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May 13, 2021

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

Re: Docket No. NG-111.1/PI-237
Commission Investigatory Docket
February 2021 Cold Weather Event

Dear Mr. Hybl;

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy hereby submits the attached Response to Public Advocate's Review of February 2021 Cold Weather Event Cost Recovery Proposal as set forth in the Nebraska Public Service Commission's March 2, 2021, Order in Commission Docket No. NG-111.1.

Please contact me at (402) 221-2635 or douglas.law@blackhillscorp.com if you have any questions, concerns, or need additional information.

Respectfully submitted,

/s/ Douglas J. Law

Douglas J. Law #19436
Associate General Counsel

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

**IN THE MATTER OF THE)
COMMISSION, ON ITS OWN MOTION)
SEEKING TO INVESTIGATE THE)
EFFECT OF THE FEBRUARY 2021)
COLD WEATHER EVENT UPON THE)
COST OF GAS SUPPLY PURCHASED)
BY NEBRASKA GAS UTILITIES)**

Application No. NG-111/PI-237

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

DOCKET NO. NG-111.1

**BLACK HILLS NEBRASKA GAS, LLC D/B/A BLACK HILLS ENERGY'S RESPONSE
TO PUBLIC ADVOCATE'S REVIEW OF FEBRUARY 2021 COLD WEATHER EVENT
COST RECOVERY PROPOSAL**

I. INTRODUCTION

On March 2, 2021, the Nebraska Public Service Commission (“Commission”), on its own motion, opened this proceeding for the purpose of gathering information and formulating a response to the effect of the February 2021 cold weather event.

On April 30, 2021, Black Hills Energy filed its written proposal with the Commission setting forth its plan to mitigate the February 2021 cold weather gas cost. Black Hills Energy also requested Commission approval of a Cold Weather Gas Cost Recovery Mechanism charge.

On May 7, 2021, the Public Advocate of Nebraska filed a Review of February 2021 Cold Weather Event Costs Proposal (“PA Review”). Within the PA Review, the Public Advocate made a number of recommendations regarding Black Hills Energy’s February 2021 cold weather event costs proposal. The Public Advocate’s recommendations are as follows:

1) The Commission should consider reducing the Company’s request for the full WACC and consider carrying costs be calculated based on the actual cost rates.

2) Should the Company's per therm proposal recovery be accepted, the Commission should include a requirement that the Company publicize the availability of budget billing to level out the impact of the Cold Weather Gas Cost Recovery Mechanism.

3) Any increased jurisdictional firm revenue (during the period of the Cold Weather Gas Cost Recovery) resulting from the transfer of interruptible customers to firm service due to winter storm Uri should be used to offset Cold Weather Gas Costs. Otherwise, this new revenue, which is a result of the winter storm event, will accrue to the Company and its stockholders.

4) The Commission should monitor the natural gas weatherization changes eventually implemented in Texas to determine whether Texas regulatory changes (if any) are sufficient to protect Nebraska customers from future events similar to 2011 and 2021.

5) The Commission should forward its determination of the magnitude of the extreme costs of winter storm Uri to the NE Attorney General for evaluation as to whether the gas pricing mechanism used during winter storm Uri was inappropriate and/or subject to price manipulation. While remedies within Nebraska may not exist, a concerted and coordinated effort by states affected by the Texas problems should be considered at the federal and/or class action level.

Black Hills Energy will respond to the recommendations below.

II. RESPONSE TO PUBLIC ADVOCATE'S REVIEW

1. **Carrying Costs.** As proposed, Black Hills Energy will apply the short-term debt initially. Black Hills intends to issue equity to support permanent debt associated with the cold weather event. After the short-term debt is replaced with long term debt and equity, Black Hills Energy will apply its Weighted Average Cost of Capital ("WACC") as carrying costs. Accordingly, once long-term debt and equity are in place, WACC is appropriate for the remaining months to finance the extraordinary cold weather event gas costs. Black Hills Energy agrees to

calculate and to support the carrying costs applied to the cold weather event costs in any required filings ordered by the Commission.

2. **Budget Billing Promotion.** Black Hills Energy agrees with the Public Advocate's recommendation to publicize the availability of budget billing to level out the impact of the Cold Weather Gas Cost Recovery Mechanism. Black Hills Energy does promote its budget billing and works hard to make its customers aware of other energy savings practices, payment options, and assistance programs available to customers.

3. **Interruptible / Firm Customers.** To the extent the Public Advocate is recommending that Black Hills Energy impute revenues for customers who convert to Firm service rate schedules, then Black Hills Energy opposes that recommendation.

There is no windfall profit to be received by Black Hills Energy from the future conversion of Interruptible customers to Firm customers. In addition, such actions would create an administrative burden to properly account and track individual customer revenues.

Black Hills Energy clarifies that there were no Firm rate schedule charges to Interruptible sales customers during the February 2021 Cold Weather Event. Black Hills Energy previously indicated that some customers on an Interruptible sales rate schedule who could not be or would not agree to be interrupted during the curtailment period in February would be asked to move to Firm service by Black Hills Energy. The small number of Interruptible customers that are anticipated to switch to Firm rate schedules will then pay the Cold Weather Gas Cost Recovery Mechanism charge along with all other Firm customers once the Commission approves Black Hills Energy's proposal. In short, those converted customers will pay their share of February costs like all other Firm customers during the cold weather event.

In addition, the few Interruptible rate customers who were asked to interrupt service but did not interrupt and who remain on Interruptible sales into the future will be assessed and billed a penalty for their gas usage during the curtailment period. Black Hills Energy intends to credit those penalty dollars to the Gas Cost Recovery mechanism. Thus, there is no subsidization for the cold weather event by Firm customers.

The Public Advocate's recommendation regarding customers converting from Interruptible to Firm service can be disregarded. Any Firm rate schedule charges and associated revenues going forward will apply to all Firm customers equally. Any revenues or margins associated with those converting Interruptible customers are no different than revenues realized from any other new Firm customers. The number of customers to be converted from Interruptible to Firm service is not final; however, the total number of converting customers is not significant.

4. **Commission Monitoring of Texas Weatherization.** Black Hills Energy agrees with the Public Advocate that the Commission should take reasonable actions deemed by the Commission to be appropriate or necessary to monitor whether the regulatory requirements in Texas or elsewhere are sufficient to protect Nebraska customers of Black Hills Energy from future weather events.

5. **Nebraska Attorney General Referral.** Black Hills Energy agrees with the Public Advocate that the Commission should forward the magnitude of the extreme natural gas pricing experienced during winter storm Uri to the NE Attorney General. The Commission should ask the Nebraska Attorney General's Office to evaluate whether wholesale natural gas marketers and suppliers engaged in natural gas price manipulation during that cold weather event, and whether the State of Nebraska should join other states in pursuing any marketers or suppliers engaging in unlawful natural gas price manipulation during February 2021.

III. CONCLUSION

Wherefore, in further consideration of the responses and clarification provided above, Black Hills Energy respectfully requests that the Commission approve Black Hills Energy proposed Cold Weather Gas Cost Recovery proposal as supported herein. The Cold Weather Gas Cost Recovery Mechanism is designed to mitigate the impact to customers related to Black Hills Energy's recovery of the extraordinary February 2021 Cold Weather Event Costs discussed in this proceeding.

Respectfully submitted this 13th day of May 2021.

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