

COMMISSIONERS:
ROD JOHNSON
CRYSTAL RHOADES
MARY RIDDER
TIM SCHRAM
DAN WATERMEIER



December 13, 2022

CERTIFICATION

To Whom It May Concern:

I, Thomas W. Golden, Executive Director of the Nebraska Public Service Commission, hereby certify that the enclosed is a true and correct copy of the original order made and entered in the proceeding docketed NG-112.2 on the 13th day of December 2022. The original order is filed and recorded in the official records of the Commission.

Please direct any questions concerning this order to Jonathan Smith, Legal Counsel, at 402-471-3101.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Seal of the Nebraska Public Service Commission, Lincoln, Nebraska, this 13th day of December 2022.

Sincerely,

A handwritten signature in black ink that reads "Thomas W. Golden".

Thomas W. Golden
Executive Director



TWG:da

Enclosure

cc: Robert Amdor, Black Hills Energy, 1731 Windhoek Drive, Lincoln, NE 68502
Douglas J. Law, Black Hills Energy, 1731 Windhoek Drive, Lincoln, NE 68502
William F. Austin, Public Advocate, 2511 S. 77th Place, Lincoln, NE 68506

SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of Black Hills) Application No. NG-112.2
Nebraska Gas, LLC d/b/a Black)
Hills Energy, Rapid City, South) ORDER APPROVING 2023 SSIR
Dakota, seeking approval of a) CHARGE
2023 Systems Safety and)
Integrity Rider.) Entered: December 13, 2022

BY THE COMMISSION:

On August 1, 2022, Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy ("Black Hills" or "Applicant") filed an application with the Nebraska Public Service Commission ("Commission") seeking approval of a 2023 Systems Safety and Integrity Rider. A petition for Formal Intervention was filed by the Nebraska Public Advocate ("PA") on August 4, 2022 and his intervention was approved by the Commission on August 5, 2022. No other parties 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, 2023 for Rate Areas One, Two, Three, and Five. The adjusted 2023 SSIR Charges will apply to rate schedules applicable to all Black Hills Jurisdictional Residential, Commercial, and Energy Options customers. If approved by the Commission, the monthly SSIR Charge for Residential customers will be \$3.12 and the monthly charge for both Commercial and Energy Options customers will be \$9.69.¹

Black Hills identified projects in 7 different SSIR categories, totaling \$53,462,279, and provided background, classifications under the SSIR Tariff, objective criteria analyzed, project descriptions, and specific projects in each category. Each of the SSIR projects proposed are estimated to be in service and used and useful by December 31, 2023.

Notice of the Application was published in The Daily Record on August 4, 2022. A hearing was held on November 9, 2022. 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.

¹ See NG-112.2, Hearing Exhibit #6 at 3.

During the hearing, the following exhibits from Black Hills were accepted into the record: 2023 SSIR Application and Cover Letter, Black Hills Response to PA Report, and the 2023 Revised Tracked and Clean Tariffs. The following Exhibits from the Public Advocate were accepted into the record: Examination of the System Safety and Integrity Rider of Black Hills and Black Hills Responses to the PA's Data Requests, of which, both a confidential and public version were accepted into the record.

E V I D E N C E

During the hearing, Black Hills called Mr. Tyler Frost, Regulatory and Finance Manager for Nebraska, and Mr. Kevin Jarosz, Vice President of Operations for Nebraska Gas, to testify regarding Black Hills' SSIR application and the PA Report. Mr. Frost began his testimony stating that the proposed projects for the 2023 SSIR program include 39 capital SSIR projects and three Operations and Maintenance ("O&M") expense SSIR projects.² Mr. Frost stated that Black Hills supports the Public Advocate's findings, and that Black Hills agrees with the observations and recommendations set forth in the PA Report. Mr. Frost then confirmed the proposed SSIR charges for 2023, stating that residential customers would be charged at a rate of \$3.12 per month and commercial customers would be charged at a rate \$9.69 per month.³

Black Hills then called Mr. Kevin Jarosz to testify. In its 2023 SSIR Application, Black Hills requested the Commission approve capital spending at a project category level, as opposed to an individual project level, as it had done in previous applications. Black Hills maintains that the ability to manage SSIR dollars within an eligible project category, rather than on an individual project basis, would give them additional flexibility if Black Hills is impacted by events outside of its control, such as supply change issues, labor concerns, or pandemics.⁴ Mr. Jarosz then clarified the details of Black Hills' category budget proposal and explained Black Hills proposes to add an alternative project list to its future SSIR applications so the PA and the Commission may investigate and approve those projects at the time of the original application for SSIR projects.⁵

² Hearing Transcript at 10:19-12:21.

³ *Id.* at 13:8-14:4.

⁴ See NG-112.2, Hearing Exhibit #5 at 18.

⁵ *Id.* at 32:20-34:7.

For 2023, since Black Hills did not include an alternate project list in its application, Black Hills proposes to provide an informational filing to the Commission and the PA of any projects that will not be completed, along with projects of a similar type that it wishes to substitute in 2023. These projects would be subject to further review as part of Black Hills' reconciliation that occurs after the SSIR construction year is completed.⁶

The Public Advocate then offered comments regarding the contents of the PA Report. He stated that both the PA and his consultants reviewed the 39 capital SSIR projects and three O&M expense SSIR projects that comprised the submittal by Black Hills for its 2023 SSIR application. The PA stated that these projects fell within the class of projects typically included in previous SSIR requests and concluded they met the requirement of the tariff. Mr. Austin also stated that after reviewing all the project narratives, the PA and his consultants felt that the figures were reasonable, and the projects met the risk factors that they were looking for.⁷

Mr. Austin went on to explain that during the PA's review, five adjustments were found that needed to be made to Black Hills' calculations in its original application. These adjustments included corrections to the following areas: the Nebraska tax rate, the formula for depreciation, customer bills in the true-up calculation, true-up calculation for the revenue requirement in NG-109, and to the monthly interest which was left in the over/under true-up. Black Hills agreed with the PA's recommendations and the corresponding adjustments were made. Mr. Austin stated these adjustments resulted in a slight increase to the monthly rates included in Black Hills' original filing for both residential and commercial customers.⁸ Mr. Austin then stated that the PA and his consultants reviewed Black Hills' proposal to allow capital spending to be approved at a project category level and found it to be acceptable.⁹ Following Mr. Austin's review of the PA Report, the hearing was adjourned.

⁶ *Id.* at 32:20-33:6.

⁷ *Id.* at 45:13-46:20.

⁸ *Id.* at 46:21-48:9.

⁹ *Id.* at 48:10-19.

F I N D I N G S A N D O P I N I O N

Pursuant to the State Natural Gas Regulation Act, Neb. Rev. Stat. § 66-1804(a), 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."¹⁰

In its application and at the hearing, Black Hills discussed a proposed adjustment to the current SSIR Program. In previous applications Black Hills requested approval of capital spending at an individual project level, however, Black Hills is now requesting the Commission approve capital spending at a project category level. Black Hills would still provide the Commission with detailed project descriptions and costs for each project contained within each category, however, if Black Hills was unable to finish a project, the requested budget category adjustment would allow Black Hills to shift funding to an alternate project within the same project category. All alternate projects would be filed with the initial SSIR Application, reviewed by the PA, and approved by the Commission. Black Hills seeks the change for greater flexibility, and we agree that it is a reasonable plan to increase efficiency of the SSIR program while maintaining appropriate oversight.

In the current SSIR Application, Black Hills has not included an alternate project list within each category of projects, as they were awaiting approval of such a system with the current application. Since no alternate projects have been included in the current year's SSIR Application, Black Hills proposes a separate filing to the Commission in the event Black Hills seeks to transfer funds within the same project category to another alternate project in 2023. Black Hills has committed to work with the PA and Commission Staff to develop an informational filing to file for purposes of substituting an alternate project in a category during the 2023 project year. We find the group shall work to refine both the content and format of the informational filing to balance both the informational needs of

¹⁰ "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-112.2

Page 5

the Commission with the costs and burdens on Black Hills. The Commission finds that the specific content and final form of the informational filing shall be finalized at a later date.

Furthermore, based upon the Public Advocate's review and report and the parties' agreement on the record, the Commission finds that the proposed projects and the corresponding calculations of the SSIR charges set forth in the Application are appropriate and that the Application should be approved.

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, 2023. Black Hills shall comply with all requirements set forth in the SSIR program, this order, and all approved tariff sheets.

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 2023 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, 2023

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 13th day of December, 2022.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Rod Johnson
Crystal Broadus
Mary Keddin
Tom Schram

David Watson

Chair

ATTEST:

Thomas W. Golden

Executive 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/	8/
Customer Charge	Per Month	\$15.45	\$3.12	\$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	\$9.69	\$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	\$9.69	\$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	\$3.12	\$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	\$9.69	\$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 Sheet Nos. 79, 80, and 82
 2/ System Safety and Integrity Rider set forth on Sheet Nos. 127-131
 3/ High Efficiency Assistance Tool set forth on Sheet No. 132
 4/ Line Locates Surcharge as set forth on Sheet No. 133
 5/ Gas Cost rates for Rate Areas 1-3 as set forth on Sheet Nos. 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 Sheet Nos. 97-107
 8/ 2021 Polar Vortex surcharge set forth on Sheet No. 136.1

**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.

**ANNUAL
APPLICATION
AND ANNUAL
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 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. Should circumstances arise which prohibit the Company's planned spending on a Project, the Company may transfer funds within the same category to another like Project. Such transfer of funds will be communicated to the Public Advocate and Commission via an informational filing subject to the Public Advocate's review and the Commission's approval.
 - 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, actual or projected in-service dates, and the expected schedule for completion of the previous calendar year's projects.
 - 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 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 in accordance with the procedural schedule established 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
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 an annual surveillance filing within ninety 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 previous calendar year's SSIR Project costs, actual or projected in-service dates, and, if any remain uncompleted at the time of submittal of the annual surveillance filing, the expected schedule for completion.

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 At-Risk Meter, Regulator, and Valve settings
 - v. Cathodic Protection and Corrosion Prevention
 - vi. Town Border 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/	8/
Customer Charge	Per Month	\$15.45	\$3.12 ^{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	\$9.69 ^{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	\$9.69 ^{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	SSIR	HEAT	GSCA	Gas Cost
Residential		1/	2/	3/	6/	
Customer Charge	Per Month	\$15.45	\$3.12 ^{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	\$9.69 ^{6.25}	\$0.14		
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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.s~~ No.s. 79, 80, and 82
- 2/ System Safety and Integrity Rider set forth on Sheets ~~No.s~~ No.s. 127-131
- 3/ High Efficiency Assistance Tool set forth on Sheet No. 132
- 4/ Line Locates Surcharge as set forth on Sheets ~~No.~~ No. 133
- 5/ Gas Cost rates for Rate Areas 1-3 as set forth on Sheets ~~No.s~~ No.s. 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.s~~ No.s. 97-~~to~~-107
- 8/ 2021 Polar Vortex surcharge set forth on Sheet No. 136.1

**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.

ANNUAL
APPLICATION
AND ANNUAL
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 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. Should circumstances arise which prohibit the Company's planned spending on a Project, the Company may transfer funds within the same category to another like Project. Such transfer of funds will be communicated to the Public Advocate and Commission via an informational filing subject to the Public Advocate's review and the Commission's approval.
 - 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, actual or projected in-service dates, and the expected schedule for completion of the previous calendar year's projects.
 - 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 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 in accordance with the procedural schedule established 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
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 an annual surveillance filings within ninety 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 previous current-calendar year's SSIR Project costs, actual or projected in-service dates, and, if any remain uncompleted at the time of submittal of the annual surveillance filing, the expected schedule for completion 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 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.

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