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By Deena Ackerman at 3:52 pm, Mar 31, 2021

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March 31, 2021

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

Re: Application No. NG-111.1
Commission Investigatory Docket
Report – 2021 Weather Event Workshop

Dear Mr. Hybl;

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy hereby transmits its April 6, 2021 Cold Weather Event Workshop Responses as required by the Nebraska Public Service Commission's March 2, 2021 Order in Commission Application 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, #19436

Douglas J. Law
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

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

DOCKET NO. NG-111.1

APRIL 6, 2021 COLD WEATHER EVENT WORKSHOP RESPONSES OF
BLACK HILLS NEBRASKA GAS, LLC D/B/A BLACK HILLS ENERGY

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 (“2021 Weather Event Reporting Order”). The Commission’s 2021 Weather Event Reporting Order seeks information regarding the cost of gas supply purchased by Nebraska gas utilities subject to the Commission’s jurisdiction under the State Natural Gas Regulation Act, Neb. Rev. Stat. §§ 66-1801 through 66-1868 (“Act”).

This proceeding was opened in order to facilitate open communication with Black Hills Nebraska Gas, LLC, d/b/a Black Hills Energy (“Black Hills Energy” or “Company”) and Northwestern Energy (“NorthWestern”) (collectively “the utilities”), working in connection with the Commission to understand the effects of this cold weather event and consider options to mitigate its impact upon customer bills. The Commission established a sub-docket in Docket No. NG-111.1 to address the weather event issues related to Black Hills Energy.

On March 2, 2021, the Commission also found that certain provisions of the tariff of Black Hills Energy should be temporarily modified to exclude these extraordinary natural gas procurement costs. The Commission ordered Black Hills Energy to track its incremental and extraordinary natural gas supply and interstate transmission penalty and imbalance costs related to the February cold weather event separately from its monthly gas cost adjustment mechanism. The Commission noted that the current Gas Cost Adjustment (“GCA”) mechanism should continue as usual except for the gas supply and interstate pipeline costs directly related to market purchases during the cold weather event. Those cold weather event costs shall remain in effect until further order of the Commission.

The Commission further extended the provisions and protections of the Residential Winter Disconnection, 291 Neb. Admin. Code § 9-013.05 through May 31, 2021.

Finally, the Commission found that there is a need for Black Hills Energy to present information to the Commission regarding the status of customer bills due to the cold weather event. The Commission set the virtual workshop for Black Hills Energy for April 6, 2021, at 10:00 am.

II. COMMISSION INFORMATION REQUESTS.

Within the Commission’s 2021 Weather Event Reporting Order, the Commission requested information as follows:

- 1. A summary of the impact of the cold weather event on the cost of natural gas purchased by the utility as a result of this cold weather event.**

Response of Black Hills Energy to Commission Question No. 1.

Black Hills Energy provides natural gas to more than 300,000 customers across 319 Nebraska communities. Along with its Nebraska operations, Black Hills Energy and its regulated

electric and gas affiliates serve 1.3 million electric and natural gas customers in more than 800 communities across eight states.

The Commission is familiar with the extreme weather conditions that descended upon a large section of the United States, including Nebraska. While much of the focus has been on the State of Texas, this event had a significant impact across nearly half of the country. The single largest community served by Black Hills Energy is the City of Lincoln, which recorded a temperature of 31 degrees below zero on Tuesday, February 16, 2021.¹ In fact, at one point, every Black Hills Energy customer – from western Wyoming to northeastern Arkansas – simultaneously endured below zero temperatures. These were indeed extreme weather conditions that triggered tremendous energy demands across Nebraska and the central region of the United States.

The Nebraska State Natural Gas Regulation Act, *Neb. Rev. Stat. §§ 66-1801 et. seq.*, imposes a statutory obligation and requirement to keep the gas flowing in a safe and reliable manner. Reliability is of the utmost importance to Black Hills Energy. A loss of adequate natural gas supplies would have had significant physical impacts to the life and property of customers located within the many communities Black Hills Energy serves. Tragically, some states with widespread electric outages experienced loss of life related to the extreme weather. Reliability means that Black Hills Energy must keep the natural gas flowing no matter the price or constrained delivery situation. The reliability of our system was aided by the investments completed over more than a decade, ensuring our customers' energy needs were met and that our team could address operational issues. More investment in infrastructure and natural gas assets will be needed in the future.

¹ <https://lincolnweather.unl.edu/february-2021-lincoln-ne-climate-data>, accessed 03/24/2021.

Even with all the increased demands on its gas systems, Black Hills Energy avoided loss of service to its Nebraska customers. In fact, not a single firm Black Hills Energy customer lost gas service because of the cold weather event². Black Hills was able to successfully provide continued life essential services in Nebraska communities that experienced some of their lowest recorded temperatures.

That record cold weather over a large geographic area, particularly in the State of Texas, drove an unprecedented increased demand for electric and natural gas energy, which contributed to unforeseeable dramatic increases in natural gas supply prices well beyond the control of Black Hills Energy.

Estimated Total Cost of the Incremental Purchases and the impact of the event to the average residential and average commercial customer.

Black Hills Energy continues to finalize its gas accounting related to the extreme cold weather event gas supplier invoices and imbalance resolutions and invoices provided by various interstate natural gas pipelines. This is not an analysis that can be performed as quickly as some would prefer it to occur.

The estimated impact of the cold weather event that the Company would seek to include in a recovery mechanism is approximately \$80 million before carrying costs. The table below summarizes the estimated impact by customer class.

² Black Hills Energy did work with its interruptible customers to curtail their gas consumption. In a few cases, some interruptible customers remained on the system when they alerted Black Hills Energy that they were unable to switch to an alternative fuel source.

	Residential	Commercial	Total
Annual Normalized Therms	122,127,052	44,236,866	166,363,918
Class % of Total Therms	73.4%	26.6%	
Avg No Customers	177,060	16,667	
Estimated Cost /Class	\$ 58,720,000	\$ 21,280,000	\$ 80,000,000
Estimated Cost /Cust	\$ 332	\$ 1,277	
Avg Customer Recovery per Month under 5 Different Recovery Periods			
12 mo recovery	\$ 27.64	\$ 106.40	
24 mo recovery	\$ 13.82	\$ 53.20	
36 mo recovery	\$ 9.21	\$ 35.47	
48 mo recovery	\$ 6.91	\$ 26.60	
60 mo recovery	\$ 5.53	\$ 21.28	

2. A statement and explanation from the utility as to the exact dates which should be included in any cost recovery mechanism, whether those dates are February 13-17, 2021 or extend beyond that time frame.

Response of Black Hills Energy to Commission Question No. 2.

Based on preliminary information, Black Hills Energy would advocate for a cold weather event time period of February 12, 2021, through February 18, 2021. Although gas purchases incurred on February 12, 2021, and February 18, 2021, were not priced as high as those from February 13, 2021, through February 17, 2021, those gas supply purchases were significantly higher than the gas purchases available to Black Hills Energy for the first part of the month. Black Hills Energy believes that expanding the time period to include February 12, 2021, through February 18, 2021, will benefit customers in the long run. Specifically, including these two extra days with the extraordinary costs from Feb 13th through the 17th, allows for a longer recovery period for those cold weather event costs, rather than including the cold weather event costs for February 12th and February 18th in the normal GCA recovery period. The Black Hills Energy responses to Commission Workshop Questions #1 and #3 are based on estimated gas supply costs for February 12, 2021, through February 18, 2021.

3. A summary of the anticipated impact on customer bills due to the extraordinary costs of the cold weather event, including a statement as to typical costs for the month of February, and a bill impact analysis showing the anticipated change in customer bills as a percentage of a typical bill, prospectively for the next 12 billing cycles and separated by customer class.

Response of Black Hills Energy to Commission Question No. 3:

Black Hills Energy clarifies that the impact on customers of Black Hills Energy discussed herein will only apply to Black Hills Energy's customers who are (a) located in Rate Area One (Metro-Omaha area), Rate Area Two (Lincoln), and Rate Area Three (Communities in the eastern-third of Nebraska) and (b) consume sales gas procured by Black Hills Energy under the GCA mechanism.

Customers located in Black Hills Energy's Rate Area Five (previously Black Hills Gas Distribution) are not directly impacted by Black Hills Energy as those customers are provided natural gas supply by Certified Natural Gas Providers ("Choice Gas Program Suppliers") pursuant to the Choice Gas Program tariffs and contracts. The impact of gas costs on Residential and Commercial customers which are passed onto Rate Area Five Choice Gas Program customers will be different than the costs of gas purchased by Black Hills Energy for GCA customers located in Rate Areas One, Two and Three.³

Costs for the month of February for the previous five years have ranged from about \$8.5 million to about \$13 million. Using the billing rates effective March 1, 2021, and assuming a three

³ Black Hills Energy understanding is that the majority of residential and commercial customers served by Choice Gas Program Suppliers will not be significantly impacted. Under that program, the Choice Gas Supplier will incur the market risk for extreme costs associated with incremental gas supply purchases and transportation imbalances resulting from the cold weather event.

year recovery, the estimated impact of the extraordinary costs on a typical residential and commercial annual bill are as follows:

	Current Annual Bill	Proposed Annual Bill	Change	% Change
Avg Residential	\$664	\$774	\$110	16.7%
Avg Commercial	\$2,023	\$2,445	\$422	20.9%

A more detailed average bill impact by month is provided electronically in Microsoft Excel (“Excel”) format, which is attached as Exhibit 1 and made a part of this response. In addition, the Excel file includes bill impacts for winter and non-winter months at various usage levels for residential and commercial customers.

4. A summary of the impact of the extraordinary costs of the cold weather event on customer bills for those customers who exercise an annual price (budget billing) option, beginning with the next upcoming program year and separated by customer class.

Response of Black Hills Energy to Commission Question No. 4:

Black Hills Energy currently offers all Residential and Commercial Firm Customers (“Customers”) in good standing, via its Nebraska Natural Gas Tariff (“Tariff”) as approved by the Commission, the option to select a Budget Billing Plan to pay a more uniform amount per month and avoid spikes in bill amounts, such as those caused by high gas prices or severe cold weather.

Customers may enroll in the program during any month of the year. Customers enrolled in the program are a subset of the total number of customers and therefore have an assumed usage pattern similar to all customers. See Black Hills Energy response to Commission Question No. 3.

The Company will recalculate the budget billing amount monthly based on a rolling average of the most recent twelve (12) months’ bills. The Customer’s budget bill amount will not

change unless there is at least a ten percent (10%) difference in the calculated budget bill amount and the previous month's budget bill amount. The Budget Billing amount is recalculated annually based on the month enrolled. As stated in the Tariff, the Company will notify the Customer of any change to the Budget Billing amount.

Any recovery of extraordinary costs would need to exceed the ten percent (10%) threshold to trigger a recalculation of a Customer's Budget Billing amount. Since the Budget Billing amount calculation is based on rolling twelve (12) month average, the impact of any monthly recovery amount would be muted by a factor of twelve. Therefore, considering only the impact of extraordinary costs, it will take several months for the cumulative monthly impacts to result in a recalculation. Based on preliminary calculations, current estimates, and depending on the month implemented, the recovery of extraordinary costs, for the average Customer, would trigger the recalculation event in months six (6) and ten (10) after implementation of a recovery mechanism. At such time, the most recent twelve (12) month's rolling average will become the Customer's new Budget Bill amount.

5. At least two (2) proposals to mitigate the impact of the extraordinary costs of the cold weather event on customer bills through the next 12 billing cycles.

Response of Black Hills Energy to Commission Question No. 5:

Black Hills Energy is evaluating and determining how best to move forward with the required costs to continue providing safe and reliable service to customers during the severe cold event. Black Hills Energy is very concerned about the impact to customers and looks forward to working with the Commission and other parties to determine the most effective path forward that balances the interests of customers and the utility. Depending on a variety of factors, including critical input and direction from the Commission and Public Advocate of Nebraska, Black Hills

Energy will pursue recovery of the incremental gas costs caused by the extreme cold weather event through a mutually acceptable option.

The Chart provided in response to the first question above provides the customer impact over a five (5) year period. Black Hills Energy is willing to proceed with any one of those options but would prefer to recover the costs over a three (3) year period.

III. COMMISSION APPROVAL OF 2021 COLD WEATHER EVENT COSTS

The Commission noted that this information in response to the Commission's questions shall be due to the Commission on or before April 5, 2021, together with any supporting materials, presentation slides, or other information to be addressed at the workshop to be held April 6, 2021. This information provided demonstrates the estimated impact of the cost from the weather event on each customer class, as well as a range of usage amounts within that class.

The Commission additionally ordered that within one week of the workshop to be held on April 6, 2021, each utility will be required to submit a written proposal to mitigate the impact on customer bills from this cold weather event for Commission consideration and approval. Each submission must include a modified bill impact analysis, as well as concise statements of any action the utility requests the Commission take, as well as only the actual costs of gas purchased during the cold weather event and carrying costs and should not contemplate any return on the purchase anticipated by the utility.

IV. OTHER CONSIDERATIONS

Black Hills Energy will continue to work with its customers that need assistance with their energy bills. As the actions to the historic weather event demonstrate coupled with the COVID-19 pandemic, Black Hills Energy is ready to serve its customers and takes its obligation to serve very

seriously. Balancing unforeseeable events on the one hand with customer bill impacts on the other hand is not always a perfect fit.

V. CONCLUSION

Wherefore, in consideration of the responses provided above, Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy respectfully requests the Commission consider the responses related to Black Hills Energy's recovery of the extraordinary cold weather event gas supply and interstate pipeline costs discussed herein.

Respectfully submitted this 31st day of March, 2021.

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