

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

BY THE COMMISSION:

A hearing was held on July 25, 2017. Messrs. Douglas J. Law and Adam Buhrman appeared on behalf of Applicant; Mr. William Austin appeared on behalf of the PA; Mr. Greg Porter appeared on behalf of NNGC; and Ms. Nichole Mulcahy appeared on behalf of Commission staff.

All parties had an opportunity to review the application and conduct discovery. Black Hills filed the written direct and rebuttal testimony of Robert Amdor. The PA filed the direct testimony and exhibits of Donna Mullinax, consultant to the PA. Black Hills and the PA engaged in settlement negotiations and filed a Joint Motion for continuance of the hearing originally set for May 16, 2017, which was granted by the Hearing Officer.

In June 2017, a joint letter from the Parties was sent to each affected farm tap customers in Nebraska providing information about the Farm Tap Safety Proposal. Additionally, four (4) public meetings were held by the Applicant and the PA to answer questions in Beatrice, Ashland, Wayne, and Lincoln.

On July 20, 2017, the PA and Black Hills entered into a Stipulation and Agreement recommending that the Commission enter an order approving the Farm Tap Safety Proposal and the Stipulation and Agreement of the Applicant and the PA. NNGC did not object to the Stipulation and Agreement.

FINDINGS AND OPINION

Pursuant to the State Natural Gas Regulation Act ("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."¹ Further, the Commission has express authority under the Act to authorize a changed rate or term or condition of service upon a filing by the utility.²

Pursuant to the proposal and the Stipulation and Agreement, all farm tap lines will be tested for maximum allowable operating pressure, tested to verify the constructed material meets approved safety, operating, and maintenance standards, ensure the lines are locatable, and have appropriate access, including easements for property crossed by the tap not owned by the customer. For those farm taps that meet all the above requirements, Black Hills will assume ownership and liability of the line, begin record keeping of the location, material, testing, and maintenance of the line, provide ongoing maintenance, and register the line with the 811 Call database. For lines that do not pass the initial testing, Black Hills will replace the entire line and assume ownership and responsibility of the line going forward.

¹ "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).

² Neb. Rev. Stat. §66-1808.

Customers that can provide evidence their line was replaced within ten (10) years of the Commission's order in the above-captioned docket, and the line meets all the requirements outlined above, will be reimbursed by Black Hills for an amount based on age of the line. Customer reimbursement will range from 96% of the customer's cost for lines installed in 2017, to 60% of the customer's cost for lines installed in 2008.

Applicant proposes to recover the cost of testing and replacing farm tap lines through a Surcharge placed on all jurisdictional customers of Black Hills for three (3) years. The estimated maximum yearly Surcharge for all Jurisdictional customers is calculated to be: \$.11 for Year 1; \$.18 for Year 2; and \$.25 for Year 3.

Black Hills will not require any direct compensation from farm tap customers for the replacement of the lines, however, any customer-requested upgrades or extensions beyond the most-direct route from the tap to the customer premise will be paid for by the requesting customer.

The total Surcharge investment by the Applicant will be capped at \$4 million over the three-year replacement period. The Stipulation and Agreement included a detailed implementation plan and includes the requirement the Applicant file an annual request for Commission approval of the upcoming year's expenditures. Pursuant to the Stipulation and Agreement, Black Hills will be permitted to include the farm tap investment, less depreciation, and representative levels of related cost of service as part of its next general rate proceeding.

Black Hills also agrees to file annual reports during the implementation of the Surcharge that will include: the annual request of approval of the upcoming year's expenditures and a true-up of both spending and revenues collected; the number of farm tap lines purchased or replaced for the year and the number that remain outstanding; and a progress report based upon the implementation plan including any customer requests for line upgrades or extensions.

Further, Black Hills will file a Final Report upon the conclusion of the three-year replacement plan. Black Hills also agreed to file any new contracts entered into regarding farm tap service, including any agreements with NNGC.

Based upon review of the terms and conditions of the Stipulation and Agreement, the Commission finds that the Stipulation and Agreement should be approved and the Farm Tap Safety

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Proposal implemented pursuant to the terms and conditions contained therein.

Black Hills shall comply with the requirements and obligations outlined in the Stipulation and Agreement, including the filing of annual reports requesting approval of projected expenditures in the upcoming year and a true-up of both spending and revenues collected during implementation of the Surcharge and a Final Report at the conclusion of the three-year program.

Finally, the tariff attached to the Stipulation and Agreement³ outlining the Farm Tap Safety Program provisions and terms and conditions of service is hereby approved and effective as of the date of this order.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the Stipulation and Agreement be approved and the application be granted consistent with the terms of the Stipulation and Agreement.

IT IS FURTHER ORDERED that the First Revised Sheet tariff attached to the Joint Stipulation and Agreement of the Public Advocate and Black Hills/Nebraska Gas Utility, LLC, d/b/a Black Hills Energy showing the rates, terms and conditions for Farm Taps, effective as of the date of this order, be, and is hereby, approved

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 22nd day of August, 2017.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Mary Kider

Crystal Unadus

Frank E. Landis

//s//Frank E. Landis
//s//Tim Schram

Tim Schram
Chairman

ATTEST:

Michelle J. [Signature]
Executive Director

³ See NG-0090, Hearing Exhibit No. 103.