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August 12, 2020

Nebraska Public Service Commission  
1200 N Street  
Suite 300  
Lincoln, Nebraska 68508

Attn: Mr. Mike Hybl  
Executive Director

**Re: CONFIDENTIAL COVID-19 Report**

*Black Hills/Nebraska Gas Utility Company, LLC d/b/a Black Hills Energy Seeking Approval for a deferred accounting order to record and preserve costs related to the COVID-19 pandemic and Associated Tariff Application No. NG-107*

Dear Mr. Hybl:

During the live testimony of Mr. Jason Bennett at the Hearing for Commission Application No. NG-107 on July 21, 2020, the Nebraska Public Service Commission (“Commission”) Staff legal counsel requested Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy (“BH Nebraska Gas”) to submit a compliance report of the COVID-19 pandemic costs incurred through June 30, 2020.

Pursuant to the request and commitment stipulated by BH Nebraska Gas at the Commission’s July 21<sup>st</sup> Hearing in Commission Application No. NG-107, BH Nebraska Gas provides this Confidential Report of Extraordinary COVID-19 Related Costs that includes all extraordinary costs that would be recorded in a deferred accounting asset account (“Covid Accounting Order Report”). This Confidential Covid Accounting Order Report is provided as Exhibit A and contains the Commission’s requested information as of June 30, 2020. Exhibit B of this filing provides a brief summary explanation of the accounting process for Bad Debt Collection used by BH Nebraska Gas.

As the Company’s Application in Commission Application No. NG-107 is currently pending before the Commission, BH Nebraska Gas and Commission Application No. NG-109 will be pending proposes that a similar Covid Accounting Order Report be filed on November 15, 2020, showing costs incurred through September 30, 2020. Thereafter, Covid Accounting Order Reports will be filed on the 15<sup>th</sup> day of the second month following the end of each quarter to synchronize more closely with the release of corporate earnings by Black Hills Corporation with the United State Securities and Exchange Commission.

BH Nebraska proposes these quarterly reports continue for twelve months after the state public health emergency has been formally lifted by Governor Ricketts. The Company is seeking to standardize the timing and format of its Covid Accounting Order Reports filed with governing Commission's and regulatory bodies in several different jurisdictions. Accordingly, in the future, BH Nebraska Gas may propose changes in either the timing or the format of the Covid Accounting Order Report to be as consistent as possible between the different jurisdiction in which BH Nebraska Gas affiliates provide electric or natural gas utility services. BH Nebraska Gas understands that each jurisdiction is different and commits to provide information to the Nebraska Commission in a manner that permits this Commission to properly review the extraordinary costs that are included in the Covid regulatory accounting asset for future recovery.

BH Nebraska Gas also understands the Commission will consider whether the Company's request for recovery of the costs included within the regulatory asset are prudent. BH Nebraska Gas acknowledges that at the time BH Nebraska Gas seeks recovery of the Covid Accounting Order costs, the Commission will rule on the appropriate period of recovery for the approved amount of regulatory assets and any savings related to the suspension of disconnections, including those regarding limiting customer work to essential services only, having all non-essential employees work from home, and any other measures during the emergency declaration which may offset incremental expenses incurred.

If you have any questions or concerns regarding the enclosed filing, please contact me at your earliest convenience.

Respectfully submitted,

/s/ Jason Bennett

Jason Bennett  
Manager of Regulatory & Finance – Nebraska

And

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**ATTORNEY FOR BLACK HILLS NEBRASKA  
GAS, LLC d/b/a Black Hills Energy**

cc: Service List

**Exhibit B**  
**Commission Application No. NG-107**  
**Compliance Filing Dated August 11, 2020**

**Bad Debt/Uncollectible Accounts expense:**

Black Hills Energy's current policy regarding the recognition of allowance for doubtful accounts and uncollectible account expense follows the adoption of the *Accounting Standards Update ("ASU") 2016-13 Measurement of Credit Losses on Financial Instruments (Topic 326)* commonly refer to as the Current Expected Credit Loss ("CECL") standards and methodology. The CECL standard includes a review of the historical loss experience and adjusts the historical loss rate up or down based on the current economic conditions, resulting in the computation of an Adjusted Credit Loss Rate ("ACLR"). The historical loss rate comes from the actual write off experience from the billing system. Each month the allowance for doubtful accounts is reviewed and adjusted. This is accomplished by first multiplying the ACLR by the current month revenues to estimate the write-offs for the current month. The estimated write offs for the previous four months are then combined with the estimated write-offs for the current month to determine an estimated reserve balance at month end. An entry is made to either decrease or increase the reserve account 144000 based on the updated reserve estimate and the offsetting entry is to the Bad debt expense account 904000.

**Write-Offs:**

Write-offs of unpaid amounts occur in the CIS+ billings system and are interfaced to general ledger account 144000 each week. The write off of a customer's account occurs systematically 122 days following the date of the first bill with past due amounts. The 122-day time period includes completion of the normal collection path, disconnection of service, closing of the account, and the mailing the final bill.

**COVID Impact:**

Due to the suspension of disconnects the level of recovery of the arrears amounts is unknown until the customers proceed through the normal collection process. In the second quarter, the Company booked additional bad debt expense for estimated COVID-19 impacts. This estimate is based on the percentage of customer accounts in arrears and considered the growth in the accounts receivable balance comparable to periods in prior years.

After the suspension of disconnects is lifted and customers proceed through the collection process, the determination of the incremental amount of bad debt expense related to COVID-19 can be quantified using the percentage of write offs from 2017 to 2019. As actual write offs, net of recoveries, occur in the CIS+ billing system, the actual uncollectible ratio can be compared to the analysis used to book the anticipated reserve discussed in the previous paragraph. The amount of recovery to be requested would be based on what the Company experiences as actual write-offs, which could differ from management's estimation for the current uncollectible accounts expense.