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Lincoln, NE 68501
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May 30, 2019

REDACTED PUBLIC VERSION

Mr. Mike Hybl
Nebraska Public Service Commission
1200 N Street, Suite 300
Lincoln, Nebraska 68508

Re: Black Hills Gas Distribution, LLC – Nebraska
d/b/a Black Hills Energy
Docket No. NG-0078 – December 31, 2018 Quarterly Surveillance Report

Dear Mr. Hybl:

Pursuant to the Order Approving Application, In Part entered on October 28, 2014 and the Order Modifying Order Approving Application, In Part entered on November 4, 2014 in Docket No. NG-0078, Black Hills Gas Distribution, LLC d/b/a Black Hills Energy (“BHGD-NE”) hereby submits for filing with the Nebraska Public Service Commission (“Commission”) the quarterly surveillance report.

As stated in the Order Modifying Order Approving Application, in part entered on November 4, 2014:

“SourceGas shall make quarterly surveillance filings within sixty (60) days of the end of each quarter rather than the forty-five (45) days set forth in the final order. Such filing 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 should include an update regarding the status of the SSIR projects costs, in-service dates, and the expected schedule over the ensuing duration of the SSIR.”

BHGD-NE prepared the quarterly surveillance report using the following six (6) calculations:

- Calculation 1: For the most recent quarter-ending period, include 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 quarter-ending period, the 12 month total revenue, weather normalized, shown separately for the non-SSIR and SSIR tariff components.
- Calculation 3: For the most recent quarter-ending period, the 12-month total of operating and maintenance expenses shown by FERC Account including depreciation expenses shown by function.

Calculation 4: For the most recent quarter-ending period, the 12-month total operating income shown separately for the composite, SSIR, and non-SSIR components.

Calculation 5: For the most recent quarter-ending 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 6: For the most recent quarter-ending 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 BHGD-NE's last general rate case, Docket No. NG-0067.

Attachment 1 to this letter is the six (6) calculations using a period-end rate base.

Please contact me at (402) 858-3560 if you have any questions or need additional information.

Sincerely,



Jason Bennett
Manager, Regulatory & Finance

Enclosures

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

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Total Jurisdictional

Line No.	Description (A)	Composite Rate Base (B)	SSIR Rate Base (C)	Base Year Excluding SSIR (D)	Reference
1	Net Jurisdictional Operating Earnings	\$6,803,281	\$3,642,395	\$3,160,886	Calculation 4
2	Total Rate Base (Period Ending)	\$144,626,810	\$41,153,435	\$103,473,375	Calculation 4
3	Realized Actual Rate of Return	4.70%	8.85%	3.05%	Line 1 / Line 2
4	Realized Actual Return on Equity	[REDACTED]			Line 3 - Calculation 6 Calculation 6

Black Hills Gas Distribution, LLC - Nebraska Operations
Revenue Requirement Calculation
Base Year - 12 Months Ending March 31, 2019
Period End Rate Base

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Attachment 1
Calculation 1A
Page 1 of 1

Line No.	Description (A)	Jurisdictional (B)	SSIR (C)	Jur Non - SSIR (D)	Reference
1	Base Year:				
2	Return on Rate Base	\$10,307,262	\$2,932,923	\$7,374,339	Calculation 5
3	Operations & Maintenance Expenses	15,922,196	-	15,922,196	Calculation 3A
4	Administrative & General Expenses	8,474,648	-	8,474,648	Calculation 3A
5	Taxes Other Than Income	1,388,560	223,169	1,165,391	Calculation 3A
6	Depreciation & Amortization Expenses	7,790,636	1,181,130	6,609,506	Calculation 3B
7	Provision for Income Tax	2,772,142	788,811	1,983,331	Fed - State Income Tax - WP
8					
9	Total Revenue Requirement	\$46,655,443	\$5,126,033	\$41,529,410	Sum Lines 2 - 7
10	Other Revenues	(2,052,861)	0	(2,052,861)	Calculation 4
11					
12	Net Cost of Service				Line 8 + Line 9
13					
14	Jurisdictional Base Rate Revenue	\$39,791,403	\$6,100,181	\$33,691,222	Calculation 4
15					
16	Revenue Increase / (Decrease)	\$4,811,179	(\$974,148)	\$5,785,326	Line 12 - Line 14

Black Hills Gas Distribution, LLC - Nebraska Operations
Normalized Revenue
Base Year - 12 Months Ending March 31, 2019
Period End Rate Base

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Line No.	Class	Base Year Margin Revenue (B)	Adjustments (C)	Adjusted Base Year Margin Revenue (D)	SSIR Margin Revenue (E)	Adjusted Base Year Excluding SSIR Margin Revenue (F)
1	Jurisdictional Base Rate Revenue					
	TCJA Refund	(\$1,109,326)		(\$1,109,326)	(\$176,842) (3)	(\$932,484) (4)

Notes

- (1) From Revenue Models
- (2) Weather normalization adjustment
- (3) SSIR one time revenue reduction (Apr - July)
- (4) Base Rate revenue credit Apr 2018 - Mar 2019

Black Hills Gas Distribution, LLC - Nebraska Operations
Operating Expenses
Base Year - 12 Months Ending March 31, 2019
Period End Rate Base

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Line No.	FERC Account Description	FERC Account	Total State			Total Jurisdictional		
			Base Year	SSIR	Base Year Excluding SSIR	Base Year	SSIR	Base Year Excluding SSIR
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
1	Transmission Expense							
2	Operation Supervision & Engineering	850	-	-	-	-	-	-
3	System Control & Load Dispatching	851	-	-	-	-	-	-
4	Mains Expense	856	-	-	-	-	-	-
5	Measuring & Regulating Station Expense	857	-	-	-	-	-	-
6	Transmission and Compression by Others	858	-	-	-	-	-	-
7	Other Expense	859	-	-	-	-	-	-
8	Maintenance of Mains	863	-	-	-	-	-	-
9	Maintenance of Measuring & Regulating Station Expense	865	-	-	-	-	-	-
10	Distribution Expense							
11	Operation Supervision & Engineering	870	2,026,956	-	2,026,956	1,607,833	-	1,607,833
12	Distribution Load Dispatching	871	(1,401)	-	(1,401)	(896)	-	(896)
13	Dist Fuel/Power Compr Station	873	-	-	-	-	-	-
14	Mains & Services Expense	874	3,927,769	-	3,927,769	3,128,031	-	3,128,031
15	Measuring & Regulating Station Expense -General	875	355,025	-	355,025	255,090	-	255,090
16	Measuring & Regulating Station Expense - Industrial	876	21,749	-	21,749	16,630	-	16,630
17	Measuring & Regulating Station Expense - City Gate Check Station	877	134,716	-	134,716	96,795	-	96,795
18	Meter & House Regulator Expense	878	921,666	-	921,666	704,720	-	704,720
19	Customer Installation Expense	879	512,420	-	512,420	512,420	-	512,420
20	Other Expense	880	6,750,657	-	6,750,657	5,299,780	-	5,299,780
21	Rents	881	18,537	-	18,537	14,553	-	14,553
22	Maintenance Supervision & Engineering	885	20,561	-	20,561	16,559	-	16,559
23	Maintenance of Structures & Improvements	886	2,950	-	2,950	120,037	-	120,037
24	Maintenance of Mains	887	102,459	-	102,459	77,788	-	77,788
25	Maintenance of Measuring & Regulating Station Expense - City Gate Check Stat	891	164,113	-	164,113	-	-	-
26	Maintenance of Services	892	222,571	-	222,571	222,571	-	222,571
27	Maintenance of Meters & House Regulators	893	532,735	-	532,735	407,337	-	407,337
28	Maintenance of Other Equipment	894	117,417	-	117,417	92,181	-	92,181
29	Customer Accounts Expense, Customer Service and Information and Sales							
30	Meter Reading Expense	902	517,047	-	517,047	463,821	-	463,821
31	Customer Records & Collection Expenses	903	2,455,662	-	2,455,662	2,202,872	-	2,202,872
32	Uncollectible Accounts	904	176,232	-	176,232	158,090	-	158,090
33	Miscellaneous Customer Accounts Expenses	905	53,059	-	53,059	47,597	-	47,597

Black Hills Gas Distribution, LLC - Nebraska Operations
Operating Expenses
Base Year - 12 Months Ending March 31, 2019
Period End Rate Base

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Line No.	FERC Account Description	FERC Account	Total State			Total Jurisdictional		
			Base Year	SSIR	Base Year Excluding SSIR	Base Year	SSIR	Base Year Excluding SSIR
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
34	Customer Service Supervision	907	31,650		31,650			
35	Informational & Instructional Advertising Expenses	909	1,712	-	1,712	27,063	-	27,063
36	Miscellaneous Customer Service & Informational Expenses	910	147,638	-	147,638	119,762	-	119,762
37	Demonstration & Selling Expense	912	307,543	-	307,543	249,476	-	249,476
38	Advertising Expense	913	101,190	-	101,190	82,084	-	82,084
39	Administrative and General							
40	Administrative & General Salaries	920	5,644,579	-	5,644,579	4,575,881	-	4,575,881
41	Office Supplies & Expenses	921	577,922	-	577,922	468,503	-	468,503
42	Outside Services Employed	923	1,548,008	-	1,548,008	1,254,921	-	1,254,921
43	Property Insurance	924	470,819	-	470,819	372,079	-	372,079
44	Employee Pensions & Benefits	926	181,280	-	181,280	146,958	-	146,958
45	Franchise Requirements	927	-	-	-	-	-	-
46	Regulatory Commission Expenses	928	1,112	-	1,112	1,112	-	1,112
47	Miscellaneous General Expenses	930.2	1,900,063	-	1,900,063	1,540,321	-	1,540,321
48	Rents	931	141,702	-	141,702	114,873	-	114,873
49	Taxes, Other Than Income	408.1	1,757,534	280,097	1,477,437	1,388,560	223,169	1,165,391
50	Labor - Payroll Taxes		(18,809)	-	(18,809)	(15,248)	-	(15,248)
51	Ad Valorem Tax Expense		1,776,343	280,097	1,496,246	1,403,808	223,169	1,180,639
52	TOTAL OPERATING EXPENSE							

Black Hills Gas Distribution, LLC - Nebraska Operations
Depreciation & Amortization Expense
Base Year - 12 Months Ending March 31, 2019
Period End Rate Base

Attachment 1
Calculation 3B
Page 1 of 1

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Line No.	Function	Base Year Total State				Total Jurisdictional			
		Gross Plant As Adjusted (1)	Less: CWIP Retirements	Depreciable Plant As Adjusted	Current Depreciation Rate	Depreciation Expense at Current Rates	Capitalized Depreciaton Expense	Total Depreciation Expense	Depreciation Expense at Current Rates
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Distribution	\$211,098,874	\$0	\$211,098,874	3.00%	\$6,332,966		\$6,332,966	\$4,971,861
2	Distribution - AMR	6,896,788	0	6,896,788	5.00%	344,839		344,839	263,669
3	General	40,541,444	0	40,541,444	7.76%	3,146,016		3,146,016	2,550,375
4	General - Billing	0	0	0	10.00%	0		0	0
5	Intangible	194,493	0	194,493	3.00%	5,835		5,835	4,730
6	Total	\$258,731,599	\$0	\$258,731,599		\$9,829,656	\$0	\$9,829,656	\$7,790,636

Notes

(1) Refer to Workpaper Total State Plant In Service, Column F, excluding land plant accounts.

Black Hills Gas Distribution, LLC - Nebraska Operations
Total Jurisdictional Revenue Requirement
Base Year - 12 Months Ending March 31, 2019
Period End Rate Base

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Attachment 1
Calculation 4
Page 1 of 1

Line No.	Description (A)	Adjusted Base Year (B)	SSIR Adjustments (C)	Adjusted Base Year Excluding SSIR (D)	References (E)
1	Operating Revenues				
2	Jurisdictional Base Rate Revenue	\$39,791,403 (2)	\$6,100,181	\$33,691,222	Calculation 2
3	Other Gas Revenues	2,052,861 (3)	0	2,052,861	Other Revenue - Input
4	Total Operating Revenues	\$41,844,264	\$6,100,181	\$35,744,083	
5	Operation & Maintenance Expenses	\$15,922,196	\$0	\$15,922,196	Calculation 3A
6	Total Operation & Maintenance Expenses	\$15,922,196	\$0	\$15,922,196	
7	Administrative & General Expenses	\$8,474,648	\$0	\$8,474,648	Calculation 3A
8	Total Administrative & General Expenses	\$8,474,648	\$0	\$8,474,648	
9	Depreciation and Amortization Expense	\$7,790,636	\$1,181,130	\$6,609,506	Calculation 3B
10	Total Depreciation & Amortization Expense	\$7,790,636	\$1,181,130	\$6,609,506	
11	Taxes Other Than Income				
12	Payroll Taxes	(\$15,248)	\$0	(\$15,248)	Calculation 3A
13	Ad Valorem and Other Taxes	1,403,808	223,169	1,180,639	Calculation 3A
14	Total Taxes Other Than Income	\$1,388,560	\$223,169	\$1,165,391	
15	Total Operating Deductions	\$33,576,039	\$1,404,299	\$32,171,740	Line 6 + Line 8 + Line 10 + Line 14
16	Operating Earnings	\$8,268,225	\$4,695,881	\$3,572,344	Line 4 - Line 15
17	Income Taxes				
18	Federal and State Income Tax (1)	\$1,464,944	1,053,487	\$411,458	
19	Total Income Taxes	\$1,464,944	\$1,053,487	\$411,458	
20	Net Jurisdictional Operating Earnings				Line 16 - Line 20
21	Total Rate Base				Calculation 5
22	Rate of Return				Line 20 / Line 21
23	Return on Equity				Line 22 - Calculation 6 Calculation 6

Notes

- (1) Tax Rate
Income Tax (Federal and State) Calculated at the Following Rate 27.17%
Federal Tax Rate - 21.00%
State Tax Rate - 7.81%
Combined Rate = 21.00% + 7.81% - (21.00% x 7.81%) = 27.17%
- (2) Actual Revenues based on Approved Customer Charges and Distribution Rates with a weather normalization adjustment.
- (3) Includes an Adjustment to reflect revenue credit for use of regulated assets by non-regulated business (same type of adjustment which was included in NG-0067)

Calculation of Weighted average Federal Income Tax Rate

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Total State

Line No.	Description (A)	Base Year Ending Balance (B)	SSIR (C)	Base Year Excluding SSIR (D)	Reference (E)
1	Per Books Utility Plant in Service	\$322,321,467	\$61,340,644	\$260,980,822	GPlant Account State - WP
2	Construction Work in Progress	7,132,052	0	7,132,052	GPlant Account State - WP
3	Utility Plant in Service	\$329,453,519	\$61,340,644	\$268,112,875	Line 1 + Line 2
4	Less: Accumulated Depreciation, Depletion and Amortization	(\$128,249,274)	(\$694,424)	(\$127,554,850)	RBData - WP
5	Less: Customer Advances	(7,653)	0	(7,653)	RBData - WP
6	Net Utility Plant in Service	\$201,196,593	\$60,646,221	\$140,550,372	Line 3 + Line 4 + Line 5
7	Less: Accumulated Deferred Income Taxes	(\$19,695,816)	(\$6,771,792)	(\$12,924,024)	RBData - WP
8	Less: Customer Deposits	(1,122,078)	0	(1,122,078)	RBData - WP
9	Plus: Total Working Capital	2,786,799	0	2,786,799	RBData - WP
10	Total Rate Base	\$183,165,498	\$53,874,429	\$129,291,070	Line 6 + Line 7 + Line 8 + Line 9
11	Return on Rate Base	[REDACTED]			

Total Jurisdictional

Line No.	Description (A)	Base Year Ending Balance (B)	SSIR (C)	Base Year Excluding SSIR (D)	Reference (E)
12	Per Books Utility Plant in Service	\$254,104,933	\$47,363,553	\$206,741,379	GPlant Account State - WP
13	Construction Work in Progress	5,617,953	0	5,617,953	GPlant Account State - WP
14	Utility Plant in Service	\$259,722,886	\$47,363,553	\$212,359,333	Line 12 + Line 13
15	Less: Accumulated Depreciation, Depletion and Amortization	(\$100,714,923)	(\$859,643)	(\$99,855,281)	RBData - WP
16	Less: Customer Advances	(6,377)	0	(6,377)	RBData - WP
17	Net Utility Plant in Service	\$159,001,586	\$46,503,911	\$112,497,675	Line 14 + Line 15 + Line 16
18	Less: Accumulated Deferred Income Taxes	(\$15,565,204)	(\$5,350,476)	(\$10,214,728)	RBData - WP
19	Less: Customer Deposits	(1,006,569)	0	(1,006,569)	RBData - WP
20	Plus: Total Working Capital	2,196,997	0	2,196,997	RBData - WP
21	Total Rate Base	\$144,626,809.80	\$41,153,434.95	\$103,473,375	Line 17 + Line 18 + Line 19 + Line 20
22	Return on Rate Base	[REDACTED]			

Black Hills Gas Distribution, LLC - Nebraska Operations
Rate of Return & Cost of Capital
Base Year - 12 Months Ending March 31, 2019

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Line No.	Actual Capital Categories (A)	Average Capitalization (B)	Percent of Total (C)	Cost of Capital (D)	Weighted Cost of Capital (E)	Reference (F)
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Base Year Balances

1	Long Term Debt	[REDACTED]				Capital Structure - Input
2	Equity	[REDACTED]				Capital Structure - Input
3	Total Capital	[REDACTED]			[REDACTED]	