

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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| In the Matter of SourceGas Dis- |) | Application No. NG-0072 |
| tribution LLC, Golden, Colorado, |) | |
| seeking approval of an infra- |) | |
| structure system replacement |) | ORDER APPROVING |
| cost recovery charge, pursuant |) | INFRASTRUCTURE SYSTEM |
| to Sections 66-1865 and 66-1866 |) | REPLACEMENT RECOVERY CHARGE |
| of the State Natural Gas Regula- |) | |
| tion Act. |) | Entered: June 25, 2013 |

BY THE COMMISSION:

On March 18, 2013, SourceGas Distribution LLC, Golden, Colorado (SourceGas) filed an application seeking approval of an infrastructure system replacement cost recovery charge, pursuant to the State Natural Gas Regulation Act, §§ 66-1865 and 66-1866 (2010) (the Act).

SourceGas proposes to add to the monthly customer charge \$0.50 monthly for residential rate payers; \$1.08 for small commercial rate payers; and \$6.91 for large commercial rate payers. In its Application, SourceGas states that these charges would generate annual revenue of \$668,417 collected from jurisdictional customers. The proposed rate schedules are related to 15 projects, totaling \$6.15 M, of which \$4.85 M is allocated to Nebraska jurisdictional customers.

Notice of the Application was published in The Daily Record, Omaha on March 20, 2013. Petitions for Formal Intervention were filed by the Public Advocate and Black Hills/Nebraska Gas Utility Company, LLC d/b/a Black Hills Energy (Black Hills). The Commission entered an order granting interventions on April 30, 2013.

E V I D E N C E

Pursuant to *Neb. Rev. Stat.* § 66-1866(3), the Public Advocate conducted an examination of the proposed rate schedules and documentation filed with the Application and submitted a report regarding the examination on May 17, 2013. On or about May 28, 2013, SourceGas filed a response to the Public Advocate's report. SourceGas and the Public Advocate entered into a joint stipulation filed with the Commission on or about June 13, 2013.

A hearing regarding this matter was held on June 19, 2013. Mr. Steve Bruckner appeared on behalf of SourceGas. Mr. Douglas Law appeared on behalf of Black Hills. Mr. William Austin

appeared as the Public Advocate. Angela Melton and Laura Demman appeared on behalf of Commission staff.

Copies of the Application; the report of the Public Advocate; SourceGas' response to the Public Advocate's report and the stipulation were entered into the record.

The Public Advocate recommended that \$4,776,490 of capital costs be included in the charge resulting in annual pretax revenue of \$660,056.

The Public Advocate and SourceGas agreed that SourceGas' processes and controls are sufficient so as not to adversely affect the charge; that the application provided the required information; that the projects included were eligible for recovery; with the exception of a calculation error relating to accumulated deferred income tax, the revenue requested was appropriate and that the amount and timing of the request was within the criteria set forth in the Act. The Public Advocate and SourceGas further agreed that the charge should be \$0.50 per month for residential customers; \$1.07 per month for small commercial customers, and \$6.83 per month for large commercial customers.

Mr. Jerrad Hammer, manager of regulatory affairs, testified on behalf of SourceGas that the charge would be identified separately on customers' bills and could be labeled as "Pipeline Replacement Charge". Furthermore, Mr. Hammer stated that SourceGas will implement the charge effective July 1 or at a later date if the Commission so ordered and that if the charge was implemented mid-month it would be prorated. Mr. Hammer also testified that during the implementation, SourceGas will include on the bill a two to three sentence description of the charge and that customer service representatives would receive information to respond to ratepayer questions regarding the charge.

FINDINGS AND OPINION

A jurisdictional utility may apply "to establish ... infrastructure system replacement cost recovery charge rate schedules that will allow for the adjustment of the jurisdictional utility's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements."¹

¹ Neb. Rev. Stat. § 66-1865(1) (2009).

Certain limits exist on the types of projects to be included.²

Furthermore, the Commission cannot approve a proposed rate schedule if it would "produce total annualized infrastructure system replacement cost recovery charge revenue below the lesser of one million dollars or one-half percent of the jurisdictional utility's base revenue level approved by the commission in the jurisdictional utility's most recent general rate proceeding."³

In order to approve a charge, a jurisdictional utility must have had a general rate proceeding decided or dismissed by Commission order within the sixty months immediately preceding the application.⁴ Also, the Commission cannot approve a proposed rate schedule if the "schedules would produce total annualized infrastructure system replacement cost recovery charge revenue exceeding ten percent of the jurisdictional utility's base revenue level approved by the commission in the jurisdictional utility's most recent general rate proceeding."⁵

Based upon the Public Advocate's report, SourceGas' response, and the stipulation, the Commission finds that charges of \$0.50 per month for residential customers; \$1.07 per month for small commercial customers, and \$6.83 per month for large commercial customers effective July 1, 2013 should be approved generating pretax revenue of **\$660,056**.

SourceGas shall, for the period of July 1 through June 30 annually, reconcile the differences between the revenue resulting from the charge and pretax revenue approved by the Commission. The reconciliation and a request for any adjustments necessary to recover or refund any differences shall be filed with the Commission within sixty (60) days of the end of each twelve-month period.

SourceGas shall not collect the charge for a period exceeding sixty (60) months after its initial approval unless within such period SourceGas has filed for or is the subject of a new general rate proceeding.⁶ However, SourceGas may collect the charge until the effective date of new rate schedules established as a result of the new general rate proceeding or

² Neb. Rev. Stat. §66-1802(6).

³ Id.

⁴ § 66-1865(2).

⁵ § 66-1865 (1).

⁶ § 66-1865(3).

until the general rate proceeding is otherwise decided or dismissed by the commission.⁷

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that effective July 1, 2013, infrastructure system replacement cost recovery charges set forth herein are approved generating pretax revenue of \$660,056.

IT IS FURTHER ORDERED that the infrastructure system replacement cost recovery charge be set forth separately from other charge on ratepayers' bills and be designated as "Pipeline Replacement Charge".

IT IS FURTHER ORDERED that on or before June 28, 2013, SourceGas file with the Commission tariff sheets setting forth the charge.




IT IS FINALLY ORDERED that SourceGas shall, for the period of July 1 through June 30 annually, reconcile the differences between the revenue resulting from the charge and pretax revenue approved by the Commission. The reconciliation and a request for any adjustments necessary to recover or refund any differences shall be filed with the Commission within sixty (60) days of the end of each twelve-month period.

MADE AND ENTERED at Lincoln, Nebraska this 25th day of June, 2013.

NEBRASKA PUBLIC SERVICE COMMISSION


Chair

COMMISSIONERS CONCURRING:

ATTEST:


Executive Director

//s//Anne C. Boyle
//s//Frank E. Landis

⁷ Id.