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August 12, 2022

Ret. Colonel Thomas Golden
Executive Director
Nebraska Public Service Commission
1200 N Street, Suite 300
Lincoln, NE 68508

Re: *Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy*
Application for Voluntary Renewable Natural Gas Program
Commission Application No. NG-117

Dear Ret. Col. Golden:

Enclosed for filing is an Application for Voluntary Renewable Natural Gas and Carbon Offset Program, corresponding testimony, and Motion for Protective Order filed on behalf of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy.

Respectfully submitted,

/s/ Douglas J. Law

Douglas J. Law, Bar #19436
Associate General Counsel

DL:ce

cc: psc.naturalgas@nebraska.gov
Robert Amdor
Tyler Frost
Kevin Jarosz

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)
BLACK HILLS NEBRASKA GAS, LLC d/b/a BLACK)
HILLS ENERGY FOR APPROVAL TO IMPLEMENT) Application No. NG-117
A VOLUNTARY RENEWABLE NATURAL GAS)
AND CARBON OFFSET PROGRAM)

**APPLICATION FOR APPROVAL OF A VOLUNTARY RENEWABLE NATURAL GAS
AND CARBON OFFSET PROGRAM**

Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy (“Black Hills Energy”), the “Company”, or the “Applicant”), by its undersigned attorney, and pursuant to applicable Nebraska statutes and Commission rules and regulations, submits this Application (“Application”) for approval by the Nebraska Public Service Commission of the State of Nebraska (“Commission”) of the Company’s proposed Voluntary Renewable Natural Gas and Carbon Offset Program (“Program”) to be implemented by January 1, 2023, related Program Tariff sheets, and a deferred accounting mechanism. In support of this Application, the Applicant states as follows:

I. BACKGROUND

1. To gauge customer interest in reducing greenhouse gas emissions from customer usage and develop solutions for a clean energy future, Black Hills Energy implemented a customer survey. As a result of the customer’s expressed interest, the Company retained the expertise of a third-party consultant with experience assisting other utilities with similar programs. In coordination with the third-party consultant, the Company developed the proposed Program.

2. The Program would provide interested residential and commercial retail customers with the choice to buy “blocks” monthly to offset a certain amount of carbon dioxide emissions associated with the customer’s natural gas usage. Each “block” represents the offset of 20.5 therms of natural gas emissions, which equates to approximately 33% of the average residential customer’s monthly usage, and customers may buy as many blocks as they choose.

3. The Company structured the proposed Program to allow both residential classes and commercial customer classes to engage voluntarily in the purchase of renewable natural gas environmental attributes and carbon offset credits and to offer flexibility for that engagement. For each “block” purchased by customers, the Company will procure the renewable natural gas environmental attributes and carbon offset credits to reflect mitigation of the carbon emissions associated with customer natural gas usage. In no instance would the failure to pay amounts due under the Program subject a customer to disconnection of natural gas utility service.

4. Customers wishing to take part would voluntarily opt-in to the Program and must be in good standing. Customers would specify the set number of blocks they wish to purchase each month and may stop their participation commencing with their next billing cycle. Through the Program, participating customers will directly fund the purchase of renewable natural gas environmental attributes and carbon offset credits, which represent measurable, verifiable emission reductions from certified climate action projects.

5. The Company is proposing to implement the Program for a pilot period of four years beginning January 1, 2023, through December 31, 2026. Due to potential volatility within the renewable natural gas attribute and carbon offset markets, supply cost terms could change substantially in the near future. However, the third-party consultant will offer the Program supply terms as described in this filing through November 30, 2022, for the duration of the pilot period

(2023-2026). As a result, the Company is requesting Commission approval of the Program and related Program tariff sheets to allow the Company to implement the Program on January 1, 2023.

6. The Company also seeks approval of a deferred accounting mechanism to capture the revenues and expenses associated with the Program. A deferred accounting mechanism ensures that the Program will be funded exclusively by participants of the Program and costs will not be passed on to customers who do not enroll in the Program.

7. All administrative costs incurred by the Company as part of the Program will be tracked separately through a deferred account and will be recovered from participating customers only. Program tariff rates include a contribution toward administrative costs, but do not include any margin. Customers who are not enrolled members of the Program will not bear any costs associated with the Program.

8. Name and Address of Applicant. The Applicant is Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy. Black Hills Energy's principal office for natural gas operations in Nebraska is located at 1731 Windhoek Drive, Lincoln, NE 68512.

9. Name Under Which Applicant Will Provide Service. Black Hills Nebraska Gas Utility Company, LLC provides service under Black Hills Energy. Black Hills Energy is its registered trade name on file with the Nebraska Secretary of State's office.

10. Representatives to Whom Inquiries Concerning the Application Should Be Made.

In addition to the undersigned counsel, all inquiries about this Application should be directed to:

Robert Amdor
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11. Description of Black Hills Energy's Existing Operations and Service Area. Black Hills Energy provides natural gas public utility service in many areas throughout the State of Nebraska. Black Hills Energy serves approximately 300,000 customers in 319 Nebraska communities. The customer base is made up of primarily residential customers but also includes commercial, High Volume, Interruptible, and Agricultural customers. A full listing of Black Hills Energy's existing operations and service areas is set forth in Black Hills Energy's tariffs on file with the Commission.

II. REQUESTED APPROVALS

12. Through this Application, Black Hills Energy respectfully requests the Commission approve the Company's proposed Voluntary Renewable Natural Gas and Carbon Offset Program ("Program") to be implemented by January 1, 2023, approve related Program tariff sheets as to form and content, approve the deferred accounting mechanism associated with the Program, and allow the Company to file the proposed tariffs as a compliance filing on not less than two business days' notice.

13. The above information and other evidence in support of the relief requested herein are contained in the Direct Testimonies and Exhibits of the following witnesses submitted on behalf of the Company:

- Mr. Tyler E. Frost, Manager – Regulatory & Finance for Nebraska and Iowa; and

- Ms. Katie N. Fleming, Director, Corporate Planning, Sustainability, and ESG (Environmental, Social, and Governance).

III. REQUESTED RELIEF

WHEREFORE, Black Hills Energy respectfully requests that the Commission: (1) deem this Application complete; (2) enter an order approving the Company’s proposed Voluntary Renewable Natural Gas and Carbon Offset Program (“Program”) to be implemented by January 1, 2023; (3) enter an order approving the deferred accounting mechanism associated with the Program; (4) allow the Company to file its proposed tariffs as a compliance filing on not less than two days’ notice; and (5) to the extent necessary or appropriate, grant such waivers, conditions, approvals or such other and further relief as it deems appropriate, consistent with this Application.

Date: August 12, 2022

Respectfully submitted,

/s/ Douglas J. Law

Douglas J. Law, NE Bar #19436

Associate General Counsel

Black Hills Energy

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Counsel for Black Hills Nebraska Gas, LLC

d/b/a Black Hills Energy

Applicant’s address:

Black Hills Nebraska Gas, LLC

d/b/a Black Hills Energy

1731 Windhoek Drive

Lincoln, NE 68512

Certificate of Service

The undersigned hereby certifies that a copy of the foregoing was served by e-mail and U.S. Mail, sufficient postage prepaid on the 12th day of August, 2022 upon the following individuals:

Nichole Mulcahy Nichole.mulcahy@nebraska.gov	Deena Ackerman Denna.ackerman@nebraska.gov E-filing: psc.naturalgas@nebraska.gov
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Respondent

By: */s/ Douglas J. Law*

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**Attorney for Black Hills Nebraska Gas, LLC
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