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February, 28, 2020

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, 2019 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

Black Hills Gas Distribution, LLC - Nebraska Operator
Calculation of Revenue Deficiency
Base Year - 12 Months Ending December 31, 2019
Period End Rate Base

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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	\$5,506,653	\$3,219,834	\$2,286,819	Calculation 4
2	Total Rate Base (Period Ending)	\$182,713,352	\$39,951,471	\$142,761,881	Calculation 4
3	Realized Actual Rate of Return	3.01%	8.06%	1.60%	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 December 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	\$12,612,188	\$2,757,738	\$9,854,450	Calculation 5
3	Operations & Maintenance Expenses	12,697,986	-	12,697,986	Calculation 3A
4	Administrative & General Expenses	11,049,562	-	11,049,562	Calculation 3A
5	Taxes Other Than Income	2,224,643	264,060	1,960,583	Calculation 3A
6	Depreciation & Amortization Expenses	8,932,563	1,181,130	7,751,433	Calculation 3B
7	Provision for Income Tax	3,248,274	710,257	2,538,017	Fed - State Income Tax - WP
8					
9	Total Revenue Requirement	\$50,765,215	\$4,913,185	\$45,852,031	Sum Lines 2 - 7
10	Other Revenues	(2,048,360)	0	(2,048,360)	Calculation 4
11					
12	Net Cost of Service				
13					
14	Jurisdictional Base Rate Revenue	\$38,960,526	\$5,547,670	\$33,412,855	Calculation 4
15					
16	Revenue Increase / (Decrease)	\$9,756,330	(\$634,486)	\$10,390,816	Line 12 - Line 14

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

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Line No.	Class (A)	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					
2	TCJA Refund	(\$926,691)			\$0 (3)	(\$926,691)

Notes

- (1) From Revenue Models
- (2) Weather normalization adjustment

Black Hills Gas Distribution, LLC - Nebraska Operations
Operating Expenses
Base Year - 12 Months Ending December 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	1,714,092	-	1,714,092	1,359,448	-	1,359,448
12	Distribution Load Dispatching	871	530	-	530	339	-	339
13	Dist Fuel/Power Compr Station	873	-	-	-	-	-	-
14	Mains & Services Expense	874	3,199,046	-	3,199,046	2,554,457	-	2,554,457
15	Measuring & Regulating Station Expense -General	875	679,684	-	679,684	488,362	-	488,362
16	Measuring & Regulating Station Expense - Industrial	876	18,797	-	18,797	14,372	-	14,372
17	Measuring & Regulating Station Expense - City Gate Check Station	877	101,437	-	101,437	72,884	-	72,884
18	Meter & House Regulator Expense	878	699,415	-	699,415	534,783	-	534,783
19	Customer Installation Expense	879	447,346	-	447,346	447,346	-	447,346
20	Other Expense	880	5,014,306	-	5,014,306	3,945,807	-	3,945,807
21	Rents	881	23,460	-	23,460	18,461	-	18,461
22	Maintenance Supervision & Engineering	885	203	-	203	163	-	163
23	Maintenance of Structures & Improvements	886	154	-	154	129,443	-	129,443
24	Maintenance of Mains	887	82,337	-	82,337	62,524	-	62,524
25	Maintenance of Measuring & Regulating Station Expense - City Gate Check Stat	891	180,000	-	180,000	-	-	-
26	Maintenance of Services	892	193,313	-	193,313	193,313	-	193,313
27	Maintenance of Meters & House Regulators	893	402,726	-	402,726	307,930	-	307,930
28	Maintenance of Other Equipment	894	94,672	-	94,672	74,498	-	74,498
29	Customer Accounts Expense, Customer Service and Information and Sales							
30	Meter Reading Expense	902	360,259	-	360,259	323,173	-	323,173
31	Customer Records & Collection Expenses	903	1,991,246	-	1,991,246	1,786,264	-	1,786,264
32	Uncollectible Accounts	904	76,267	-	76,267	68,416	-	68,416
33	Miscellaneous Customer Accounts Expenses	905	44,272	-	44,272	39,715	-	39,715

Black Hills Gas Distribution, LLC - Nebraska Operations
Operating Expenses
Base Year - 12 Months Ending December 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	30,229		30,229			
35	Informational & Instructional Advertising Expenses	909	2,962	-	2,962	26,924	-	26,924
36	Miscellaneous Customer Service & Informational Expenses	910	42,685	-	42,685	34,626	-	34,626
37	Demonstration & Selling Expense	912	158,492	-	158,492	128,453	-	128,453
38	Advertising Expense	913	106,227	-	106,227	86,285	-	86,285
39	Administrative and General							
40	Administrative & General Salaries	920	4,281,467	-	4,281,467	3,469,067	-	3,469,067
41	Office Supplies & Expenses	921	736,204	-	736,204	596,511	-	596,511
42	Outside Services Employed	923	1,475,315	-	1,475,315	1,195,377	-	1,195,377
43	Property Insurance	924	636,501	-	636,501	504,554	-	504,554
44	Employee Pensions & Benefits	926	4,292,866	-	4,292,866	3,478,303	-	3,478,303
45	Franchise Requirements	927	-	-	-	-	-	-
46	Regulatory Commission Expenses	928	-	-	-	-	-	-
47	Miscellaneous General Expenses	930.2	1,319,247	-	1,319,247	1,068,922	-	1,068,922
48	Rents	931	909,381	-	909,381	736,828	-	736,828
49	Taxes, Other Than Income	408.1	2,784,369	29,367	2,755,002	2,224,643	264,060	1,960,583
50	Labor - Payroll Taxes		995,571	-	995,571	806,663	-	806,663
51	Ad Valorem Tax Expense		1,788,798	29,367	1,759,431	1,417,980	264,060	1,153,920
52	TOTAL OPERATING EXPENSE							

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

Attachment 1
Calculation 3B
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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	\$224,148,082	\$0	\$224,148,082	3.00%	\$6,724,442		\$6,724,442	\$5,291,530
2	Distribution - AMR	17,626,879	0	17,626,879	5.00%	881,344		881,344	673,889
3	General	56,596,997	0	56,596,997	6.46%	3,656,166		3,656,166	2,962,416
4	General - Billing	0	0	0	10.00%	0		0	0
5	Intangible	194,493	0	194,493	3.00%	5,835		5,835	4,728
6	Total	\$298,566,451	\$0	\$298,566,451		\$11,267,787	\$0	\$11,267,787	\$8,932,563

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 December 31, 2019
Period End Rate Base

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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	\$38,960,526 (2)	\$5,547,670	\$33,412,855	Calculation 2
3	Other Gas Revenues	2,048,360 (3)	0	2,048,360	Other Revenue - Input
4	Total Operating Revenues	\$41,008,886	\$5,547,670	\$35,461,215	
5	Operation & Maintenance Expenses	\$12,697,986	\$0	\$12,697,986	Calculation 3A
6	Total Operation & Maintenance Expenses	\$12,697,986	\$0	\$12,697,986	
7	Administrative & General Expenses	\$11,049,562	\$0	\$11,049,562	Calculation 3A
8	Total Administrative & General Expenses	\$11,049,562	\$0	\$11,049,562	
9	Depreciation and Amortization Expense	\$8,932,563	\$1,181,130	\$7,751,433	Calculation 3B
10	Total Depreciation & Amortization Expense	\$8,932,563	\$1,181,130	\$7,751,433	
11	Taxes Other Than Income				
12	Payroll Taxes	\$806,663	\$0	\$806,663	Calculation 3A
13	Ad Valorem and Other Taxes	1,417,980	264,060	1,153,920	Calculation 3A
14	Total Taxes Other Than Income	\$2,224,643	\$264,060	\$1,960,583	
15	Total Operating Deductions	\$34,904,754	\$1,445,190	\$33,459,564	ne 6 + Line 8 + Line 10 + Line 1
16	Operating Earnings	\$6,104,132	\$4,102,480	\$2,001,652	Line 4 - Line 15
17	Income Taxes				
18	Federal and State Income Tax (1)	\$597,479	882,646	(\$285,167)	
19	Total Income Taxes	\$597,479	\$882,646	(\$285,167)	
20	Net Jurisdictional Operating Earnings				Line 16 - Line 19
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	\$364,034,226	\$61,340,644	\$302,693,582	GPlant Account State - WP
2	Construction Work in Progress	6,903,357	0	6,903,357	GPlant Account State - WP
3	Utility Plant in Service	\$370,937,584	\$61,340,644	\$309,596,940	Line 1 + Line 2
4	Less: Accumulated Depreciation, Depletion and Amortization	(\$132,599,118)	(\$2,027,439)	(\$130,571,679)	RBData - WP
5	Less: Customer Advances	0	0	0	RBData - WP
6	Net Utility Plant in Service	\$238,338,466	\$59,313,206	\$179,025,261	Line 3 + Line 4 + Line 5
7	Less: Accumulated Deferred Income Taxes	(\$9,837,921)	(\$6,954,362)	(\$2,883,559)	RBData - WP
8	Less: Customer Deposits	(1,139,542)	0	(1,139,542)	RBData - WP
9	Plus: Total Working Capital	3,292,115	0	3,292,115	RBData - WP
10	Total Rate Base	\$230,653,118	\$52,358,843	\$178,294,274	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	\$287,861,374	\$47,363,553	\$240,497,821	GPlant Account State - WP
13	Construction Work in Progress	5,450,431	0	5,450,431	GPlant Account State - WP
14	Utility Plant in Service	\$293,311,805	\$47,363,553	\$245,948,252	Line 12 + Line 13
15	Less: Accumulated Depreciation, Depletion and Amortization	(\$104,380,951)	(\$1,921,092)	(\$102,459,859)	RBData - WP
16	Less: Customer Advances	0	0	0	RBData - WP
17	Net Utility Plant in Service	\$188,930,854	\$45,442,461	\$143,488,393	Line 14 + Line 15 + Line 16
18	Less: Accumulated Deferred Income Taxes	(\$7,798,518)	(\$5,490,991)	(\$2,307,528)	RBData - WP
19	Less: Customer Deposits	(1,022,236)	0	(1,022,236)	RBData - WP
20	Plus: Total Working Capital	2,603,252	0	2,603,252	RBData - WP
21	Total Rate Base	\$182,713,352	\$39,951,471	\$142,761,881	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 December 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]	