

**PUBLIC**  
**Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy**  
**Docket No. NG-112.3**  
**Review of 2023 Annual Surveillance Report**

**Information Reviewed**

Blue Ridge Consulting Services, Inc. ("Blue Ridge") reviewed Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy ("Company"), 2023 Annual Surveillance Report, dated March 29, 2024, filed in Docket No. NG-112.3.

**Background**

The Nebraska Public Service Commission-approved SSIR tariff (effective January 1, 2023) 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.<sup>1</sup>

**Analysis**

Blue Ridge compared the required information to the March 29, 2024, annual surveillance filing.

**Requirement:** The Company shall make annual surveillance filings within ninety days of the end of each calendar year

**Blue Ridge Comment:** The Company's filing complies with the requirement to file within ninety days of the end of the calendar year.

**Requirement:** The filing includes the rate base, separated into regular and SSIR components, and the realized rates of return on the rate base components, along with supporting calculations.

**Information Provided:** The Company stated that the annual surveillance report used the following four 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

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<sup>1</sup> BHE Tariff, Third Revised Sheet No. 128.

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equity for the Nebraska regulatory jurisdiction.

The Company further stated that these period-end calculations are consistent with the methodology used in BHE's last general rate case, Application No. NG-109.

**Blue Ridge Comments:** Blue Ridge did a high-level review of the calculations, and they appear consistent with prior Surveillance filings. Since there is no rate impact, Blue Ridge did not perform a detailed review of the calculations.

**Requirement:** 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 projects remain uncompleted at the time of submittal of the annual surveillance filing, the expected schedules for completion.

**Information Provided:** The Company provided Confidential Attachment 2 that included the Project Category, Funding Project number and description, the spend for December 2022 through December 2023, and various explanatory notes.

**Blue Ridge Comments:** The Tariff requires that the Company provide the actual or projected in-service dates. The Company provide the spend by month but did not specifically identify when the projects were put into service. Blue Ridge recommends that the Company include the in-service date for each project in a separate column.

Several Project descriptions were different from what was provided in NG-112.2 Projected 2023 projects. For example, [REDACTED] appears to be Project 10077458 ARMR - Kearney (Gothenburg) as projected in NG-112.2.

The alternative projects in the Surveillance Filing have different project descriptions from those provided in the NG-112.2 2023 Alternate Projects Informational Filing. The following table was provided in the NG-112.2 2023 Alternate Projects Informational Filing.

SSIR Category	2023 Project	Budget	Forecast	Variance	Replacement/Additional Projects	Replacement Project Estimate
TOG, Span, Shallow, and Exposed	1. Lincoln, NE - Span Replacement 35th & Superior	\$ 689,411	\$ -	\$ 689,411	1. Lincoln, NE - Span Removal Vine & N Cotner	\$ 154,928
	2. Gosper County, NE - TOG Replacement Holdrege 9	\$ 7,424,000	\$ 6,503,245	\$ 920,755	2. Lincoln, NE - Span Removal N 70th & Salt Creek	\$ 147,148
	3. Dawson County, NE - TOG Replacement Holdrege 10 (Phase I)	\$ 3,857,149	\$ 3,614,429	\$ 242,720	3. Papillion, NE - Span Retirement 84 <sup>th</sup> Street Bridge	\$ 46,817
	4. Fumas County, NE - TOG Replacement Holdrege 12	\$ 2,134,000	\$ 1,883,069	\$ 250,931	4. Thayer County, NE - 460-01440 Exposed Main	\$ 144,082
				\$ -	5. Buffalo County, NE - TOG Replacement Kearney 4	\$ 274,457
				\$ -	6. Phelps County, NE - TOG Replacement Holdrege 1	\$ 1,500,000
				\$ -		\$ 2,267,432
Mega Rule	5. Sherman County, NE - Loup City Lateral	\$ 150,000	\$ -	\$ 150,000	7. Keith County, NE - Brule Lateral	\$ 190,000
Obsolete Pipe	6. Franklin County, NE - PVC Replacement Kearney 1	\$ 1,792,000	\$ 1,124,725	\$ 667,275	8. Thayer County, NE - PVC Replacement Sutton 19	\$ 392,815
		\$ 16,046,560	\$ 13,125,468	\$ 2,921,092		\$ 2,850,247

The following projects were provided in the Surveillance filing.



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While many of the descriptions can be linked, Blue Ridge recommends that the Company use the same project name throughout its filings. This is especially important since several projects in the Surveillance Filing Attachment 2 included a note that [REDACTED] [REDACTED]. " Incorrect Project Funding numbers and inconsistent Project descriptions makes it difficult to compare projected costs to actual costs by project.