

# SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

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## BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the	)	Application No. NG-111/PI-237
Commission, on its own motion,	)	
seeking to investigate the	)	
effect of the February 2021	)	ORDER APPROVING RECOVERY PLAN
cold weather event upon the	)	
cost of gas supply purchased by	)	
Nebraska gas utilities.	)	
	)	
	)	
Black Hills Nebraska Gas, LLC	)	Docket No. NG-111.1
	)	
	)	
	)	Entered: May 25, 2021

BY THE COMMISSION:

On March 2, 2021, the Nebraska Public Service Commission ("Commission"), on its own motion, opened the above-captioned docket. This docket was opened for the purpose of gathering information regarding and formulating a response to the effect of the February 2021 cold weather event upon 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 - 66-1868. A Petition for Formal Intervention was filed by the Nebraska Public Advocate on March 4, 2021 and granted on March 5, 2021.

Pursuant to the Order Opening Docket issued in this matter on March 2, 2021, the Commission held a workshop for each utility to discuss the impact of the cold weather event upon that utility's business. Following the workshops, each utility was required to submit a written proposal to mitigate the impact on customer bills from this cold weather event for Commission consideration and approval. Black Hills Nebraska Gas, LLC ("Black Hills") submitted its proposal ("Proposal") on May 3, 2021. The Public Advocate submitted a Review of the Proposal ("Review") on May 6, 2021. Black Hills submitted a Response to the Review ("Response") on May 13, 2021.

In its Proposal, Black Hills sets forth a plan to recover \$86.5 million in expenses from the cold weather event, incurred between the dates of February 13 through 18, through a 36-month Cold Weather Gas Cost Recovery Mechanism ("Mechanism"). This would be collected separately from Black Hills' Gas Cost Recovery mechanism ("GCA"). Black Hills notes that their estimated figure

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of \$86.5 million to be recovered includes approximately \$79.75 million in gas supply costs plus approximately \$6.75 million in anticipated carrying costs. Black Hills further notes that the 36-month timeframe is requested as an appropriate balance between the interests of mitigating the impact of the recovery on customers and the interest of preventing undue burden on the company and increasing carrying costs.

Black Hills proposes to collect the costs from customers on a volumetric basis. Black Hills provided the following table, setting forth the anticipated average residential and commercial customer impacts on a monthly and annual basis:

	Avg Residential		Avg Commercial	
	\$ Increase	% Increase	\$ Increase	% Increase
Monthly Bill	\$10	18%	\$38	23%
Annual Bill	\$120	18%	\$457	23%
Winter Month Bill	\$17.85	22%	\$68.63	27%
Summer Month Bill	\$4.33	12%	\$16.29	17%

Black Hills requests approval of carrying costs at the rate of 0.920% between February 2021 and September 2021, and 6.71% per annum<sup>1</sup> for the remainder of the 36-month period.

The Public Advocate's review of Black Hills' Proposal largely supports the proposed recovery mechanism. However, the Public Advocate submitted several modifications for the Commission's consideration.<sup>2</sup> These items include a recommendation that the Commission reduce the amount allowed for carrying costs to reflect actual financing costs paid by the company. The Public Advocate also recommended that Black Hills use any cost savings realized due to the transfer of interruptible customers to a firm rate to offset the costs of the cold weather event. Black Hills, in its Response, disagreed with these recommendations, stating that the WACC was the appropriate rate at which to calculate carrying costs, and that there are no savings to be realized from the transfer of interruptible customers to a firm rate.

<sup>1</sup> This amount represents the weighted average cost of capital ("WACC") approved by the Commission in Black Hills' most recent general rate review, Commission Docket No. NG-109.

<sup>2</sup> The Public Advocate also made certain policy recommendations not listed in the body of this order regarding the advertisement of budget billing options to customers and ongoing monitoring by the Commission of other federal and state actions in response to this cold weather event.

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## O P I N I O N   A N D   F I N D I N G S

The Commission is authorized by Neb. Rev. Stat. § 66-1804 to do all things necessary and convenient to regulate natural gas public utilities and carry into effect the provisions of the State Natural Gas Act, Neb. Rev. Stat. § 66-1801 - 1868.

Due to the extraordinary nature of the February 2021 cold weather event, the Commission finds that a mechanism to spread the costs of purchased gas during this time across a longer timeframe is necessary. The Commission further finds that Black Hills' proposal is a reasonable solution to prevent undue burden upon customers and upon the utility. The Commission therefore finds that this proposal should be adopted, with modifications.

Black Hills is hereby permitted to implement a cost recovery mechanism to recover the costs of gas purchased between February 13-18, 2021, from customers. This Mechanism will be reflected as a separate line item on customer bills and is to be in place no longer than 36 months. Upon final reconciliation of costs from the February 2021 cold weather event, Black Hills must submit to the Commission a final total of costs to be recovered. The Commission finds that all reasonable measures must be taken to ensure that the Mechanism proposed by Black Hills will not result in any costs being passed on to customers which are not a direct result of the February 2021 cold weather event. In no event should Black Hills recover any costs beyond this final calculated amount, with carrying costs as described below.

The Commission hereby approves the recovery of carrying costs incurred by Black Hills for the 36-month recovery term at a rate of either 6.71% per annum, or at the actual rate of any financing obtained by Black Hills specifically and solely for the purpose of covering gas purchases made between February 13 - 18, 2021, whichever is lesser. In its first report discussed below, Black Hills shall disclose the actual rate it is utilizing to calculate the carrying costs. If the WACC rate of 6.71% per annum is utilized, Black Hills must disclose the actual cost of the financing and provide documentation to demonstrate that it would be more than 6.71% per annum.

Should there be any cost savings realized by Black Hills due to the switching of interruptible customers to firm rates, such cost savings must be used to offset the costs of gas purchases made between February 13-18, 2021. Additionally, Black Hills is required to conduct regular customer outreach throughout this 36-

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month period by use of emails, bill inserts, and other forms of advertisement, regarding the availability of budget billing.

Black Hills is hereby required to file with the Commission semi-annual reports during the recovery period reporting the progress of the recovery of the purchased gas costs. These reports shall be due in conjunction with the annual Gas Cost Reconciliation (GCR) filing, due on or before October 1, with an additional report due on or before April 1 of each calendar year. These reports shall continue to be filed until Black Hills files its final reconciliation report at the conclusion of the 36-month recovery period. The reports may be submitted electronically to [psc.naturalgas@nebraska.gov](mailto:psc.naturalgas@nebraska.gov), with a copy to the Public Advocate for review.

## O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the proposal submitted by Black Hills Nebraska Gas, LLC, for recovery of extraordinary costs related to the February 2021 cold weather event shall be approved as modified.




IT IS FURTHER ORDERED that said proposal shall be implemented beginning on July 1, 2021, as described above.

IT IS FINALLY ORDERED that the filing requirements set forth above shall hereby be adopted.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 25th day of May, 2021.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

  
Chair

ATTEST:

  
Executive Director