

NEBRASKA PUBLIC SERVICE COMMISSION

**Financial and Accounting Audit Procedures of
Black Hills Nebraska Gas, d/b/a Black Hills Energy
For the Period January 1, 2020
through December 31, 2022**



Report on Financial and Accounting Audit Procedures of Black Hills Nebraska Gas, d/b/a Black Hills Energy

Nebraska Public Service Commission
Lincoln, Nebraska

In accordance with the Nebraska Public Service Commission's (the "Commission") docket dated March 7, 2023, in which the Commission ordered a review of the gas supply cost adjustment schedules implemented by Black Hills Nebraska Gas, d/b/a Black Hills Energy ("Black Hills"), Rapid City, South Dakota, pursuant to *Neb. Rev. Stat. § 66-1854(1)*, HORNE LLP ("HORNE" and "we") performed certain financial and accounting audit procedures of Black Hills for the period of January 1, 2020 through December 31, 2022. The scope of HORNE's procedures is further described in the Scope and Procedures section below.

We were not engaged to conduct, nor did we conduct, an audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") of Black Hill's financial statements or any part thereof, or an examination of management's assertions concerning the effectiveness of internal control systems or an examination of compliance with laws, regulations, or other matters. Accordingly, we do not express any such opinion or other form of assurance.

Scope and Procedures

HORNE'S procedures consisted of obtaining an understanding of the significant processes impacting gas supply costs, developing a test plan and selecting a sample of transactions from the period of January 1, 2020 to December 31, 2022. A summary of procedures performed included the following:

- Review of all gas supply purchase contracts in effect from January 1, 2020, to December 31, 2022 and costs thereof.
- Review of all contracts and costs for transportation and storage related to gas procured under contracts in Item No. 1 above.
- Review of all Gas Supply Cost Adjustment filings and calculations from January 1, 2020, to December 31, 2022 including, but not limited to, any allocation of overhead costs associated with carrying out and managing gas purchase, gas transportation contracting and scheduling, and gas operations.
- Determine how contract price and volumes are allocated among jurisdictions for contracts referenced in Item Nos. 1 and 2 above.
- Trace gas costs to general ledger.
- Trace revenues to general ledger.
- Trace Gas Supply Cost Adjustment to customers' bills (sample of bills).
- As related to some items above, conduct transaction sampling to trace individual transactions from their origin (payments to suppliers, etc.) to their recognition and recovery in rates.

Specific procedures performed include a review of the six purchased gas cost adjustment filings submitted by Black Hills to the Commission during the period from January 1, 2020 to December 31, 2022. The filings consisted of thirty six routine monthly filings effective January through December of 2020, 2021, and 2022.

HORNE sampled over 190 accounting transactions and certain schedules related to gas supply and transportation costs and revenue transactions from January 2020 through December 2022. Specific procedures performed on items selected for testing include reviewing schedules filed by Black Hills in support of its purchased gas cost adjustment factor; obtaining and reviewing supporting detailed schedules and transactional data; receiving and reviewing supporting documentation for all gas cost purchases and storage transactions; reconciling gas supply costs and gas costs recovered from customers to the general ledger; reviewing and testing the calculation of gas cost over/under recovery; and reviewing the gas supply cost adjustment on a sample of customer bills. Additionally, we tested revenue transactions from January 1, 2020 through December 31, 2022 for completeness and accuracy of revenue recorded during the period. HORNE also reviewed organization charts and general policies and procedures. HORNE had numerous discussions with Black Hills team members responsible for creation and maintenance of accounting records and for preparation of financial reports.

Conclusion

We identified no errors specific to the transactions selected and procedures performed above. Furthermore, we identified no discrepancies in Black Hill's written policies and procedures as a result of the procedures performed. Finally, HORNE found that the accounting department appears to exercise appropriate oversight and maintain reasonable systems to ensure proper accounting for its gas supply and transportation costs and revenue reporting.

HORNE's report is intended solely for the use of the Commission and is not intended to be and should not be relied upon by anyone other than this specified party. If you have any questions or comments relating to the contents of this report, please contact us.

HORNE LLP

August 28, 2023