



**Black Hills Corporation**

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December 23, 2015

**VIA ELECTRONIC DELIVERY**

Jeff Pursley  
Executive Director  
Nebraska Public Service Commission  
300 The Atrium  
1200 "N" Street  
Lincoln, NE 68509-4927

Re: In the Matter of the Joint Application of SourceGas Distribution, LLC,  
SourceGas Holdings, LLC and Black Hills Utility Holdings, Inc. for all  
Necessary Authorizations and Approvals for Black Hills Holdings, Inc. to  
Acquire SourceGas Holdings, LLC

Rebuttal and Settlement Testimony - Application No. NG-0084

Dear Mr. Pursley:

Enclosed, please find for filing an original and five (5) copies of Rebuttal and  
Settlement Testimony of Kyle White of Black Hills Utility Holdings, Inc. regarding Application  
No. NG-0084.

Please file stamp the extra copy and return to my office in the enclosed self-addressed  
stamped envelope.

If you have any questions or concerns regarding the enclosed filing, please contact me  
at your earliest convenience.

Sincerely,

Douglas J. Law

Enclosure(s)

cc: Nichole Mulcahy  
Rose Price  
Bill Austin  
Service List

**BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA**

**IN THE MATTER OF THE JOINT )  
APPLICATION OF SOURCEGAS )  
DISTRIBUTION LLC, SOURCEGAS LLC, )  
SOURCEGAS HOLDINGS LLC, AND )  
BLACK HILLS UTILITY HOLDINGS, INC. ) Application No. NG-0084  
FOR ALL NECESSARY )  
AUTHORIZATIONS AND APPROVALS )  
FOR BLACK HILLS UTILITY HOLDINGS, )  
INC. TO ACQUIRE SOURCEGAS )  
HOLDINGS LLC )**

**REBUTTAL AND SETTLEMENT TESTIMONY**

**OF**

**KYLE D. WHITE**

**ON BEHALF OF  
BLACK HILLS UTILITY HOLDINGS, INC.**

**December 23, 2015**

1 **Q. PLEASE STATE YOUR NAME.**

2 A. Kyle White.

3 **Q. ARE YOU THE SAME KYLE D. WHITE THAT FILED DIRECT TESTIMONY**  
4 **IN THIS DOCKET?**

5 A. Yes.

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

7 A. I am testifying on behalf of Black Hills Utility Holdings, Inc. (“BHUH”).

8 **Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

9 A. The purpose of my Testimony is to support and to provide an overview of the Stipulation  
10 and Agreement dated December 21, 2015 entered into between SourceGas Distribution  
11 LLC (“SourceGas Distribution”), SourceGas LLC and SourceGas Holdings (collectively  
12 “SourceGas”) and BHUH, hereafter jointly the “Joint Applicants” and the Public Advocate  
13 of Nebraska, which hereafter is referred to as the “PA Settlement.”

14 My testimony also supports and provides an overview of the Settlement Agreement dated  
15 December 9, 2015 entered into between the Joint Applicants, Nebraska Municipal Power  
16 Pool (“NMPP”), the Public Agency for Community Energy (“ACE”), and Constellation  
17 NewEnergy Gas – Division LLC (“Constellation”), which hereafter is referred to as the  
18 “Choice Gas Settlement Agreement.” The Choice Gas Settlement is attached to the PA  
19 Settlement and collectively the entire settlement package is hereafter referred to as the  
20 Global Settlement.

21

22

1 **Q. PLEASE EXPLAIN THE NATURE OF THE JOINT APPLICATION BEFORE**  
2 **THE COMMISSION IN THIS DOCKET.**

3 A. The Joint Application before the Commission seeks approval for BHUH to acquire  
4 SourceGas pursuant to the Purchase and Sale Agreement (the “Transaction”) that was filed  
5 with the Joint Applicant’s Application in this proceeding. At the closing of the Transaction,  
6 BHUH will acquire a 99.5% interest in SourceGas Holdings. BHUH will have an option  
7 to acquire the remaining interest of .5% in SourceGas Holdings after the closing of the  
8 Transaction.

9 **Q. DID OTHER PARTIES INTERVENE AND RAISE ISSUES OR CONCERNS IN**  
10 **THIS PROCEEDING?**

11 A. Yes. The Public Advocate of Nebraska (the “Public Advocate”), NMPP/ACE, and  
12 Constellation intervened, filed written testimony, and raised a variety of issues and  
13 concerns in this proceeding.

14 **Q. HAVE THE PARTIES REACHED A SETTLEMENT ON ALL THE ISSUES IN**  
15 **THIS DOCKET?**

16 A. Yes. The Global Settlement was filed with the Commission on December 21, 2015. The  
17 Global Settlement addresses and resolves all issues raised by each of the Parties in this  
18 proceeding.

19 **Q. WHAT WAS YOUR INVOLVEMENT ON BEHALF OF BHUH RELATIVE TO**  
20 **THE GLOBAL SETTLEMENT AGREEMENT?**

21 A. I was primarily responsible for leading the team in negotiating the terms of the Global  
22 Settlement Agreement on behalf of BHUH.

23

1 **Q. PLEASE PROVIDE A GENERAL OVERVIEW OF THE GLOBAL**  
2 **SETTLEMENT AGREEMENT?**

3 A. The Global Settlement Agreement provides the basis for determining that the Transaction  
4 is in the public interest and provides certain assurances that our customers will continue to  
5 receive quality customer service. For example, the Choice Gas Settlement provides that  
6 customers and their Choice Gas Competitive Natural Gas Providers will continue to  
7 operate under that program for the foreseeable future as described in the Choice Gas  
8 Settlement Agreement.

9 **Q. CAN YOU PLEASE DESCRIBE SOME OF THE CUSTOMER BENEFITS IN THE**  
10 **SETTLEMENT AGREEMENT WITH THE PUBLIC ADVOCATE?**

11 A. Yes, BHUH has agreed to forego recovery of transaction costs and acquisition premium  
12 related to the Transaction. In addition, there is rate stability for customers as Black Hills  
13 Energy - Nebraska (formerly SourceGas Distribution) agreed not to file an application for  
14 a change in base rates that will be effective until three years following the closing of the  
15 Transaction and the Public Advocate will not file a motion for a show cause why rates  
16 should be reduced for a period of five years after closing.

17 **Q. WILL BHUH /BLACK HILLS ENERGY – NEBRASKA BE ABLE TO RECOVER**  
18 **OTHER COSTS?**

19 A. BHUH could seek recovery of transition costs. However, BHUH/Black Hills Energy –  
20 Nebraska have agreed to not seek transition costs or severance and termination fees/charges  
21 incurred in closing the Transaction with two exceptions: costs related to long-term  
22 financing for the Transaction and a limited ability to recover severance costs.

1 **Q. WHAT DO YOU MEAN BY A LIMITED ABILITY TO RECOVER SOME**  
2 **SYNERGY SAVINGS?**

3 A. The Stipulation provides that Black Hills Energy – Nebraska establish a regulatory asset  
4 account whereby Black Hills Energy – Nebraska will place the total sum of the Black Hills  
5 Energy – Nebraska allocated share of the annual base salary of each employee of Black  
6 Hills Service Company, BHUH and the acquired SourceGas Companies that have been  
7 granted a severance payment within the first eighteen months after the closing of the  
8 Transaction. In the first general rate case, the value of the asset will be amortized for a  
9 minimum period of four years.

10 **Q. ARE THERE OTHER CUSTOMER PROTECTIONS IN THE SETTLEMENT**  
11 **AGREEMENT?**

12 A. Yes. Other examples of customer protections include:

- 13 • The cost of capital for Black Hills Energy – Nebraska will be based only on the risk  
14 attendant to the regulated operations of Black Hills Energy – Nebraska;
- 15 • Granting access to the Commission and the Public Advocate to the books and  
16 records of Black Hills Energy – Nebraska including independent auditor work  
17 papers specific to BHUH;
- 18 • Maintaining ring fencing protections such as separate money pools for Black Hills  
19 Corporation utility and non-utility entities;
- 20 • Maintaining or improving the quality of service for the acquired SourceGas  
21 Distribution;
- 22 • Making a tariff filing with the Commission prior to making any significant change  
23 to the Choice Gas Program; and

- Maintaining adequate capital and employee levels.

**Q. DOES THE SETTLEMENT AGREEMENT PROVIDE FOR ANY REPORTING REQUIREMENTS?**

A. Yes. Four (4) years after the closing of the transaction, BHUH will submit a confidential report to the Public Advocate and Commission detailing the costs by providing FERC accounting records showing the costs eliminated as a result of the transaction. Should Black Hills Energy – Nebraska file for rates effective sooner than four (4) years, Black Hills Energy – Nebraska, as part of its general rate filing, will file such report as part of the rate filing.

**Q. UNDER THE CHOICE GAS SETTLEMENT, WILL THE CHOICE GAS PROGRAM BE CONTINUED?**

A. Yes. The program will continue for at least three program years after the closing of the Transaction. This will provide BHUH an opportunity to properly evaluate the program. Further, BHUH agreed, absent mutual agreement with the Settling Parties, that it will not make any significant operational or structural changes to the program prior to January 1, 2018.

**Q. DID BHUH MAKE ANY OTHER COMMITMENTS TO NMPP, ACE AND CONSTELLATION?**

A. Yes. BHUH agreed to collaborate with Choice Gas Suppliers at least twice annually, or as mutually agreed, to discuss (a) BHUH's evaluation of the program, (b) obtain Choice Gas Supplier input on how proposed future changes to the program will impact suppliers, municipalities, and customers and (c) prior to making any significant change to the Choice Gas Program.

1 **Q. WILL BHUH CONTINUE TO PROVIDE SAFE AND RELIABLE SERVICE TO**  
2 **ITS CUSTOMERS IN NEBRASKA?**

3 A. Yes. BHUH intends to continue to provide high levels of customer service in Nebraska.

4 **Q. IS THE TRANSACTION AS MODIFIED BY THE SETTLEMENT AGREEMENT**  
5 **IN THE PUBLIC INTEREST?**

6 A. Yes. But importantly, the parties agree that approval of the Transaction under the terms set  
7 forth in the Global Settlement Agreement without modification is in the public interest.  
8 The Global Settlement Agreement provides a fair and appropriate resolution to the issues  
9 raised in the docket. I respectfully request that the Commission approve the Joint  
10 Application and Transaction pursuant to the terms forth in Global Settlement Agreement  
11 without modification on or before January 26, 2016.

12 **Q. WHAT OTHER STATES DID BHUH FILE FOR APPROVAL OF THE**  
13 **TRANSACTION?**

14 A. Applications for approval were also filed in Arkansas, Colorado and Wyoming.

15 **Q. CAN YOU PROVIDE A STATUS ON THOSE FILINGS?**

16 A. Yes. Settlements have been filed in all jurisdictions with a desired goal of receiving  
17 approvals of the settlements in all states on or before January 26, 2016, so that a February  
18 1, 2016 closing of the transaction may occur.

19 **Q. WHY IS A FEBRUARY 1, 2016, CLOSING IMPORTANT TO BHUH?**

20 A. A February 1 closing date provides BHUH an ability to accelerate its integration activities  
21 which will result in a better ownership transition for customers. It also will reduce the  
22 uncertainty and conflict regarding how best to approach integration of the SourceGas  
23 businesses being experienced by both organizations while we wait for regulatory decisions.

1

2 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

3 **A. Yes.**

BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA

IN THE MATTER OF THE JOINT APPLICATION )  
OF SOURCEGAS DISTRIBUTION LLC, )  
SOURCEGAS LLC, SOURCEGAS HOLDINGS )  
LLC, AND BLACK HILLS UTILITY HOLDINGS, )  
INC. FOR ALL NECESSARY )  
AUTHORIZATIONS AND APPROVALS FOR )  
BLACK HILLS UTILITY HOLDINGS, INC. TO )  
ACQUIRE SOURCEGAS HOLDINGS LLC )

Application No. NG-0084

State of South Dakota )  
County of Pennington )

Affidavit Adopting  
Rebuttal and Settlement  
Testimony

Kyle D. White being first duly sworn on oath, states that he is the Kyle D. White whose Rebuttal and Settlement Testimony in the above-captioned proceeding accompanies this Affidavit.

Kyle D. White further states that such Rebuttal and Settlement Testimony is a true and accurate statement of his answers to the questions contained therein, and that he adopts those answers as his sworn Testimony in this proceeding.

By: Kyle D. White  
Kyle D. White

SUBSCRIBED AND SWORN TO before me, the undersigned Notary Public, this 23rd day of December, 2015.

By: Tammy Richey  
Notary Public



Address of Notary:  
925 Ninth Street  
Rapid City, SD 57701

My Commission Expires:

9/14/2021

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served by e-mail on the 23rd day of December, 2015 upon the following individuals:

### **Public Advocate**

William F. Austin at waustin@baylorevnen.com  
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### **NMPP/ACE**

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