1338/Therm Over 40 Therms	\$.1500/Therm Over 40 Therms
Large Commercial Distribution Charge Tier 1	N/A	\$.4675/Therm First 80 Therms	N/A
Large Commercial Distribution Charge Tier 2	N/A	\$.1338/Therm Over 80 Therms	N/A

FINAL RATES – EFFECTIVE MARCH 1, 2021

(See Exhibit 3 – Final CCOSS and Rate Design, Rate Design Tab, Column A, Lines 18-26)

FINAL RATES	BH Nebraska Gas Final
Residential Customer Charge	\$15.45 per Month
Commercial Customer Charge	\$28.43 per Month
Large Commercial Customer Charge	N/A
Residential Distribution Charge Tier 1	\$.50858/Therm First 20 Therms
Residential Distribution Charge Tier 2	\$.15000/Therm Over 20 Therms
Small Commercial Distribution Charge Tier 1	\$.50858/Therm First 40 Therms
Small Commercial Distribution Charge Tier 2	\$.1500/Therm Over 40 Therms
Large Commercial Distribution Charge Tier 1	N/A
Large Commercial Distribution Charge Tier 2	N/A

CUSTOMER IMPACT -PROPOSED RATES

The tables below show the average customer bill prior to June 1, 2020, compared to the average customer bill when applying the BH Nebraska Gas June 1, 2020 rate application’s proposed rates. The tables indicate the monetary and percentage derived from the rate application.

Average Residential Customer Bill Impacts – Proposed Rates

BH Gas Utility Residential Winter	BH Gas Distribution Residential Winter	BH Gas Utility Residential Summer	BH Gas Distribution Residential Summer
\$5.61/mo. increase	\$.66/mo. increase	9.26/mo. increase	\$(0.65)/mo. decrease
7%/mo. Higher	1% Higher	33%/mo. Higher	2% Lower

Average Small Commercial Customer Bill Impacts

BH Gas Utility Small Commercial Winter	BH Gas Distribution Small Commercial Winter	BH Gas Utility Small Commercial Summer	BH Gas Distribution Small Commercial Summer
\$15.89/mo. increase	\$14.21/mo. increase	25.56/mo. increase	\$7.23/mo. increase
4%/mo. Higher	4% Higher	23%/mo. Higher	6% Higher

Average Large Commercial Customer Bill Impacts

BH Gas Utility Large Commercial Winter	BH Gas Distribution Large Commercial Winter	BH Gas Utility Large Commercial Summer	BH Gas Distribution Large Commercial Summer
\$(33.37)/mo. decrease	\$(42.77)/mo. decrease	\$8.95/mo. increase	\$(73.31)/mo. decrease
2%/mo. Lower	3% Lower	2%/mo. Higher	12% Lower

CUSTOMER IMPACT – SETTLEMENT AGREEMENT RATES

The tables below show the average customer bill applying rates calculated from the Settlement Agreements as of October 2020, compared to the average customer bill when applying the BH Nebraska Gas rates prior to June 1, 2020. The tables indicate the monetary and percentage derived from the rate application.

Average Residential Customer Bill Impacts – Applying Settled Rates

BH Gas Utility Residential Winter	BH Gas Distribution Residential Winter	BH Gas Utility Residential Summer	BH Gas Distribution Residential Summer
\$3.90/mo. increase	\$(1.05)/mo. decrease	\$7.55/mo. increase	\$(2.36)/mo. decrease
5%/mo. Higher	1% Lower	27%/mo. Higher	6% Lower

Average Small Commercial Customer Bill Impacts– Applying Settled Rates

BH Gas Utility Small Commercial Winter	BH Gas Distribution Small Commercial Winter	BH Gas Utility Small Commercial Summer	BH Gas Distribution Small Commercial Summer
\$9.97/mo. increase	\$8.30/mo. increase	\$19.65/mo. increase	\$1.31/mo. increase
3%/mo. Higher	2% Higher	18%/mo. Higher	1% Higher

Average Large Commercial Customer Bill Impacts– Applying Settled Rates

BH Gas Utility Large Commercial Winter	BH Gas Distribution Large Commercial Winter	BH Gas Utility Large Commercial Summer	BH Gas Distribution Large Commercial Summer
\$(39.29)/mo. decrease	\$(48.69)/mo. decrease	\$3.03/mo. increase	\$(79.23)/mo. decrease
2%/mo. Lower	3% Lower	1%/mo. Higher	13% Lower

CUSTOMER IMPACT - FINAL RATES

(See Exhibit 3 – Final CCOSS and Rate Design- Bill Impact Tab – Colum A - Lines 60 and 61)

The tables below show the average customer bill applying rates calculated from the Final adjustments under Settlement Agreements as of December 31, 2020, compared to the average customer bill when applying the BH Nebraska Gas rates prior to June 1, 2020. The tables indicate the monetary and percentage derived from the rate application.

Average Residential Customer Bill Impacts –Final Rates

BH Gas Utility Residential Winter	BH Gas Distribution Residential Winter	BH Gas Utility Residential Summer	BH Gas Distribution Residential Summer
\$3.79/mo. increase	\$(1.16)/mo. decrease	\$7.44/mo. increase	\$(2.47)/mo. decrease
5%/mo. Higher	1% Lower	26%/mo. Higher	6% Lower

Average Small Commercial Customer Bill Impacts– Final Rates

BH Gas Utility Small Commercial Winter	BH Gas Distribution Small Commercial Winter	BH Gas Utility Small Commercial Summer	BH Gas Distribution Small Commercial Summer
\$9.58/mo. increase	\$7.90/mo. increase	\$19.25/mo. increase	\$0.92/mo. increase
3%/mo. Higher	2% Higher	17%/mo. Higher	1% Higher

Average Large Commercial Customer Bill Impacts– Final Rates

BH Gas Utility Large Commercial Winter	BH Gas Distribution Large Commercial Winter	BH Gas Utility Large Commercial Summer	BH Gas Distribution Large Commercial Summer
\$(39.68)/mo. decrease	\$(49.08)/mo. decrease	\$2.64/mo. increase	\$(79.62)/mo. decrease
2%/mo. Lower	3% Lower	0%/mo. Higher	13% Lower

6. Other Traditional Rate Review Issues Settled

In addition to the primary rate review drivers identified above, the Settlement Agreement resolved all the issues identified on the Commission’s list of contested and uncontested issues. For example, BH Nebraska Gas revised its tariff to establish uniform fees or charges for diversion of gas fees, late payment fees, connect, reconnect, credit card processing fees, and NSF. Those fees and charges are not currently standardized.

In addition, other than moving “Gas In Storage” costs into the Gas Cost Adjustment mechanism as discussed in the testimony of Mr. Bennett, BH Nebraska Gas does not propose changes to the Gas Cost Adjustment (“GCA”) mechanism used in its Rate Areas One, Two, and

Three (former BH Gas Utility) where Residential and Commercial Sales customers in those Rate Areas are provided natural gas supply purchased by BH Nebraska Gas.

Any significant changes to either the Choice Gas Program or the GCA (i.e., other than proposed in this Rate Review Application) will be addressed in a separate Commission proceeding.

a) **Settlement Agreement Approval**

The Settlement Agreement submitted to the Commission as BH Nebraska Gas address issues raised in prior Orders of the Commission wherein the Commission ordered BH Nebraska Gas to address a particular issue in this proceeding. The Settlement Agreement does not bind the Parties to that Settlement or the Commission as to future positions regarding settlement of those items.

BH Nebraska Gas also addresses Accumulated Deferred Taxes that were deferred to this rate proceeding under the Company's Tax Cut and Jobs Act filing in Commission Application No. NG-095.2. BH Nebraska Gas addresses the issues acknowledged in its legal entity and tariff consolidation proceeding in Commission Application No. NG-100. BH Nebraska Gas also reviewed the prior rate review proceedings of BH Nebraska Gas in Application No. NG-0061 (2009) and SourceGas in Application No. NG-0067 (2012) to ensure full compliance with those or other Commission orders.

D. Interim Rates and Refund Plan

BH Nebraska Gas implemented interim rates, subject to refund, commencing on September 1, 2020. The effective date of final rates is expected to be March 1, 2021. BH Nebraska Gas will refund the difference, with interest, between interim rates and final rates for the period of September 1, 2020 through February 28, 2021.

Normally, a refund plan is filed 30 days after the issuance of the Commission's order approving final rates. However, in this case, the refund plan will be more accurate if the interim rate refund plan is filed on or around April 1, 2021. The additional time will allow BH Nebraska Gas adequate time to calculate the specific level of overcollection between September 1, 2020 and March 1, 2021. If the additional time is not granted, the refund plan would be due February 26, 2021, which is prior to the implementation of final rates on March 1, 2021.

Therefore, the Commission's order should provide that the interim rate refund plan may be filed no later than April 1, 2021.

E. Rate Case and Other Customer Surcharges

The Parties agree that BH Nebraska Gas has authority Pursuant to § 66-1841 of the Act to collect its regulatory costs, including the Commission’s approved assessment through a surcharge mechanism. Specifically, the Parties agree that the Commission should approve the BH Nebraska Gas customer surcharges or recovery of the amortized amounts set forth in the tariff, agreed to as part of the Settlement Agreement, or revised revenue requirement as summarized in the table below:

Commission Proceeding	Surcharge Name	Total	Amortization or Surcharge Amount	Length of Surcharge
NG-0084	Severance	\$850,705	\$850,705	48 months Embedded in Rates All Customers
NG-0093	ALLO Line Locate Costs	\$1,526,000	\$0.43/month	36 months Rate Area Two Only
NG-0095	Tax Cut Jobs Act	\$2,948,208	\$10.23 Credit	One Time
NG-109	Rate Review Expense	\$750,000	\$.07/month	36 months All Customers
NG-109	HEAT		\$0.39/month	Continuing monthly Rate Area Five until December 31, 2021
NG-109	HEAT	\$1 Million divided by approximately 300,000 customers	TBD - Estimated \$0.33/month	Continuing monthly All Customer After January 1, 2022
NG-109	2021 SSIR Charge		\$0.65/month Residential \$1.30/month Commercial	Continuing monthly until revised by future SSIR Applications
NG-109	Gas in Storage Through Rate Areas One, Two and Three GCA		Varies	Continuing monthly

Charges for Miscellaneous Services

In addition to the surcharges set forth above, the table below shows the service charges that are uncontested and should be approved by the Commission as part of this rate proceeding.

	BH Nebraska Gas Proposed	BH Nebraska Gas Final
Connection Charge – normal working hours	\$40	\$40
Connection Charge – outside normal hours	\$80	\$80
Reconnection Charge – normal working hours	\$40	\$40
Reconnection Charge – outside normal hours	\$80	\$80
Non-Sufficient Funds Charge	\$25	\$25
Residential Deposits	1/6 of estimated annual bill	1/6 of estimated annual bill
Late Payment Charge¹¹	5% on first \$20, plus 2% on the excess over \$20	1% per month of the past due amount
Meter Test Charge	\$40	\$40
Facilities Relocation/Misc Service Work	All costs including labor and materials	All costs including labor and materials
Seasonal Disconnects	Not permitted; Reconnection Charge will be assessed	Not permitted; Reconnection Charge will be assessed
Diversion Fees		
Labor:		
1. Field Representative service charge	\$75	\$75
2. Field Representative service charge (if meter is repaired, removed, or replaced)	\$125/hr	\$125/hr
3. Customer Service/Billing Associate service charge	\$125/hr	\$125/hr
Materials:		
1. Lock	\$25	\$25
2. Clamshell	\$50	\$50
3. Stop cock	\$35	\$35
4. Meter test	\$40	\$40
5. Film/developing	\$15	\$15
Supplier Fee		
Administration	\$1.094	\$1.094
Bad Debt	\$0.440	\$0.440
Total Supplier Fee	\$1.534	\$1.534

¹¹ The *proposed* Late Payment Charges were not implemented with interim rates, rather the Late Payment Charge for BH Gas Utility and BH Gas Distribution were consolidated under the *final* Late Payment Charge with interim rates. Accordingly, no refund for those charges will be required as the higher charges were not placed into effect on September 1, 2020.

F. Communications Plan

BH Nebraska Gas will issue notice to its customers, employees, governmental officials, and others related to this rate proceeding. BH Nebraska Gas will provide the Commission and the Public Advocate with copies of the press releases or customer notices prior to issuance of those notifications.

The current timing of releases and customer notices is estimated as follows:

- January 26
 - National and local press releases
 - Content updates to website to include local news release language and sample bill with instructions for customers to understand changes they may see.
 - Notices to local officials and other key stakeholders
 - Letter from Kevin Jarosz, VP Nebraska Operation to Nebraska employees
 - Internal corporate email
- Feb. 15
 - Customer email with information similar to the bill insert
 - Customer Bill insert with monthly bill, or if unable to get the bill insert in Feb bill cycle, then BH Nebraska Gas will provide a direct mailing letter.
- March
 - Bill insert with changes and interim rates updates, if unable to be included in Feb. bill.
- Month of interim refunds (TBD) (estimated June or July 2021)
 - Bill message to remind customers of the refund and updates to website content

G. Conclusion

BH Nebraska Gas requests that the Commission issue an order accepting and approving this Rate Review Application, as modified by the Settlement Agreement, including the proposed rate schedules, tariff modifications, surcharges, fees, and other tariff changes included therewith, including but not limited to the following:

- annual natural gas rate increase in the amount of \$10,688,337, as shown in the Final January 15, 2021 Revenue Requirement Model;
- final class cost of service study results and rate design set forth in the January 15th revisions to the CCROSS and Rate Design shown above;
- proposed SSIR mechanism tariff and process modifications discussed in the testimony of various witnesses and agreed to as part of the Settlement Agreement;
- proposed continuation and expansion of the HEAT program as set forth in the Settlement Agreement;

- proposed recovery of deferred accounting order amounts and recovery of other costs through various surcharges, riders, or rate mechanisms proposed in the Direct Testimony of various BH Nebraska Gas witnesses;
- proposed recovery of Gas In Storage Inventory through the Gas Cost Adjustment mechanism for Rate Areas One, Two and Three as explained in the testimony of Mr. Bennett.
- Approval of the settled issues contained in the Settlement Agreements; and
- Approval of uncontested items requested by BH Nebraska Gas as part of its rate application.

BH Nebraska Gas respectfully requests that the final rates set forth submitted with this January 15, 2021 compliance filing be made effective March 1 after Commission approval pursuant to the Act. BH Nebraska Gas will file updated tariff sheets within 30 days of the Commission's order approving the rates.

BH Nebraska Gas further requests that the Commission grant such other and further waivers or relief as the Commission deems just and reasonable.

Respectfully submitted,

**BLACK HILLS NEBRASKA GAS, LLC
D/B/A BLACK HILLS ENERGY**

By: /s/ Kevin M. Jarosz
Kevin M. Jarosz
Vice President, Nebraska Operations

Date: January 15, 2021

and

/s/ Douglas J. Law
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**ATTORNEY FOR BH NEBRASKA GAS
D/B/A BLACK HILLS ENERGY**

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of January 2021 the foregoing **SUMMARY OF FINAL RATES** by Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy was served electronically on the following at the email address shown below:

<u>Nebraska Public Advocate</u>	<u>Nebraska Public Advocate</u>
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