

**BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE )  
APPLICATION OF BLACK HILLS )  
NEBRASKA GAS, LLC d/b/a BLACK ) Application No. NG-112.1  
HILLS ENERGY SEEKING APPROVAL )  
OF A 2022 SYSTEM SAFETY AND )  
INTEGRITY RIDER. )

**NOTICE OF FILING OF SUPPLEMENTAL REPORT  
OF THE PUBLIC ADVOCATE**

RECEIVED  
11/3/21  
NAT GAS DEPT

The Public Advocate, Intervenor in the above-referenced proceeding, does hereby file his Supplemental Report styled “11/3/2021 Supplement to Report filed on 10/29/21 – ERT Issue Update” prepared by Blue Ridge Consulting Services on behalf of the Public Advocate. Eight copies of the Supplemental Report, plus an electronic copy in pdf and Microsoft Word format are being submitted herewith in accordance with 291 NAC 9-004.12. Electronic and/or hard copies are being provided, as appropriate, in accordance with the Service List.

WHEREFORE, the Public Advocate requests the Commission to consider his Supplemental Report together with the original Report filed October 29, 2021, to hold a hearing, as necessary or required, on the Application, as requested by Black Hills Nebraska Gas, LLC, and to enter an order, or such other action, as the Commission deems just and proper.

DATED this 3<sup>rd</sup> day of November, 2021.

PUBLIC ADVOCATE

By: 

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CERTIFICATE OF SERVICE

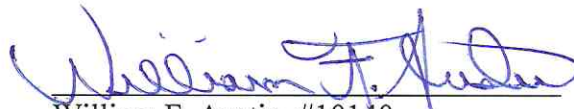
The undersigned hereby certifies that a true and correct copy of Public Advocate's Notice of Filing Supplemental Report was served electronically on this 3<sup>rd</sup> day of November, 2021, upon the following:

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**Docket No. NG-112.1**  
**Examination of the System Safety and Integrity Rider for the 2022 Program Year**  
**of Black Hills Energy**  
**11/3/2021 SUPPLEMENT TO REPORT FILED ON 10/29/21**  
**ERT ISSUE UPDATE**

On August 2, 2021, Black Hills Nebraska Gas, LLC, d/b/a Black Hills Energy (hereinafter referred to as “BHE” or “Company”), filed an application with the Nebraska Public Service Commission (“Commission”) seeking approval to adjust the System Safety and Integrity Rider (SSIR) Charge to be effective January 1, 2022, for Rate Areas One, Two, Three, and Five. The adjusted 2022 SSIR Charges will apply to rate schedules applicable to all BH Nebraska Gas Jurisdictional Residential, Commercial, and Energy Option customers. The Company’s proposed SSIR Charge reflects the overall SSIR Charges applicable to the referenced rate schedules to cover the incremental annual revenue requirement impact of costs incurred by the Company with respect to SSIR Projects as defined on Tariff Sheets Nos. 127 through 131. These eligible projects were not included in the rate base calculation in the rate review for Nebraska assets in Commission Application No. NG-109. Each of the SSIR Projects will be in service and used and useful by December 31, 2022.

In its Application, the Company seeks approval of the jurisdictional revenue requirements of \$8,916,915 attributable to 2022 capital projects, totaling \$44,548,711, and the jurisdictional portion of 2022 Data Infrastructure Improvement Program (DIIP) costs recoverable through the SSIR, totaling \$3,982,000, as summarized in the following table.

**Table 1: BHE Proposed Jurisdictional Capital Projects and DIIP Costs with Associated Revenue Requirements**

Description	Capital Project Costs	Capital Project Revenue Requirement	DIIP Costs	DIIP Costs Revenue Requirement	Total Revenue Requirements
2021 Projects*	\$ 43,439,073	\$ 1,435,609	\$ 865,048	\$ 744,817	\$ 2,179,842
2022 Projects	44,548,711	4,050,068	3,982,000	3,431,238	7,481,306
Total	\$ 87,987,784	\$ 5,485,677	\$ 4,847,048	\$ 4,176,055	\$ 9,661,148
2022 Estimated SSIR Recovery**		\$ 5,485,677		\$ 3,431,238	\$ 8,916,915

\*Does not reflect true-up to actual costs

\*\*Requested Recovery includes current year DIIP and does not include DIIP from prior years

If approved by the Commission, the monthly SSIR Charges effective on January 1, 2022, are summarized below.

**Table 2: BHE Proposed Jurisdictional SSIR Charges**

Description	Residential	Commercial	Commercial Energy Options
2021 Approved SSIR Charge - \$/Month	\$0.62	\$1.23	\$1.23
2022 Proposed SSIR Charge - \$/Month	\$1.45	\$5.02	\$5.02
Total Proposed SSIR Charge - \$/Month	\$2.07	\$6.25	\$6.25
Total Proposed SSIR Charge - \$/Year	\$24.84	\$75.00	\$75.00

The Public Advocate retained Blue Ridge Consulting Services, Inc. (“Blue Ridge”) to perform an examination of the Company’s proposed 2022 SSIR. Blue Ridge found that the Company plans to buy 27,061 ERTs (Electronic Reading Transmitters) from supplier(s) to install rather than use in part the 3,000–5,000 ERTs in inventory. The cut-off date for data requests prevented Blue Ridge from following up on this information. Thus, in its initial filed report, Blue Ridge recommended that the Company provide additional information to facilitate determining whether the Company’s activity

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regarding ERT projects (1) is accounted for in accordance with 18 CFR, part 201, account 381 meters, (2) belongs in the SSIR, and (3) is the most economical use of ratepayer funds. Blue Ridge also had related questions regarding this issue:

- a. Why the existing ERTs are not used first—ERTs in inventory that were purchased in the past would likely have a lower unit cost, which would, in turn, lower the SSIR.
- b. Why the Company considers ERTs capital upon purchase and what in 18 CFR allows that designation.
- c. Whether the Company has 40G ERTs in stock and, if so, will they be written off as obsolete assets.

Subsequent to the filing of Blue Ridge's report, the Company provided additional information in response to Blue Ridge's concerns.

1. The Company verified that the ERTs are accounted for under 18 CFR, part 201, account 381.
2. The Company verified that the ERTs are integral to safety infrastructure. It also offered additional information showing the costs of the ERTs to be proper for inclusion in the SSIR mechanism.
3. The Company verified that investment in the ERTs is an economical use of ratepayer funds in enhancing both safety and customer billing needs.

Regarding Blue Ridge's related questions concerning the ERTs, the Company also provided these answers:

- a. The ERTs in inventory, at the same cost, are already allocated for other projects.
- b. The ERT purchases are capital because they extend the life of the asset and provide additional functionality unavailable with current ERT equipment. In addition, 18 CFR states, under the description of FERC 381, "This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring gas delivered to users, whether actually in service or held in reserve." The Company interprets the "held in reserve" phrase to mean that the Company may capitalize the meters and ERTs upon purchase, which is why BHSC does so instead of putting them into inventory and capitalizing them when they are issued out to a project. Specifically, the Company capitalizes the ERTs because it considers them appurtenances (an accessory object) of the meter.
- c. The Company has no new 40G ERTs in stock.

Blue Ridge finds the additional information from the Company to be not unreasonable and to satisfactorily answer all its concerns. Based on the additional information satisfactorily answering the concerns of the report's initial filing, the Public Advocate recommends accepting the Company's proposed SSIR revenue requirements and estimated SSIR Charges.