



Douglas J. Law
Associate General Counsel
Douglas.Law@blackhillscorp.com

1731 Windhoek Drive
P.O. Box 83008
Lincoln, NE 68501
P: 402.221.2635

October 28, 2022

Col. Thomas Golden (Ret.)
Executive Director
Nebraska Public Service Commission
1200 N Street, Suite 300
Lincoln, NE 68508

RE: Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy
Black Hills Energy's Response to the Report of the Nebraska Public Advocate
Docket NG-112.2 – 2023 SSIR

Dear Mr. Golden:

Black Hills Energy hereby submits its Response to the Report of the Nebraska Public Advocate in connection with its Application for an Order Authorizing it to Adjust the Safety and Integrity Charges filed under Docket NG-112.2.

Please contact me at (402) 858-3561 if you have questions or need additional information.

Respectfully,

BLACK HILLS NEBRASKA GAS, LLC
D/B/A BLACK HILLS ENERGY

/s/Douglas J. Law
Douglas J. Law, NE Bar #19436
Associate General Counsel
(402) 221-2635

Enclosures

complied with the Commission’s requirements for inclusion of the identified 2023 SSIR projects and reasonably explained 2021 SSIR Projects variances. Black Hills Energy appreciates the thorough investigation, review, and analysis conducted by the Public Advocate and Blue Ridge.

Tariff Sheet Revisions for Annual Application

Black Hills Nebraska Gas, LLC hereby submits a revised Nebraska Natural Gas Tariff, Other Cost Recovery Mechanisms System Safety and Integrity Rider (SSIR), Sheet No. 127, to include revisions 1) to allow the Company to transfer funds within the same project category via informational filings, if circumstances arise which prohibit the Company’s planned spending, and 2) to modify the timeline of when the Public Advocate’s examination report of the Annual Application should be filed with the Commission.¹

Other revisions recommended by the Report were previously submitted by Black Hills Energy with the Application on August 1, 2022.²

Tariff Sheet Revisions for SSIR Charges

Black Hills Nebraska Gas, LLC hereby submits a revised Nebraska Natural Gas Tariff, Rate Schedules and Other Charges Schedule of Rates, Sheet No. 78 to include the SSIR monthly charges, to become effective January 1, 2023, reflective of all proposed adjustments made during Discovery as recommended by the Public Advocate and agreed to by the Company, as set forth below.

	Residential	Commercial	Commercial – Energy Options
Proposed 2023 SSIR Charge - \$/Month	\$3.12	\$9.69	\$9.69

¹ See, e.g., Report at page 8.

² See Black Hills Energy SSIR Application, Exhibit 4. Note: due to formatting issues, Tariff page numbering was misidentified in the Application. The Company has corrected those items and intends the full and complete tariff filing made here to supersede previous version(s) filed in Application No. NG-112.2.

Other Tariff Sheet Revisions to SSIR Tariff Sheets

Black Hills Energy hereby submits a full and complete SSIR tariff compliance filing, including proposed Sheet Nos. 78 and 127-131, awaiting final order by the Commission. Those tariff sheets contain the SSIR charges with all modifications as recommended in the Report.

SSIR Model

Black Hills Energy hereby submits an updated Exhibit 2 – 2023 SSIR Model dated October 28, 2022, (“Model”) to include Obsolete Infrastructure in the Consolidated formula on Table E – Accumulated Depreciation, consistent with the recommendation of the Report. As stated by the Report, this revision has no effect on revenue requirements and is not used elsewhere in the Model.

Proposed adjustments included in the Report, page 6, were addressed with, and included in, Black Hills Energy’s Discovery Responses shared with all parties on September 29, 2022, and continue to be included in the Model submitted here. The Model filed here shall supersede previous version(s) filed in Application No. NG-112.2.

Conclusion

The Report found that Black Hills Energy has reasonably complied with the Commission’s requirements for inclusion of the identified 2023 SSIR projects and reasonably explained 2021 SSIR Projects variances. Black Hills Energy agrees with the findings and recommendations as set forth in the Report.

To that end, Black Hills Energy respectfully requests that the Commission approve its revised SSIR charges to become effective January 1, 2023, as shown on the tariff sheets attached to this response.

Black Hills Energy further requests that the Commission approve the attached Black Hills Energy's SSIR tariff sheets incorporating the revisions proposed by Black Hills Energy in its 2023 SSIR application in this docket as well as tariff sheet revisions recommended in the Report.³

Black Hills Energy commits to make informational filings for the 2023 SSIR for any previously unidentified SSIR projects as recommended in the Report. The Company anticipates including an alternate list of projects to be included in future SSIR Annual Applications for the Public Advocate's review and the Commission's approval.

Finally, if needed, Black Hills Energy will make an SSIR tariff compliance filing, prior to December 31, 2022, upon final order by the Commission to include any additional revisions ordered by the Commission.

Dated: October 28, 2022.

Respectfully Submitted,

BLACK HILLS NEBRASKA GAS, LLC,
D/B/A BLACK HILLS ENERGY, Applicant.

BY: *Douglas J. Law*
Douglas Law #19436
Black Hills Energy
1731 Windhoek Drive
Lincoln, NE 68512
(402) 221-2635
Douglas.law@blackhillscorp.com

³ See Attachments 2023 NG-112.2 BHNEG SSIR Response to PA Report Tariff and 2023 NG-112.2 BHNEG SSIR Response to PA Report Redlined Tariff for clean and tracked tariff sheets.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing Response of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy to the Report of the Nebraska Public Advocate was served electronically on October 28, 2022, upon the following:

Nebraska Public Advocate

William F. Austin
williamaustrin1949@gmail.com

Donna Mullinax
dmullinax@blueridgecs.com

Nebraska Public Service Commission

psc.naturalgas@nebraska.gov

Nichole Mulcahy
nichole.mulcahy@nebraska.gov

Deena Ackerman
deena.ackerman@nebraska.gov

Jonathan Smith
jon.smith@nebraska.gov

Christina Ellis
Christina Ellis

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

DATE OF ISSUE: October 28, 2022
 ISSUED BY: Robert J. Amdor

EFFECTIVE DATE: January 1, 2023

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

DATE OF ISSUE: October 28, 2022

EFFECTIVE DATE: January 1, 2023

ISSUED BY: Robert J. Amdor

**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		
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 Sheets No. 79, 80, and 82
- 2/ System Safety and Integrity Rider set forth on Sheets No. 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 Sheets No. 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. 97-107
- 8/ 2021 Polar Vortex surcharge set forth on Sheet No. 136.1

DATE OF ISSUE: ~~September 30~~ **October 28**, 2022
 ISSUED BY: Robert J. Amdor

EFFECTIVE DATE: ~~November~~ **January 1, 2023**

**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

DATE OF ISSUE: October 28~~November 30~~, 20224
ISSUED BY: Robert J. Amdor

EFFECTIVE DATE: January 1, 20232

**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.

DATE OF ISSUE: ~~October 28~~^{November 30}, 202~~3~~⁴
ISSUED BY: Robert J. Amdor

EFFECTIVE DATE: January 1, 202~~3~~⁴

**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.

DATE OF ISSUE: ~~October 28~~^{November 30}, 202~~2~~⁴
ISSUED BY: Robert J. Amdor

EFFECTIVE DATE: January 1, 202~~2~~³

**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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