

SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of Black Hills)	Application No. NG-112.1
Nebraska Gas, LLC d/b/a Black)	
Hills Energy, Rapid City, South)	ORDER APPROVING 2022 SSIR
Dakota, seeking approval of a)	CHARGE
2022 Systems Safety and)	
Integrity Rider.)	Entered: December 14, 2021

BY THE COMMISSION:

On August 2, 2021, Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy, Rapid City, South Dakota ("Black Hills" or "Applicant") filed an application with the Nebraska Public Service Commission ("Commission") seeking approval of a 2022 Systems Safety and Integrity Rider. A petition for Formal Intervention was filed by the Nebraska Public Advocate ("Public Advocate" or "PA") on August 10, 2021, and his intervention was approved by the Commission on August 12, 2021. No other parties have intervened in this docket.

In its application, Black Hills seeks to adjust the System Safety and Integrity Rider ("SSIR") Charge to be effective on January 1, 2022 for Rate Areas One, Two, Three, and Five. The adjusted 2022 SSIR Charges will apply to rate schedules applicable to all Black Hills Jurisdictional Residential, Commercial, and Energy Options customers. Each of the SSIR projects will be in service and used and useful by December 31, 2022.

Black Hills identified 12 types of projects, totaling \$54,528,161, and provided background, classifications under the SSIR Tariff, objective criteria analyzed, project descriptions, and specific projects. If approved by the Commission, the monthly SSIR Charge for Residential customers will be \$2.07 and the monthly charge for both Commercial and Energy Options customers will be \$6.25.¹

Notice of the Application was published in *The Daily Record* on August 5, 2021. A hearing was held on November 17, 2021. Mr. Douglas J. Law, associate general counsel for Black Hills, appeared on behalf of Black Hills; Mr. William Austin appeared on behalf of the Public Advocate; and Mr. Jonathan Smith and Ms. Nichole Mulcahy appeared on behalf of Commission staff.

During the hearing, the following exhibits from Black Hills were accepted into the record: 2022 SSIR Application Narrative and Cover Letter, 2022 SSIR Application Model, and 2022 Nebraska SSIR

¹ See NG-112.1, Hearing Exhibit #1 at 1.

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Response to the PA Report. The following Exhibits from the Public Advocate were accepted into the record: Examination of the System Safety and Integrity Rider of Black Hills and Supplement to the Examination of the System Safety and Integrity Rider of Black Hills (Collectively referred to as the "PA Report").

E V I D E N C E

After performing an examination and analysis of all the information, the Public Advocate recommended, in the PA Report, that Black Hills proposed SSIR revenue requirements and estimated SSIR Charges be approved.²

During the hearing, Black Hills called Mr. Tyler Frost and Mr. Kevin Jarosz to testify regarding Black Hills' SSIR application and the PA Report. During Black Hills' testimony, Mr. Frost gave a broad overview of the 77 projects proposed by Black Hills to be included in the SSIR programs for 2022. Mr. Frost began his testimony describing projects involving the replacement of bare steel, top-of-ground, and obsolete pipe, these projects would replace pipe covering 112 miles. He further testified regarding obsolete meter replacements, where Black Hills plans to replace over 4,000 such meters. Mr. Frost also testified regarding Town Border Station ("TBS") projects and obsolete infrastructure projects. These projects include chart replacement projects and the replacement of Electronic Reading Transmitters ("ERTs"). Next, Mr. Frost testified regarding Black Hills' MEGA-Rule projects. The MEGA-Rule is a new federal requirement that requires operators to update incomplete records and ensure that those records are TBC compliant (traceable, verifiable, and complete). Mr. Frost concluded his testimony with a narrative description of Black Hills' Data Infrastructure Improvement Program ("DIIP").³ At the conclusion of their testimony, Mr. Frost and Mr. Jarosz both agreed with the ultimate recommendation of the Public Advocate, requesting the Commission approve the 2022 SSIR application with SSIR charges to become effective January 1, 2022.⁴

The Public Advocate then offered comments regarding the contents of the PA Report. He stated that both the PA and his consultants reviewed the 77 projects that comprised the submittal

² See NG-112.1, Hearing Exhibit #2 at 2.

³ Transcript 16:24-18:14.

⁴ Transcript 15:1-37:18.

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Application No. NG-112.1

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by Black Hills for the SSIR application, concluding most of those projects fell within the class of projects typically included in SSIR requests.⁵ The Public Advocate went on to testify that after reviewing all the figures, the PA and his consultants felt that everything was reasonable and met the risk factors that they were looking for.⁶ The Public Advocate referenced the 2022 SSIR DIIP projects, which are a new category of projects included in the SSIR from the NG-109 proceeding. NG-109 concluded that there were significant safety aspects to the DIIP, and it was therefore included in the SSIR program. As such, the Public Advocate found the DIIP projects' inclusion in the 2022 SSIR acceptable.⁷

FINDINGS AND OPINION

Pursuant to the State Natural Gas Regulation Act, *Neb. Rev. Stat. § 66-1804(a)* (2004 Cum. Supp.), 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." The Legislature expressly intended that the powers granted to the Commission by the Act be "liberally construed."⁸

Based upon the Public Advocate's review and report and the parties' agreement on the record, the Commission finds that the proposed SSIR Charges set forth in the Application are appropriate and that the Application should be approved.

Black Hills shall comply with all the requirements set forth in the SSIR program, including the filing of an annual reconciliation.

Finally, tariff sheets No. 78, No. 127, No. 128, No. 129, No. 129.1, No. 130, and No. 131, including both redlined and clean versions, are attached to this order for review and incorporated by reference. The Commission finds the revised tariff sheets should be approved, effective January 1, 2022.

⁵ Transcript 38:17-20.

⁶ Transcript 40:24-41:2.

⁷ Transcript 41:3-14.

⁸ "The State Natural Gas Regulation Act and all grants of power, authority, and jurisdiction in the act made to the commission shall be liberally construed, and all incidental powers necessary to carry into effect the provisions of the act are expressly granted to and conferred upon the commission." *Neb. Rev. Stat. §66-1804(b)*.

SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

Application No. NG-112.1

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O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the Application of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy, Rapid City, South Dakota, seeking approval of a 2022 Systems Safety and Integrity Rider, be approved.

IT IS FURTHER ORDERED that Black Hills Energy, Nebraska Gas Tariff, Revised Sheets No. 78, No. 127, No. 128, No. 129, No. 129.1, No. 130, and No. 131, including both redlined and clean versions attached to this order and incorporated by reference, be, and are hereby approved, with an effective date of January 1, 2021.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 14th day of December, 2021.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Rob Johnson
Crystal Broadus
Mary Kiddy
Tim Schram

Don Watson
Chair

ATTEST:

Shanice Khutson
Deputy Director

RATE SCHEDULES AND OTHER CHARGES

SCHEDULE OF RATES

Rate Areas 1, 2, & 3:

Type of Charge	Billing Unit	Base	SSIR	HEAT	Line Locates	Gas Cost
Residential		1/	2/	3/	4/	
Customer Charge	Per Month	\$15.45	\$2.07 ^{0.62}	\$0.14		
Volumetric Charge First 20 Therms	Per Therm	\$0.50858				5/
Volumetric Charge Over 20 Therms	Per Therm	\$0.15000				5/
Commercial						
Customer Charge	Per Month	\$28.43	\$6.25 ^{1.23}	\$0.14		
Volumetric Charge First 40 Therms	Per Therm	\$0.50858				5/
Volumetric Charge Over 40 Therms	Per Therm	\$0.15000				5/
Commercial – EO						
Customer Charge	Per Month	\$28.43	\$6.25 ^{1.23}	\$0.14		
Volumetric Charge First 40 Therms	Per Therm	\$0.50858				5/
Volumetric Charge Over 40 Therms	Per Therm	\$0.15000				5/

Rate Area 5

Type of Charge	Billing Unit	Base	SSIR	HEAT	GSCA	Gas Cost
Residential		1/	2/	3/	6/	
Customer Charge	Per Month	\$15.45	\$2.07 ^{0.62}	\$0.14		
Volumetric Charge First 20 Therms	Per Therm	\$0.50858			\$0.00000	7/
Volumetric Charge Over 20 Therms	Per Therm	\$0.15000			\$0.00000	7/
Commercial						
Customer Charge	Per Month	\$28.43	\$6.25 ^{1.23}	\$0.14		
Volumetric Charge First 40 Therms	Per Therm	\$0.50858			\$0.00000	7/
Volumetric Charge Over 40 Therms	Per Therm	\$0.15000			\$0.00000	7/
Agricultural Seasonal Service						
Minimum Volumetric Charge	Per Therm	\$0.00100	--	--	\$0.00000	7/
Maximum Volumetric Charge	Per Therm	\$0.50000	--	--	\$0.00000	7/

1/ Base rates as set for on Sheets No. 79, 80, and 82

2/ System Safety and Integrity Rider set forth on Sheets No. 127-131

3/ High Efficiency Assistance Tool set forth on Sheet No. 132

4/ Line Locates Surcharge as set forth on Sheets No. 133

5/ Gas Cost rates for Rate Areas 1-3 as set forth on Sheets No. 95 and 96

6/ Gas Supply Cost Adjustment as set forth on Sheet No. 123

7/ Gas Cost rates for Rate Area 5 (Supplier Commodity Charge) is the applicable rate agreed to by the Customer and its Supplier in the Choice Gas Program. See Sheets No. 97 to 107

**OTHER COST RECOVERY MECHANISMS
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

APPLICABILITY	All Jurisdictional Residential, Commercial, and Commercial – EO customers are subject to this SSIR designed to collect Eligible System Safety and Integrity Costs, as defined herein. The System Safety and Integrity Rider Charge shall be subject to annual changes to be effective on January 1 of each year. The System Safety and Integrity Rider Charge to be applied to each Rate Schedule is set forth on the Rate Schedules and Other Charges Schedule of Rates, Sheet <u>No.</u> 78.
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ANNUAL
APPLICATION
AND ~~ANNUAL~~
~~QUARTERLY~~
SURVEILLANCE
FILINGS

- A. Each proposed revision in the System Safety and Integrity Rider Charge shall be accomplished by filing an application on or around August 1 ~~by September 1~~ of each year to take effect on the following January 1 (the "Annual Application"). The Annual Application shall contain the following items:
- i. Pertinent information and supporting data related to Eligible System Safety and Integrity Costs, including, at a minimum, Project description and scope, Project costs and projected in-service dates for the Projects budgeted to be completed in the upcoming calendar year.
 - ii. Details of the Project costs incurred during the previous calendar year including an explanation of how the Project costs were managed and any deviations between budgeted and actual costs.
 - iii. The calculation of the SSIR True-Up Amount, if any.
 - iv. The calculation of the Deferred SSIR Balance, if any.
- B. The Public Advocate shall conduct an examination of the Annual Application. The Public Advocate shall cause an examination to be made of the Annual Application to confirm that the under lying actual and projected Eligible System Safety and Integrity Costs ("SSIR revenue requirement") are in accordance with this SSIR Tariff and to confirm proper calculation of the SSIR True-Up Amount and the Deferred SSIR Balance. The Commission shall require a report regarding such examination to be prepared and filed by the Public Advocate with the Commission not later than sixty days after the Annual Application is filed. No other revenue requirement or rate making issue shall be examined in consideration of the Annual Application unless the consideration of such affects the determination of the validity of the System Safety and Integrity Rider Charge.

(continued)

**RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

ANNUAL
APPLICATION
AND ~~ANNUAL~~
~~QUARTERLY~~
SURVEILLANCE
FILINGS
(Continued)

- C. The Commission shall hold a hearing on the Annual Application at which the Public Advocate shall present his or her report and shall act as trial staff before the Commission. The Commission shall issue an order to become effective not later than January 1 of the year ~~one hundred twenty days after following the filing of the~~ Annual Application ~~is filed~~. If the Commission finds that the Annual Application complies with the requirements of this SSIR Tariff, the Commission shall enter an order authorizing the Company to collect the proposed System Safety and Integrity Rider Charge, including any SSIR True-Up Amount and any Deferred SSIR Balance, effective on January 1 of the following year.
- D. The Company shall make annual surveillance filings within sixty days of the end of each calendar year. Such filings shall include calculations of the rate base separated into regular and SSIR components, the realized rates of return on the rate base components, along with supporting calculations. Additionally, the filing shall include an update regarding the status of the current calendar year's SSIR Project costs, projected in-service dates, and the expected schedule over the remainder of the calendar year.

DEFINITIONS

- A. "Deferred SSIR Balance" shall be equal to the balance, positive or negative, of SSIR revenues at the end of a particular calendar year less the Eligible System Safety and Integrity Costs as projected by the Company for that particular calendar year, plus monthly interest calculated on that balance at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.
- B. "Eligible System Safety and Integrity Costs" shall mean (1) a return, at a percentage equal to the Company's currently authorized weighted average cost of capital grossed up for taxes, on the projected increase in the jurisdictional component of the month ending net plant in-service balances associated with the Projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect, exclusive of all plant in-service included in the determination of the revenue requirements approved in the Company's last general rate case; (2) the plant-related ownership costs associated with such incremental plant investment, including depreciation, accumulated deferred income taxes, and all taxes including income taxes and property taxes; and (3) the projected jurisdictional component of the operation and maintenance expenses related to the Projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect. The return and income taxes and plant related costs associated with

**RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

DEFINITIONS
(Continued)

improvements or upgrades to facilities, made at the discretion of the Company to extend service or for future growth that is not specifically required by a statute or regulation, shall be excluded from Eligible System Safety and Integrity Costs.

C. System Safety and Integrity Projects" ("Projects") shall mean one or more of the following:

- i. Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart O (Gas Transmission Pipeline Integrity Management), including Projects in accordance with the Company's transmission integrity management program ("TIMP") and Projects in accordance with State enforcement of Subpart O and the Company's TIMP;
- ii. Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart P (Gas Distribution Pipeline Integrity Management), including Projects in accordance with the Company's distribution integrity management program -("DIMP") and Projects in accordance with State enforcement of Subpart P and the Company's DIMP;
- iii. Projects to comply with final rules and regulations of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration ("PHMSA") that become effective on or after the filing date of the Application requesting approval of this SSIR; and
- iv. Facility relocation projects with a per-Project total cost of \$20,000 or more, exclusive of all costs that have been, are being, or will be reimbursed otherwise, that are required due to construction or improvement of a highway, road, street, public way or other public work by or on behalf of the United States, the State of Nebraska, a political subdivision of the State of Nebraska or another entity having the power of eminent domain.

**RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

DEFINITIONS
(Continued)

v. Generally, Projects eligible for recovery under the SSIR Tariff include:

- i. Replacement of Bare Steel Distribution Mains
- ii. Replacement of High-Risk Transmission Pipelines
- iii. Replacement of Service Lines
- iv. Installation of Barricades to ~~Protect~~Protect At-Risk Meter, Regulator, and Valve settings
- v. Cathodic Protection and Corrosion Prevention
- vi. Town Boarder Station Upgrades or Replacements
- vii. Top of Ground, Shallow (less than three feet cover and posing risk) and Exposed Pipe
- viii. At-Risk Meter Relocations and Inside Meter Relocations with Replacement of Meter as part of a capital activity
- ix. Obsolete Infrastructure (e.g., PVC Pipe posing risk or the removal of which provides ancillary benefits supported by risk model analysis and results)
- x. Required Facility Relocations
- xi. Data Infrastructure Improvement Program

The Company shall use three distinct risk models corresponding to the TIMP, DIMP and the At-Risk Meter Relocation ("ARMR") Program. All three models shall use objective and external factors and provide scores that correlate to proactive analysis of system risk.

**RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

DEFINITIONS
(Continued)

In addition to the risk models, the Company shall consider other criteria, such as the availability of internal and external crews; project management constraints; local economic development plans; customer inconvenience and impact; other specific regulatory requirements; threat assessment; corrosion control analysis; pipeline vintage; pipeline material; pipeline design and class location; pipeline configuration and segmentation; pipeline system constraints; pipeline replacement history; population density; pipeline maintenance and internal inspection history; pipeline piggability; existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject matter expert knowledge; Project timeframe; weather and climate constraints on the construction season; permitting constraints; probability of pipeline testing failures and dewatering constraints; service outage management; and pipeline source of supply and availability of alternate gas supply.

As part of the analysis, the Company shall identify and describe the proposed SSIR Projects that are for high-risk gas infrastructure by providing its risk assessment for each such SSIR Project including, if applicable, the probability of failure, the consequences of failure for the SSIR Project and how the Company prioritized the SSIR Project for which it seeks recovery.

D. "SSIR True-Up Amount" shall be equal to the difference, positive or negative, between the Eligible System Safety and Integrity Costs as projected for a particular calendar year and the actual Eligible System Safety and Integrity Costs incurred by the Company for that particular calendar year, plus monthly interest calculated on that difference at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.

SSIR
ADJUSTMENT
CALCULATION

A. The System Safety and Integrity Rider Charge shall be equal to the Eligible System Safety and Integrity Costs, plus or minus the SSIR True-Up Amount, plus or minus the Deferred SSIR Balance, multiplied by ~~the~~ customer ~~class~~ ~~allocation~~ ~~basis~~ authorized ~~by~~ the Commission to determine the class cost of service in the Company's most recent general rate case, divided by the applicable number of bills for the particular customer class, as follows:

(continued)

RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)

SSIR
ADJUSTMENT
CALCULATION
(continued)

System Safety and Integrity Rider Charge = $((A \pm B \pm C) * D) / E$

Where:

A = Eligible System Safety and Integrity Costs

B = SSIR True-Up Amount

C = Deferred SSIR Balance

D = Customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case

E = Applicable number of bills for the particular customer class

B. The calculated rate shall be an adjustment to the Customer Charge applicable to the Company's Jurisdictional Residential, Commercial, and Commercial – EO customers.

SSIR
ADJUSTMENT
WITH CHANGES
IN BASE RATES

Whenever the Company implements changes in base rates as a result of a final Commission order in a general rate case setting new rates based on approved revenue requirements, the Company shall simultaneously adjust the SSIR to remove all costs that have been included in base rates.

The Company shall not make effective any revision to the System Safety and Integrity Rider Charge that includes the addition of new SSIR Projects not previously recovered through the SSIR Charge if the Company has not had a general rate proceeding decided or dismissed by issuance of a Commission order within sixty months immediately preceding the date upon which the revision to the System Safety and Integrity Rider Charge otherwise would take effect. The Company shall continue to make annual revisions to the SSIR Charge to reflect appropriate true-ups and adjustments to the calculations, consistent with the other provisions contained in the System Safety and Integrity Rider Tariff, for each year that the Company is allowed to collect the SSIR Charge.

RATE SCHEDULES AND OTHER CHARGES
SCHEDULE OF RATES

Rate Areas 1, 2, & 3:

Type of Charge	Billing Unit	Base	SSIR	HEAT	Line Locates	Gas Cost
Residential		1/	2/	3/	4/	
Customer Charge	Per Month	\$15.45	\$2.07	\$0.14		
Volumetric Charge First 20 Therms	Per Therm	\$0.50858				5/
Volumetric Charge Over 20 Therms	Per Therm	\$0.15000				5/
Commercial						
Customer Charge	Per Month	\$28.43	\$6.25	\$0.14		
Volumetric Charge First 40 Therms	Per Therm	\$0.50858				5/
Volumetric Charge Over 40 Therms	Per Therm	\$0.15000				5/
Commercial – EO						
Customer Charge	Per Month	\$28.43	\$6.25	\$0.14		
Volumetric Charge First 40 Therms	Per Therm	\$0.50858				5/
Volumetric Charge Over 40 Therms	Per Therm	\$0.15000				5/

Rate Area 5

Type of Charge	Billing Unit	Base 1/	SSIR 2/	HEAT 3/	GSCA 6/	Gas Cost
Residential						
Customer Charge	Per Month	\$15.45	\$2.07	\$0.14		
Volumetric Charge First 20 Therms	Per Therm	\$0.50858			\$0.00000	7/
Volumetric Charge Over 20 Therms	Per Therm	\$0.15000			\$0.00000	7/
Commercial						
Customer Charge	Per Month	\$28.43	\$6.25	\$0.14		
Volumetric Charge First 40 Therms	Per Therm	\$0.50858			\$0.00000	7/
Volumetric Charge Over 40 Therms	Per Therm	\$0.15000			\$0.00000	7/
Agricultural Seasonal Service						
Minimum Volumetric Charge	Per Therm	\$0.00100	--	--	\$0.00000	7/
Maximum Volumetric Charge	Per Therm	\$0.50000	--	--	\$0.00000	7/

1/ Base rates as set for on Sheets No. 79, 80, and 82

2/ System Safety and Integrity Rider set forth on Sheets No. 127-131

3/ High Efficiency Assistance Tool set forth on Sheet No. 132

4/ Line Locates Surcharge as set forth on Sheets No. 133

5/ Gas Cost rates for Rate Areas 1-3 as set forth on Sheets No. 95 and 96

6/ Gas Supply Cost Adjustment as set forth on Sheet No. 123

7/ Gas Cost rates for Rate Area 5 (Supplier Commodity Charge) is the applicable rate agreed to by the Customer and its Supplier in the Choice Gas Program. See Sheets No. 97 to 107

DATE OF ISSUE: November 30, 2021
ISSUED BY: Robert J. Amdor

EFFECTIVE DATE: January 1, 2022

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**OTHER COST RECOVERY MECHANISMS
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

APPLICABILITY	All Jurisdictional Residential, Commercial, and Commercial – EO customers are subject to this SSIR designed to collect Eligible System Safety and Integrity Costs, as defined herein. The System Safety and Integrity Rider Charge shall be subject to annual changes to be effective on January 1 of each year. The System Safety and Integrity Rider Charge to be applied to each Rate Schedule is set forth on the Rate Schedules and Other Charges Schedule of Rates, Sheet No. 78.
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ANNUAL APPLICATION AND ANNUAL SURVEILLANCE FILINGS	<p>A. Each proposed revision in the System Safety and Integrity Rider Charge shall be accomplished by filing an application on or around August 1 of each year to take effect on the following January 1 (the “Annual Application”). The Annual Application shall contain the following items:</p> <ul style="list-style-type: none">i. Pertinent information and supporting data related to Eligible System Safety and Integrity Costs, including, at a minimum, Project description and scope, Project costs and projected in-service dates for the Projects budgeted to be completed in the upcoming calendar year.ii. Details of the Project costs incurred during the previous calendar year including an explanation of how the Project costs were managed and any deviations between budgeted and actual costs.iii. The calculation of the SSIR True-Up Amount, if any.iv. The calculation of the Deferred SSIR Balance, if any. <p>B. The Public Advocate shall conduct an examination of the Annual Application. The Public Advocate shall cause an examination to be made of the Annual Application to confirm that the underlying actual and projected Eligible System Safety and Integrity Costs (“SSIR revenue requirement”) are in accordance with this SSIR Tariff and to confirm proper calculation of the SSIR True-Up Amount and the Deferred SSIR Balance. The Commission shall require a report regarding such examination to be prepared and filed by the Public Advocate with the Commission not later than sixty days after the Annual Application is filed. No other revenue requirement or rate making issue shall be examined in consideration of the Annual Application unless the consideration of such affects the determination of the validity of the System Safety and Integrity Rider Charge.</p>
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RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)

**ANNUAL
APPLICATION
AND ANNUAL
SURVEILLANCE
FILINGS**
(Continued)

- C. The Commission shall hold a hearing on the Annual Application at which the Public Advocate shall present his or her report and shall act as trial staff before the Commission. The Commission shall issue an order to become effective not later than January 1 of the year following the filing of the Annual Application. If the Commission finds that the Annual Application complies with the requirements of this SSIR Tariff, the Commission shall enter an order authorizing the Company to collect the proposed System Safety and Integrity Rider Charge, including any SSIR True-Up Amount and any Deferred SSIR Balance, effective on January 1 of the following year.
- D. The Company shall make annual surveillance filings within sixty days of the end of each calendar year. Such filings shall include calculations of the rate base separated into regular and SSIR components, the realized rates of return on the rate base components, along with supporting calculations. Additionally, the filing shall include an update regarding the status of the current calendar year's SSIR Project costs, projected in-service dates, and the expected schedule over the remainder of the calendar year.

DEFINITIONS

- A. "Deferred SSIR Balance" shall be equal to the balance, positive or negative, of SSIR revenues at the end of a particular calendar year less the Eligible System Safety and Integrity Costs as projected by the Company for that particular calendar year, plus monthly interest calculated on that balance at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.
- B. "Eligible System Safety and Integrity Costs" shall mean (1) a return, at a percentage equal to the Company's currently authorized weighted average cost of capital grossed up for taxes, on the projected increase in the jurisdictional component of the month ending net plant in-service balances associated with the Projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect, exclusive of all plant in-service included in the determination of the revenue requirements approved in the Company's last general rate case; (2) the plant-related ownership costs associated with such incremental plant investment, including depreciation, accumulated deferred income taxes, and all taxes including income taxes and property taxes; and (3) the projected jurisdictional component of the operation and maintenance expenses related to the Projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect. The return and income taxes and plant related costs associated with

**RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

DEFINITIONS
(Continued)

improvements or upgrades to facilities, made at the discretion of the Company to extend service or for future growth that is not specifically required by a statute or regulation, shall be excluded from Eligible System Safety and Integrity Costs.

C. System Safety and Integrity Projects" ("Projects") shall mean one or more of the following:

- i. Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart O (Gas Transmission Pipeline Integrity Management), including Projects in accordance with the Company's transmission integrity management program ("TIMP") and Projects in accordance with State enforcement of Subpart O and the Company's TIMP;
- ii. Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart P (Gas Distribution Pipeline Integrity Management), including Projects in accordance with the Company's distribution integrity management program ("DIMP") and Projects in accordance with State enforcement of Subpart P and the Company's DIMP;
- iii. Projects to comply with final rules and regulations of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration ("PHMSA") that become effective on or after the filing date of the Application requesting approval of this SSIR; and
- iv. Facility relocation projects with a per-Project total cost of \$20,000 or more, exclusive of all costs that have been, are being, or will be reimbursed otherwise, that are required due to construction or improvement of a highway, road, street, public way or other public work by or on behalf of the United States, the State of Nebraska, a political subdivision of the State of Nebraska or another entity having the power of eminent domain.

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NAT GAS DEPT

**RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

**DEFINITIONS
(Continued)**

v. Generally, Projects eligible for recovery under the SSIR Tariff include:

- i. Replacement of Bare Steel Distribution Mains
- ii. Replacement of High-Risk Transmission Pipelines
- iii. Replacement of Service Lines
- iv. Installation of Barricades to Protect At-Risk Meter, Regulator, and Valve settings
- v. Cathodic Protection and Corrosion Prevention
- vi. Town Boarder Station Upgrades or Replacements
- vii. Top of Ground, Shallow (less than three feet cover and posing risk) and Exposed Pipe
- viii. At-Risk Meter Relocations and Inside Meter Relocations with Replacement of Meter as part of a capital activity
- ix. Obsolete Infrastructure (e.g., PVC Pipe posing risk or the removal of which provides ancillary benefits supported by risk model analysis and results)
- x. Required Facility Relocations
- xi. Data Infrastructure Improvement Program

The Company shall use three distinct risk models corresponding to the TIMP, DIMP and the At-Risk Meter Relocation ("ARMR") Program. All three models shall use objective and external factors and provide scores that correlate to proactive analysis of system risk.

RECEIVED
11/30/21
NAT GAS DEPT

**RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

DEFINITIONS
(Continued)

In addition to the risk models, the Company shall consider other criteria, such as the availability of internal and external crews; project management constraints; local economic development plans; customer inconvenience and impact; other specific regulatory requirements; threat assessment; corrosion control analysis; pipeline vintage; pipeline material; pipeline design and class location; pipeline configuration and segmentation; pipeline system constraints; pipeline replacement history; population density; pipeline maintenance and internal inspection history; pipeline piggability; existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject matter expert knowledge; Project timeframe; weather and climate constraints on the construction season; permitting constraints; probability of pipeline testing failures and dewatering constraints; service outage management; and pipeline source of supply and availability of alternate gas supply.

As part of the analysis, the Company shall identify and describe the proposed SSIR Projects that are for high-risk gas infrastructure by providing its risk assessment for each such SSIR Project including, if applicable, the probability of failure, the consequences of failure for the SSIR Project and how the Company prioritized the SSIR Project for which it seeks recovery.

D. "SSIR True-Up Amount" shall be equal to the difference, positive or negative, between the Eligible System Safety and Integrity Costs as projected for a particular calendar year and the actual Eligible System Safety and Integrity Costs incurred by the Company for that particular calendar year, plus monthly interest calculated on that difference at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.

**SSIR
ADJUSTMENT
CALCULATION**

A. The System Safety and Integrity Rider Charge shall be equal to the Eligible System Safety and Integrity Costs, plus or minus the SSIR True-Up Amount, plus or minus the Deferred SSIR Balance, multiplied by the customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case, divided by the applicable number of bills for the particular customer class, as follows:

(continued)

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**RATE SCHEDULES AND OTHER CHARGES
SYSTEM SAFETY AND INTEGRITY RIDER (SSIR)**

SSIR
ADJUSTMENT
CALCULATION
(continued)

System Safety and Integrity Rider Charge = $((A \pm B \pm C) * D) / E$

Where:

A = Eligible System Safety and Integrity Costs

B = SSIR True-Up Amount

C = Deferred SSIR Balance

D = Customer class allocation basis authorized by the Commission to determine the class cost of service in the Company's most recent general rate case

E = Applicable number of bills for the particular customer class

B. The calculated rate shall be an adjustment to the Customer Charge applicable to the Company's Jurisdictional Residential, Commercial, and Commercial – EO customers.

SSIR
ADJUSTMENT
WITH CHANGES
IN BASE RATES

Whenever the Company implements changes in base rates as a result of a final Commission order in a general rate case setting new rates based on approved revenue requirements, the Company shall simultaneously adjust the SSIR to remove all costs that have been included in base rates.

The Company shall not make effective any revision to the System Safety and Integrity Rider Charge that includes the addition of new SSIR Projects not previously recovered through the SSIR Charge if the Company has not had a general rate proceeding decided or dismissed by issuance of a Commission order within sixty months immediately preceding the date upon which the revision to the System Safety and Integrity Rider Charge otherwise would take effect. The Company shall continue to make annual revisions to the SSIR Charge to reflect appropriate true-ups and adjustments to the calculations, consistent with the other provisions contained in the System Safety and Integrity Rider Tariff, for each year that the Company is allowed to collect the SSIR Charge.

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