

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of Application of ) Application No. NG-0078.4  
Black Hills Gas Distribution, LLC )  
d/b/a Black Hills Energy for an )  
order authorizing it to increase ) ORDER APPROVING 2018 SSIR  
the Safety and Integrity Charges ) CHARGE  
and to Decrease the Pipeline )  
Replacements Charges in its )  
Nebraska Gas Tariff. ) Entered: January 17, 2018

BY THE COMMISSION:

On October 2, 2017, Black Hills Distribution LLC, d/b/a Black Hills Energy (Black Hills), Denver, Colorado, filed an Application with the Nebraska Public Service Commission (Commission) seeking an order clarifying the language related to the System Safety and Integrity Rider (SSIR) and authorizing it to increase the SSIR Charges.

In its Application, Black Hills seeks to clarify the language in the SSIR. Black Hills and the Public Advocate have worked together to identify the purpose of the SSIR and to clarify what can appropriately be accomplished through this process. Black Hills and the Public Advocate agree that under the SSIR, new projects may not be added after the sixty month deadline, but adjustments for true-ups or updates to the SSIR charge should continue to be made on an annual basis. Together, they propose the following update be made to section 1.6 of the SSIR Tariff:

Proposed: "1.6: 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 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. The Company shall not collect a System Safety and Integrity Rider Charge for a period exceeding sixty months after its initial effective date unless within such sixty-month period the Company has filed for or is the subject of a new general rate proceeding or until the general rate proceeding is otherwise decided or dismissed by issuance of a Commission order without new rates being established."

The total net project costs from 2012-2017 as used in SSIR calculations are \$63,489,212. The revenue requirement for SSIR costs is \$6,521,521. With the reconciliations and true ups for prior year totals, the total SSIR revenue requirement is \$6,817,842. Based on these numbers, the current SSIR surcharge would increase in 2018 for residential ratepayers by \$0.19 per month, small commercial ratepayers by \$0.41 per month, and large commercial ratepayers by \$3.95 per month.

Notice of the Application was published in *The Daily Record* on October 5, 2017. A Petition for Formal Intervention was granted to the Public Advocate (PA). A hearing was held on December 19, 2017. Messrs. Douglas J. Law and Adam Buhrman appeared on behalf of Applicant; Mr. William Austin appeared on behalf of the PA; and Ms. Nichole Mulcahy and Ms. Ellie Rohr appeared on behalf of Commission staff. Copies of the Application, Notice of Application, and copies of "Examination of Black Hills Distribution LLC Application to Increase Eligible System Safety and Integrity Costs in 2018" (PA Report), "Response of Black Hills Distribution, LLC to The Report of the Nebraska Public Advocate" (Company Response); and the "Joint Stipulation of the Public Advocate and Black Hills Distribution, LLC, d/b/a Black Hills Energy" (Stipulation) were entered into the record.

#### EVIDENCE

After performing an examination and analysis of all the information, in its Report, the PA recommends that Black Hills be allowed to recover the requested SSIR costs. The Public Advocate further recommended accepting Black Hills' proposed clarifying language to the SSIR tariff "to reflect discussions between the Company and the Public Advocate in which the parties agreed that the general intent of the language contained in the SSIR tariff was simply to preclude applications of additional new projects after the deadline and it was not the intention to preclude adjustments for true-ups or updates to the SSIR Charge to continue to be made on an annual basis consistent with all provisions contained in the SSIR tariff."<sup>1</sup>

During the hearing, Black Hills agreed with the report of the Public Advocate. No witnesses were called as the parties were in agreement. The Public Advocate highlighted that 2017 was the last year new projects could be added which is why the 2018 SSIR did not

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<sup>1</sup> Blue Ridge Consulting Services, Inc. "Examination of Black Hills Gas Distribution, LLC, Application to Increase Eligible System Safety and Integrity Costs in 2018 on Behalf of the Public Advocate." Pp. 6-7. Dec. 11, 2017.

include any new projects and functioned to true up previous project costs.<sup>2</sup>

In its Response, Black Hills agreed with the ultimate recommendation of the PA. In the Hearing, Black Hills did note that some issues related to tax reform may impact things in the future, but that they agree with the report of the Public Advocate as it stands.<sup>3</sup>

On December 15, 2017, the Public Advocate and Black Hills entered into a Stipulation recommending that the Commission enter an order approving the proposed changes to the SSIR Tariff and the 2018 SSIR rates with an effective date February 1, 2018. Additionally, Black Hills and the PA agreed to work together in good faith to further address the recommendations of the PA<sup>4</sup> and seek Commission guidance and/or approval where warranted or necessary.

#### 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."<sup>5</sup> Pursuant to its broad authority, the Commission approved Black Hills' SSIR tariff and established procedures for the annual filing, reporting, and

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<sup>2</sup> Transcript 12:9-13:4.

<sup>3</sup> Transcript 11:18-25

<sup>4</sup> *In the Matter of the application of Black Hills Distribution LLC, Golden, Colorado, seeking authority to put into effect a System Safety and Integrity Rider Tariff and Safety and Integrity Rider Charge for recover of 2016 Eligible Costs*, Order Approving 2017 SSIR Charge (Jan. 24, 2017)

<sup>5</sup> "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).

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reconciliation.<sup>6</sup> On January 27, 2015, the Commission approved the initial implementation of the SSIR for recovery of 2015 costs.<sup>7</sup>

Based upon the Public Advocate's review and report and the parties' stipulated agreement, the Commission finds that the proposed rates set forth in the Application are appropriate and that the incremental increase to the SSIR charge should be approved.

The Commission further finds that the language of the SSIR tariff was not intended to preclude true-ups of previous project costs. Therefore the proposed changes to the SSIR tariff language should be adopted.

Black Hills shall comply with the requirements previously set forth in NG-0078, including the filing of quarterly surveillance filings and the filing of an annual reconciliation.

Finally, the tariff sheets attached to the Stipulation<sup>8</sup>, Black Hills Energy, Nebraska Gas Tariff, including both a redlined and clean version of the Thirty-fourth Revised Sheet No. 7 and the Third Revised Sheet No. 15, showing the modifications to \$1.6 and the rates for the 2018 SSIR, with a February 1, 2018 effective date, are attached to this order for review. The Commission finds the revised tariff sheets should be approved.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the Stipulation between the Public Advocate and Black Hills Distribution, LLC, d/b/a Black Hills Energy, be approved and the application be granted consistent with the terms of the Stipulation.

IT IS FURTHER ORDERED that Black Hills Energy, Nebraska Gas Tariff, Revised Sheet No. 7 and Revised Sheet No. 15, attached to the Joint Stipulation of the Public Advocate and Black Hills and

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<sup>6</sup> In the Matter of the Application of Black Hills Distribution LLC, Golden Colorado, seeking an order authorizing it to put into effect a system safety and integrity rider tariff and system safety and integrity rider charge, Docket No. NG-0078, Order Approving Application, in part (Oct. 24, 2014); In the Matter of the Application of Black Hills Distribution LLC, Golden Colorado, seeking an order authorizing it to put into effect a system safety and integrity rider tariff and system safety and integrity rider charge, Docket No. NG-0078, Order Granting in Part and Denying in Part Motion for Reconsideration, (Nov. 24, 2014).

<sup>7</sup> In the Matter of the application of Black Hills Distribution LLC, Golden, Colorado, seeking authority to put into effect a System Safety and Integrity Rider Tariff and Safety and Integrity Rider Charge for recover of 2015 Eligible Costs, Order Approving 2015 SSIR Charge as Modified (Jan. 27, 2015).

<sup>8</sup> See NG-0078.4, Hearing Exhibit #6.

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this order, with effective dates of February 1, 2018, be, and are hereby, approved.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 17<sup>th</sup> day of January, 2018.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

*Tim Schuman*  
*Crystal Knapp*  
*Zed Johnson*

*Mary Redder*

Chair

ATTEST:

*Phil R. [Signature]*

Executive Director

**SCHEDULE OF RATES AND OTHER CHARGES**

**Rate Schedules CGS and ACGS-NSS**

<u>Type of Charge</u>	Non-Gas	<u>Gas Cost</u>			<u>Total Rate</u>
	<u>Base Rate Component</u>	<u>Base Rate Component</u>	<u>Surcharge Rate Component 3/</u>	<u>Total Gas Cost</u>	
<b>RESIDENTIAL SERVICE – Minimum Monthly Charge is Equal to the Customer Charge</b>					
Customer Charge 1/, 4/	14.61				14.93
Pipeline Replacement Charge	0.00				0.00
Safety and Integrity Charge	<u>4.925.11</u>				<u>4.925.11</u>
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 20	0.4675	0.0000	0.0472	0.0472	0.5147
Over 20	0.1338	0.0000	0.0472	0.0472	0.1810
<b>SMALL COMMERCIAL SERVICE – Minimum Monthly Charge is Equal to the Customer Charge</b>					
Customer Charge 1/, 4/	22.66				22.98
Pipeline Replacement Charge	0.00				0.00
Safety and Integrity Charge	<u>10.4889</u>				<u>10.4889</u>
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 40	0.4675	0.0000	0.0472	0.0472	0.5147
Over 40	0.1338	0.0000	0.0472	0.0472	0.1810
<b>LARGE COMMERCIAL SERVICE – Minimum Monthly Charge is Equal to the Customer Charge</b>					
Customer Charge 1/, 4/	56.06				56.38
Pipeline Replacement Charge	0.00				0.00
Safety and Integrity Charge	<u>72.0976.04</u>				<u>72.0976.0</u>
					4
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>					
First 80	0.4675	0.0000	0.0472	0.0472	0.5147
Over 80	0.1338	0.0000	0.0472	0.0472	0.1810

1/ Total Customer Charge is \$/month and includes a charge for the HEAT program of \$0.23.

2/ Distribution and Commodity Charges are \$/Per Therm.

3/ Rate Component Includes:

1. Contract P-0802 Charge of \$0.0472 per Therm.

4/ In addition to the Customer Charge, an Extra Construction Allowance Charge of \$20.00, \$30.00, \$40.00, or \$50.00 per month will be added to a Customer's bill for premises that avail themselves of the Extra Construction Allowance for the duration of the repayment period and will appear as a separate line item on the Customer's bill.

SYSTEM SAFETY AND INTEGRITY RIDER ("SSIR")

1.4 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:

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

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 Residential Service, Small Commercial Service and Large Commercial Service under Rate Schedule CGS (Choice Gas Service) and ACGS-NSS (Agricultural Choice Gas Service – Non-Seasonal Service).

1.5 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.

1.6 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. The Company shall not collect a System Safety and Integrity Rider Charge for a period exceeding sixty months after its initial effective date unless within such sixty-month period the Company has filed for or is the subject of a new general rate proceeding, except that the System Safety and Integrity Rider Charge may be collected until the effective date of new rate schedules established as a result of the new general rate proceeding or until the general rate proceeding is otherwise decided or dismissed by issuance of a Commission order without new rates being established.

**SCHEDULE OF RATES AND OTHER CHARGES**

**Rate Schedules CGS and ACGS-NSS**

<u>Type of Charge</u>	<u>Non-Gas Base Rate Component</u>	<u>Gas Cost</u>			<u>Total Rate</u>
		<u>Base Rate Component</u>	<u>Surcharge Rate Component 3/</u>	<u>Total Gas Cost</u>	
<b>RESIDENTIAL SERVICE – Minimum Monthly Charge is Equal to the Customer Charge</b>					
Customer Charge 1/, 4/	14.61				14.93
Pipeline Replacement Charge	0.00				0.00
Safety and Integrity Charge	5.11				5.11
<b><u>Distribution and Commodity Charges, Based on Usage 2/:</u></b>					
First 20	0.4675	0.0000	0.0472	0.0472	0.5147
Over 20	0.1338	0.0000	0.0472	0.0472	0.1810
<b>SMALL COMMERCIAL SERVICE – Minimum Monthly Charge is Equal to the Customer Charge</b>					
Customer Charge 1/, 4/	22.66				22.98
Pipeline Replacement Charge	0.00				0.00
Safety and Integrity Charge	10.89				10.89
<b><u>Distribution and Commodity Charges, Based on Usage 2/:</u></b>					
First 40	0.4675	0.0000	0.0472	0.0472	0.5147
Over 40	0.1338	0.0000	0.0472	0.0472	0.1810
<b>LARGE COMMERCIAL SERVICE – Minimum Monthly Charge is Equal to the Customer Charge</b>					
Customer Charge 1/, 4/	56.06				56.38
Pipeline Replacement Charge	0.00				0.00
Safety and Integrity Charge	76.04				76.04
<b><u>Distribution and Commodity Charges, Based on Usage 2/:</u></b>					
First 80	0.4675	0.0000	0.0472	0.0472	0.5147
Over 80	0.1338	0.0000	0.0472	0.0472	0.1810

1/ Total Customer Charge is \$/month and includes a charge for the HEAT program of \$0.23.

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