

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

BY THE COMMISSION:

intervention was granted to the PA and a procedural schedule was set forth.

## E V I D E N C E

A hearing in this matter was held on October 16, 2019. Douglas Law appeared on behalf of Black Hills. William Austin appeared on behalf of the Public Advocate. Sallie Dietrich and Nichole Mulcahy appeared on behalf of the Commission's Natural Gas Department. Exhibits numbered 1 - 3 and 5 - 8 were offered and accepted, including the Application (Ex. 5), the Amended Application (Ex. 6), the Report of the Public Advocate (Ex. 8), and Black Hills' Response to the Public Advocate's Report (Ex. 7). Exhibit 4, consisting of Black Hills' October 15th monthly progress report filing in Commission Docket No. NG-90.1, was marked but not entered into the record.

Black Hills presented the oral testimony of Jason Bennett, Regulatory and Financial Manager for Black Hills. Mr. Bennett testified that this application refers to the third and final year of the farm tap program, a docket originally filed in December 2016 in order to safely replace or purchase customer-owned fuel lines running from interstate pipelines to customer premises. Mr. Bennett testified that as of September 2019, 403 farm taps had been replaced or purchased at a cost of \$4,409,827, and 87 lines had been identified as nonactive or to be abandoned. Mr. Bennett stated that the program is 75% complete with 171 farm taps remaining to be purchased or replaced. The program is intended to be completed by December 31, 2019.

Mr. Bennett noted that the PA had raised some concerns regarding the December 31, 2019, end date of Black Hills' contract with InfraSource to complete the farm tap project. InfraSource is the contractor performing the work of testing and replacing the farm taps on behalf of Black Hills. Mr. Bennett testified that should the program extend beyond the end of 2019, InfraSource has committed to maintain the same contract price for all the remaining work in the farm tap replacement program.

Mr. Bennett further stated that following its original filing, Black Hills submitted an amended Application, submitted in this hearing as Exhibit 6. Mr. Bennett explained that the amendment included corrections of two calculation errors and additional details supporting those calculations, but that there was no change to the requested surcharge as a result of the amendment. Mr. Bennett also stated that Black Hills would like to make a

correction to page 9 of Exhibit 7, which referred incorrectly to a separate Commission docket. Mr. Bennett testified that the response to paragraph 5 on page 9 of Exhibit 7 should have affirmed agreement with the PA's review and recommendation of acceptance of the calculation of the farm tap surcharge.

Black Hills then presented the oral testimony of Kevin Jarosz, Director of Operations for Nebraska Gas. Mr. Jarosz testified regarding Black Hills' procedures regarding One-Call ("811") during construction, and further stated that as part of the farm tap program, farm taps which had not previously been on the 811 call system would now be listed. Mr. Jarosz also stated that should InfraSource be unable to complete the project before the end of 2019, it has committed to completing the project for the same costs currently in place. No other witnesses were called following Mr. Jarosz's testimony.

The Public Advocate then presented a statement as to his review of the case. Mr. Austin stated that Black Hills' application falls within the parameters agreed upon in the original farm tap docket, including the limits on the customer surcharges. Mr. Austin noted that the surcharges amount to \$0.13 monthly for residential customers, \$0.32 for commercial customers, and \$0.61 for energy option customers. Mr. Austin noted that the cumulative amount is below the previously agreed-upon \$0.25 maximum amount.

Mr. Austin further stated that the cost of the program is significantly more than was originally anticipated. The cost of the program was originally agreed to be no more than \$4 million; however, Black Hills currently estimates the program cost at \$7,493,325, or 81% more than was originally estimated. Mr. Austin noted that this increase was due to a number of factors which were not originally anticipated. Mr. Austin stated that he recognized the reasonableness of the investment, but did not address the prudence of the investment at this time. He further noted that this would be an issue to be discussed in Black Hills' upcoming general rate review.

Mr. Austin stated that he was pleased that the contract cost was firm and would not change if the work extended beyond December 31. Following the PA's statement, no further witnesses were called, and the hearing was adjourned.

#### F I N D I N G S

Pursuant to the State Natural Gas Regulation Act, Neb. Rev. Stat. § 66-1801 *et seq.*, the Commission has "full power, authority, and jurisdiction to regulate natural gas public utilities and may do all things necessary and convenient for the exercise of such power, authority, and jurisdiction." Neb. Rev. Stat. § 66-1804(1). The Act further provides that these powers are to be "liberally construed." Neb. Rev. Stat. § 66-1804(2). The Commission's powers, authority, and jurisdiction, including with regard to general rate filings and rate principles, are further outlined in state regulations at 291 Neb. Admin. Code, Chapter 9, Sections 4 and 5.

The Commission has reviewed the evidence presented in this matter and finds that the parties are in agreement that Black Hills' application, including its annual progress report and request for approval of the upcoming year's expenditures and true-up of spending and revenues collected between July 1, 2018, and June 30, 2019, and subject to the amendments included in Exhibit 6, should be approved. The parties are further in agreement that the amount of the proposed adjustment is reasonable and appropriate.

The application in this matter proposes to adjust the Farm Tap Surcharge by customer class, resulting in a monthly surcharge per class as follows:

	Years 1 and 2	Year 3	Increase
Residential	\$0.09	\$0.13	\$0.04
Commercial and Industrial	\$0.21	\$0.32	\$0.11
Energy Options Firm	\$0.38	\$0.61	\$0.23

Applicant states that the surcharge average for all jurisdictional customers will not exceed \$0.23, a decrease from the originally anticipated amount of \$0.25 for the third year of the Farm Tap Program. Collection of the surcharge will end in August of 2020 pursuant to the Stipulation entered in Commission Docket No. NG-90, and pursuant to a final report regarding the completion of the program which will be filed with the Commission.

The Application also seeks to revise Tariff Sheet No. 41 in order to effect the change in surcharge. Pursuant to the Scheduling Order previously entered in this matter, the proposed effective

date of this revised tariff sheet, if approved, would be November 1, 2019.

Upon review of the application and the evidence submitted in this matter, the Commission agrees that the application, as amended per Exhibit 6, should be approved. The Commission further finds that the Revised Tariff Sheet No. 41 submitted in this matter should be approved with an effective date of November 1, 2019.

The Commission further finds that in order for the Commission to continue monitoring the progress in the Farm Tap Project, it is appropriate for Black Hills to continue to file monthly written Progress Reports no later than the end of business on the 15th business day of each month, until such time as the Farm Tap Project is completed. Within sixty (60) days of completion of the project, Black Hills should file its Final Report summarizing the Farm Tap Project and including final expenditures, surcharge revenue collected, the number of service lines purchased, replaced, or abandoned, a progress report based upon the implementation plan including any customer requests for line upgrades or extensions, and any other information necessary for adequate review of the complete project.

#### O R D E R

IT IS THEREFORE ORDERED that the proposed Revised Tariff Sheet No. 41 filed by Black Hills/Nebraska Gas Utility, LLC, d/b/a Black Hills Energy be approved with an effective date of November 1, 2019.

IT IS FURTHER ORDERED that Black Hills/Nebraska Gas Utility, LLC, d/b/a Black Hills Energy continue to file monthly written Progress Reports no later than the end of business on the 15th business day of each month, until such time as the Farm Tap Project is completed.

IT IS FURTHER ORDERED that, within sixty (60) days of completion of the Farm Tap Project, that Black Hills/Nebraska Gas Utility, LLC, d/b/a Black Hills Energy file with the Commission a Final Report including all information listed above.

IT IS FINALLY ORDERED that should unforeseen issues in the enactment of the terms of the Stipulation, or other relevant issues deriving from the implementation of the Farm Tap Safety Program,

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arise, that the parties shall contact the Commission and seek guidance as to how to proceed.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 29th day of October, 2019.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

*Cystal Snodgrass*

*Mary Riddle*  
Chair

*Elaine Snodgrass*

ATTEST:

*Michelle H. H.*

Executive Director

*Donna W. W.*

*Tim Schram*