

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER OF BLACK HILLS  
NEBRASKA GAS, LLC d/b/a BLACK  
HILLS ENERGY PROVIDING  
NOTICE REQUIRED BY NEB. REV.  
STAT. § 66-1863, AS AMENDED,  
THAT IT INTENDS TO EXTEND OR  
ENLARGE ITS SERVICE AREA OR  
EXTEND A GAS MAIN.

APPLICATION No. P-12.32

**RECEIVED**

*By Deena Ackerman at 4:56 pm, May 03, 2021*

Direct Testimony and Exhibits of Steven C. Coleman

Background, Proposed Facilities, Public Interest Analysis

May 3, 2021

Steven C. Coleman  
2287 College Road  
Council Bluffs, IA 51502

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## EXHIBITS

**Exhibit No. SCC-1:** a map depicting Black Hills Energy’s proposed main, as well as any other natural gas facilities in the area.

**Exhibit No. SCC-2:** Confidential Economic Feasibility Analysis prepared regarding Black Hills Energy’s proposed main.

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Steven C. Coleman. My business address is 2287 College Road, Council  
4 Bluffs, Iowa 51503.

5 **Q. WHAT IS YOUR OCCUPATION?**

6 A. I am employed by Black Hills Service Company, LLC ("BHSC"), a wholly owned  
7 subsidiary of Black Hills Corporation ("BHC"). I am the Director of Asset Risk  
8 Management, Engineering & Standards.

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

10 I am testifying on behalf of Black Hills Nebraska Gas, LLC, which is BHC's natural gas  
11 jurisdictional utility in Nebraska. Black Hills Nebraska Gas, LLC does business as Black  
12 Hills Energy (hereafter "Black Hills Energy").

13 **Q. WOULD YOU PLEASE DESCRIBE YOUR RESPONSIBILITIES IN YOUR**  
14 **CURRENT POSITION?**

15 A. I am responsible for the strategic direction of our transmission, distribution, and storage  
16 asset risk management programs, the technical design, and the standards and procedures  
17 of our natural gas systems at BHC.

18 **Q. WHAT IS YOUR EDUCATIONAL, TRAINING, AND EMPLOYMENT**  
19 **BACKGROUND?**

20 A. I am a graduate in Mechanical Engineering from Kansas State University. Following  
21 graduation, I was employed by the Kansas Corporation Commission ("KCC") in their  
22 Pipeline Safety group. At the KCC I was responsible for the supervision of the pipeline

1 inspection team to include inspectors and engineers. In 1998, I graduated from  
2 Washburn University with a Master of Business Administration. Also in 1998, I became  
3 employed by what is now known as Black Hills Energy (BHE). Since becoming  
4 employed, I have held various positions within Engineering and Operations with  
5 increasing responsibility. In June 2017, I became the Director of Design Engineering and  
6 Project Management. Since October 2020 I have been the Director of Asset Risk  
7 Management, Engineering & Standards.

## 8 **II. PURPOSE OF TESTIMONY**

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

10 A. The purpose of my testimony is to support Black Hills Energy's application to provide  
11 service to the Omaha Public Power District's ("OPPD") planned Papillion site at 168<sup>th</sup>  
12 Street and Fairview Road ("OPPD's Papillion Site").

13 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

14 A. Yes. I am sponsoring the following exhibits:

15 **Exhibit No. SCC-1** is a map depicting Black Hills Energy's proposed main, as well as  
16 any other natural gas facilities in the area of which we are aware.

17 **Exhibit No. SCC-2** is a confidential economic feasibility analysis prepared regarding  
18 Black Hills Energy's proposed main.

19 **Q. HAVE THE TESTIMONY AND ATTACHMENTS THAT YOU ARE**  
20 **SPONSORING BEEN PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

21 A. Yes.

1                   **III. PAPILLION AND SPRINGFIELD BOUNDARY DISPUTE**

2   **Q.   WERE YOU AT SOME POINT MADE AWARE OF THE RESOLUTION OF A**  
3       **DISPUTE BETWEEN PAPILLION AND SPRINGFIELD RELATING TO THE**  
4       **BOUNDARIES BETWEEN THE COMMUNITIES?**

5   A.   Yes, I was.

6   **Q.   WHY WERE YOU INFORMED OF THE RESOLUTION OF THE DISPUTE?**

7   A.   Black Hills Energy has a franchise agreement with the City of Papillion to provide  
8       natural gas services to Papillion. We also provide natural gas services to the  
9       extraterritorial zoning jurisdiction of Papillion. M.U.D. provides services to Springfield  
10      and its extraterritorial zoning jurisdiction. For purposes of planning our facilities, it is  
11      important to understand the current and future boundaries of the communities we serve.

12                   **IV. OPPD'S PAPILLION SITE**

13   **Q.   ARE YOU FAMILIAR WITH OPPD'S PLANS FOR A NEW NATURAL GAS**  
14      **GENERATION FACILITY AT 168<sup>TH</sup> STREET AND FAIRVIEW ROAD?**

15   A.   Yes, I am generally familiar with their planned facility and its location. I have been in  
16      communication with OPPD regarding potential service by Black Hills Energy.

17   **Q.   IS OPPD'S PAPILLION SITE PRESENTLY WITHIN THE BOUNDARIES OF**  
18      **ANY CITY?**

19   A.   OPPD's Papillion Site is now entirely within the extra-territorial zoning jurisdiction of  
20      the City of Papillion.

21   **Q.   PLEASE DESCRIBE THE PIPELINE BLACK HILLS ENERGY PROPOSES TO**  
22      **INSTALL.**

1 A. If OPPD chooses Northern Natural Gas as its interstate pipeline transporter, Black Hills  
2 Energy's preferred, most direct, efficient, and least disruptive route extends  
3 approximately one mile of 10 inch main along Fairview Road from the Northern Natural  
4 Gas Company's interstate pipeline to OPPD's Papillion Site. This route is almost entirely  
5 within the extraterritorial zoning jurisdiction of the City of Papillion. The small portion  
6 that is not within the extraterritorial zoning jurisdiction of Papillion is not presently  
7 located within the zoning jurisdiction of any community. Exhibit SCC-1 is a map I  
8 prepared depicting Black Hills Energy's proposed route, as well as any other facilities in  
9 the area of which we are aware. The map also depicts the relevant portion of Papillion's  
10 extraterritorial zoning jurisdiction in green and Springfield's extraterritorial zoning  
11 jurisdiction in red.

12 **V. PUBLIC INTEREST ANALYSIS**

13 **Q. ARE YOU FAMILIAR WITH THE FIVE PUBLIC INTEREST FACTORS TO BE**  
14 **CONSIDERED IN CONNECTION WITH EXTENSIONS OF MAIN OR SERVICE**  
15 **AREAS?**

16 A. I am.

17 **Q. WHICH FACTORS WILL YOU DISCUSS?**

18 A. I will be discussing the economic feasibility, orderly development of natural gas  
19 infrastructure, and duplicative or redundant infrastructure factors.

1   **Q.     PLEASE DESCRIBE BLACK HILLS ENERGY’S ANALYSIS REGARDING THE**  
2       **ECONOMIC FEASIBILITY OF BLACK HILLS ENERGY’S PROPOSED MAIN**  
3       **TO OPPD’S PAPILLION SITE.**

4    A.    In order for a project to be considered economically feasible, by Black Hills Energy, the  
5           project must generate at least overall return of 6.71 percent, which is an overall Weighted  
6           Average Cost of Capital (“WACC”) consistent with the WACC authorized by the  
7           Commission for Black Hills Energy in the Company’s most recent general rate  
8           application.<sup>1</sup> The proposed main to OPPD is economically feasible for Black Hills  
9           Energy to extend. OPPD will be required to pay the entire cost of the main, including  
10          materials, land rights, construction, installation, operation, and ongoing maintenance. As  
11          a public power district, OPPD is credit worthy.

12               The structure through which OPPD will cover the cost of the main has not yet  
13               been finally negotiated with OPPD. Ex. SCC-2 specifically analyzes the feasibility of a  
14               structure by which OPPD pays a set monthly fee and the cost is recouped over a period of  
15               20 years. As relevant to this case, the feasibility is broken into six parts: (1) monthly  
16               customer charge, (2) annual usage, (3) maintenance costs, (4) return on equity, (5) total  
17               project cost, and (6) negative contribution in aid of construction (“CIAC”). In this  
18               analysis, OPPD will pay a monthly charge of \$25,500.00 for service to OPPD’s Papillion  
19               Site, no matter how much natural gas is used during the month to generate electricity.  
20               The annual usage is the amount of gas projected to be transported by Black Hills Energy  
21               to OPPD. Black Hills Energy based this projected amount on information from

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<sup>1</sup> See *In the Matter of the Application of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy, Rapid City, South Dakota, seeking approval of a general rate increase, Commission Application No. NG-109 (Order Approving Stipulation and Settlement Agreement)*(Jan. 26, 2021)

1 confidential discussions with OPPD about the project. The maintenance costs address the  
2 various items Black Hills Energy must complete as a natural gas operator on a line of this  
3 size, pressure, and location. The return is set by Black Hills Energy as the amount of  
4 return sought for new gas load additions. Based upon these inputs, the economic  
5 feasibility projects a negative CIAC, meaning that all costs are anticipated to be covered  
6 and that mandatory return targets are met. Black Hills Energy would not seek any  
7 additional payments from OPPD for the project cost under this scenario. There is no  
8 undue subsidization by other customers for Black Hills Energy to extend this line to  
9 OPPD.

10 Because OPPD will cover the cost of the proposed main and the anticipated load  
11 by OPPD is large, anticipated revenues are projected to be sufficient to cover the costs  
12 and return required for the project. Even if OPPD and Black Hills Energy negotiate a  
13 different structure to recover the cost of the proposed main, the line extension will either  
14 pass the economic feasibility model or a CIAC and other credit support will be required  
15 of OPPD.

16  
17 **Q. DID YOU PREPARE THE ECONOMIC FEASIBILITY ANALYSIS?**

18 A. No. The Company's confidential economic feasibility analysis was prepared at my  
19 request by Johanna Benson, Manager, Regulatory & Finance. In the course of my project  
20 engineering work, I routinely rely on Ms. Benson and her department to prepare such  
21 analyses for my use.

22 **Q. WHAT DO YOU UNDERSTAND THE ORDERLY DEVELOPMENT**  
23 **REQUIREMENT TO MEAN?**



1 A. I understand the requirement to be that we consider how Black Hills Energy's proposed  
2 main will contribute to the orderly development of natural gas infrastructure as a whole,  
3 not just Black Hills Energy's system.

4 **Q. ARE YOU FAMILIAR WITH THE TESTIMONY OFFERED BY KEVIN JAROSZ**  
5 **REGARDING ORDERLY DEVELOPMENT?**

6 A. I am.

7 **Q. IS THERE ANYTHING YOU WOULD ADD TO HIS TESTIMONY REGARDING**  
8 **THIS FACTOR?**

9 A. No. I agree with his testimony.

10 **Q. AS FAR AS YOU KNOW, DOES M.U.D. HAVE NATURAL GAS FACILITIES IN**  
11 **THE AREA OF OPPD'S PAPILLION SITE?**

12 A. To the best of my knowledge, M.U.D. does not presently have any natural gas facilities  
13 near OPPD's Papillion Site.

14 **Q. BASED ON YOUR KNOWLEDGE OF THE LOCATION OF BLACK HILLS**  
15 **ENERGY'S AND M.U.D.'S FACILITIES, WILL BLACK HILLS ENERGY'S**  
16 **PROPOSED MAIN RESULT IN DUPLICATIVE OR REDUNDANT**  
17 **INFRASTRUCTURE?**

18 A. No, it will not. Because of the significant volume that OPPD's Papillion Site is  
19 anticipated to require, no existing main in the area can presently meet OPPD's supply  
20 needs. A new main connecting to an interstate pipeline transporter is required. In  
21 addition, the only existing main near OPPD's Papillion Site is Black Hills Energy's main  
22 that transports Renewable Natural Gas from the Sarpy County landfill. This line can be  
23 used to provide a green, renewable source of natural gas to OPPD's Papillion Site,

1           especially during the summer when residential customer gas use is low but electric use is  
2           high.

3   **Q.   DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

4   A.   Yes, it does.



## NNG Pipeline

## Papillion ETJ

## Springfield ETJ

## Existing NNG-TBS

Length = 1 mile, Diameter = 10 inch

## OPPD's Papillion Site

Fair View Rd

56

S 150th St

64

S 168th St

St John St

# Google Earth

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Exhibit SCC-1  
Page 1

2000 ft

