

**BEFORE THE PUBLIC SERVICE COMMISSION OF NEBRASKA**

**IN THE MATTER OF THE JOINT )  
APPLICATION OF BLACK HILLS GAS )  
DISTRIBUTION, LLC, AND BLACK HILLS/ )  
NEBRASKA GAS UTILITY COMPANY, )  
LLC, FOR A COMMISSION DECISION ) Application No. NG-\_\_\_\_  
APPROVING INTERNAL TRANSFERS, )  
CONSOLIDATING THE NEBRASKA )  
TARIFFS, ASSETS, LIABILITIES, AND )  
OPERATIONS OF BLACK HILLS GAS )  
DISTRIBUTION, LLC AND BLACK )  
HILLS/NEBRASKA GAS UTILITY )  
COMPANY, LLC, AND TO RENAME THE )  
CONSOLIDATED ENTITY AS BLACK )  
HILLS NEBRASKA GAS, LLC.**

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**JOINT APPLICATION TO CONSOLIDATE JURISDICTIONAL UTILITIES AND  
TARIFFS INTO BLACK HILLS NEBRASKA GAS, LLC**

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Pursuant to *Neb. Rev. Stat. §§ 661808, 66-1816, 66-1821, 66-1825, 66-1827, 66-1828, 66-1850, 66-1851, 66-1853, 66-1854*, and all other applicable provisions of the Nebraska State Natural Gas Regulation Act (the “Act”), Black Hills Gas Distribution, LLC (“BH Gas Distribution”), and Black Hills/Nebraska Gas Utility Company, LLC (“BH Gas Utility”), (together “Joint Applicants”), hereby make this Joint Application to the Nebraska Public Service Commission (the “Commission”). The Joint Application is filed in accordance with the applicable Commission’s Rules of Practice and Procedure.

The Joint Application requests Commission approval to consolidate the separate Nebraska tariffs, assets, liabilities, and operations of BH Gas Distribution and BH Gas Utility into one Jurisdictional Utility that will be named Black Hills Nebraska Gas, LLC. (“BH Nebraska Gas”). In addition, the Joint Application requests Commission approval to consolidate and to revise, as appropriate or necessary, the existing tariffs of BH Gas Utility and BH Gas Distribution into a

single tariff under BH Nebraska Gas. The legal and regulatory process of consolidating, realigning the corporate organization charts, and renaming BH Gas Distribution and BH Gas Utility to become BH Nebraska Gas will hereafter be referred to the "Consolidation."

The Joint Applicants further request that the Commission consider and approve this Joint Application on or before September 30, 2019. The Joint Applicants will complete the Consolidation after Commission approval, but on or before December 31, 2019 so that the consolidated BH Nebraska Gas tariff and any other requirements of the Consolidation will become effective on January 1, 2020.

The proposed Consolidation is a wholly internal Black Hills Corporation ("BHC") corporate reorganization, and will not result in a change of control as defined in *Neb. Rev. Stat. § 66-1828*. As shown on Joint Application Exhibit B, BH Gas Distribution and BH Gas Utility are wholly-owned subsidiaries under Black Hills Utility Holdings, Inc. ("BHUH"), which is a wholly-owned subsidiary of BHC.<sup>1</sup> The single resulting jurisdictional utility after the Consolidation, BH Nebraska Gas, will also be a third-tier wholly-owned subsidiary of BHUH, which is a wholly-owned subsidiary of BHC.<sup>2</sup>

To avoid the complexity of explaining corporate organization charts and legal entity status, this Application will refer generally to the ownership of BH Nebraska Gas, which is a subsidiary of Black Hills Gas, LLC ("BHG"), which is a subsidiary of Black Hills Gas Holdings, LLC ("BHGHL") as collectively being under BHUH. Thus, a reference to BHUH in this proceeding also

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<sup>1</sup> See Joint Application Exhibit C. In description of larger corporate organizations, the terms "first-tier subsidiary", "second-tier subsidiary", "third-tier subsidiary" etc. are often used to describe multiple levels of subsidiaries. Black Hills Gas Holdings, LLC and Black Hills Gas, LLC are first-tier and second-tier subsidiaries organized under BHUH. BHUH is the designated subsidiary of BHC to hold the specific ownership interests of BHC regulated BHUH subsidiaries.

<sup>2</sup> As shown on Joint Application Exhibit C, Black Hills Nebraska Gas, LLC will be a subsidiary of Black Hills Gas, LLC, which is a subsidiary of Black Hills Gas Holdings, LLC, which is a subsidiary of BHUH, which is a subsidiary of BHC.

intends to include the specific ownership of BHUH tiered subsidiaries BHGH and BHG. See Joint Application Exhibits B and C for charts showing the corporate organization referenced herein.

Approval of this Joint Application will not result in a significant change in the obligations, revenues, rates, rate schedules, Choice Gas program, rate areas, or other utility services currently provided under the respective BH Gas Distribution or BH Gas Utility tariffs. Changes to the tariffs' terms and conditions resulting from the consolidation of the BH Gas Distribution and BH Gas Utility tariffs into a single tariff to be administered by BH Nebraska Gas are specifically identified within this Joint Application and Joint Application Exhibits. BH Nebraska Gas will continue to do business under the "Black Hills Energy" trade name just as BH Gas Utility and BH Gas Distribution currently conduct business.

Any future changes in rates, terms, and conditions under the consolidated tariff of BH Nebraska Gas will be accomplished by BH Nebraska Gas in a future general rate filing pursuant to *Neb. Rev. Stats. §§ 66-1808, 66-1825 and 66-1838* and the applicable Commission rules and regulations regarding general rate filings under the State Natural Gas Regulation Act.

## **I. JURISDICTION**

The Commission's jurisdiction to grant the relief requested herein is derived from the State Natural Gas Regulation Act (the "Act"). More specifically, the Commission's authority to review and approve qualifying jurisdictional utility acquisitions and reorganizations can be found within the statutory provisions of *Neb. Rev. Stats. §§ 66-1808, 66-1816, 66-1821, 66-1825, 66-1827, 66-1828, 66-1850, 66-1851, 66-1853, 66-1854* and other applicable statutes. For example, Section 66-1816 of the Act provides as follows:

No jurisdictional utility shall purchase or acquire, take, or hold any part of the voting stock, bonds, or other forms of indebtedness of any competing jurisdictional utility, either as owner or pledgee, unless authorized by the commission.

Section 66-1828 of the Act provides:

(1) No reorganization or change of control of a jurisdictional utility shall take place without prior approval by the commission. The commission shall not approve any proposed reorganization or change of control if the commission finds, after public notice and public hearing, that the reorganization or change of control will adversely affect the utility's ability to serve its ratepayers.

(2) For purposes of this section, reorganization or change of control means any transaction which, regardless of the means by which it is accomplished, results in a change in the ownership of a majority of the voting capital stock of a jurisdictional utility and does not include a mortgage or pledge transaction entered into to secure a bona fide borrowing by the party granting the mortgage or making the pledge.

The change of control and other actions contemplated by the Consolidation, as summarized in this Joint Application and supporting testimony, (a) are consistent with the public interest, and (b) will not adversely affect the utility's ability to serve its customers. Additionally, *Neb. Rev. Stat. § 66-1853*, which requires a jurisdictional utility transacting business in Nebraska to be issued a certificate of convenience from the Commission, is inapplicable in this proceeding as both BH Gas Distribution and BH Gas Utility possess valid certificates of convenience from the Commission. Any and all authority under those existing certificates transfers from BH Gas Distribution and BH Nebraska Gas Utility to BH Nebraska Gas.

## **II. JOINT APPLICATION OVERVIEW**

BHC is a diversified energy company headquartered in Rapid City, South Dakota. Through its electric and gas utility subsidiaries, BHC serves over 1.25 million electric and natural gas customers in over 800 communities in eight states - Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota, and Wyoming. The Joint Applicants are each wholly-owned subsidiaries of BHUH. BH Nebraska Gas, as the single Nebraska jurisdictional utility will also be a subsidiary of BHUH.

**A. BH Gas Utility Acquisition.**

BHC began providing natural gas utility services to customers in Nebraska in 2008 with the acquisition of the jurisdictional utility assets previously owned by Aquila, Inc. The Commission approved that acquisition (“Aquila Acquisition”), by its order dated October 16, 2007 in Docket No. NG-0044. As a result, BH Gas Utility commenced providing jurisdictional utility service in Nebraska. BH Gas Utility provides retail gas service to approximately 200,000 gas customers in or around 106 communities located in the eastern one-third of the state. BH Gas Utility conducts its natural gas business activity under the “doing business as” name of Black Hills Energy.

**B. BH Gas Distribution Acquisition.**

In 2016, BHC, through its subsidiary, BHUH, expanded its jurisdictional utility operations in Nebraska with its acquisition of SourceGas Distribution LLC and Rocky Mountain Natural Gas LLC (“RMNG”). SourceGas Distribution LLC was a local distribution company providing retail gas sales and transportation services in Colorado, Nebraska, and Wyoming, and RMNG was an intrastate pipeline providing gas transportation and storage services in Colorado. The Commission approved that acquisition (“SourceGas Acquisition”) by its order dated January 26, 2016 in Docket No. NG-0084. Immediately following the SourceGas Acquisition, on February 13, 2016, BHUH changed the name of SourceGas Distribution LLC to Black Hills Gas Distribution, LLC. BH Gas Distribution provides retail gas service to approximately 88,000 customers in about 180 communities, located primarily in the western two-thirds of the state. BH Gas Distribution also conducts its natural gas business activity under the “doing business as” name of Black Hills Energy.

**C. BH Gas Distribution and BH Gas Utility Operations and Service Areas.**

BH Gas Utility and BH Gas Distribution have operated as separate Jurisdictional Utilities subject to the Commission's jurisdiction since their respective Commission approvals identified herein. Maps depicting the general service areas of BH Gas Utility and BH Gas Distribution is provided as part of the BH Nebraska Gas tariff in Joint Application Exhibit E. The service areas and rate areas do not change as a result of this Joint Application.

As indicated above, BH Gas Utility has been under BHUH's corporate ownership and control since 2008, and BH Gas Distribution has been under BHUH's corporate ownership and control since 2016. Under the proposed transactions, both BH Gas Utility and BH Gas Distribution will transfer all of their Nebraska gas utility tariffs, assets, liabilities, and operations to a single entity named as BH Nebraska Gas. Upon doing so, BH Gas Utility and BH Gas Distribution will cease being Nebraska jurisdictional utilities under the Act.

The existing jurisdictional services of BH Gas Utility and BH Gas Distribution are set forth in Commission-approved tariffs currently on file with the Commission.

**D. BHC Consolidation Overview.**

The Consolidation of BHC's Nebraska jurisdictional utilities is part of a larger BHC jurisdictional utility consolidation effort across different states to consolidate utility subsidiaries. The organizational simplification chart appearing in Joint Application Exhibit D to this Joint Application shows the conceptual vision of BHC at the conclusion of the jurisdictional simplification project across all of BHC's jurisdictional gas and electric utilities. Achieving that intended corporate structure may take several years and more state commission approvals. Mr. Robert Amdor discusses the purpose of BHC's current and future jurisdictional simplification project in his direct testimony.

Joint Application Exhibit B includes a current and more specific view of BHC's corporate organization as of the date of this filing. Joint Application Exhibit B shows additional layers of corporate subsidiaries under BHUH until the entire corporate organization restructuring is complete.

As shown on Joint Application Exhibit C, BH Nebraska Gas, as a tiered, wholly-owned subsidiary of both BHUH and BHC, will thereafter be the Jurisdictional Utility that owns and operates the combined gas distribution businesses in Nebraska. BH Nebraska Gas will administer the Commission-approved gas tariff formed by the combination and consolidation of the tariffs of BH Gas Utility and BH Gas Distribution. BH Nebraska Gas will conduct all of its natural gas distribution business under the "doing business as" name of Black Hills Energy. A copy of the consolidated tariff of BH Nebraska Gas is attached as Exhibit E.

Commission approval of the Consolidation of BH Gas Distribution and BH Gas Utility along with consolidating the tariffs under a single jurisdictional utility, BH Nebraska Gas, requires a finding that the Consolidation is consistent with the public interest and will not adversely affect the utility's ability to serve its customers. As indicated above, no change of corporate control will result from the Consolidation. The proposed transactions will facilitate a wholly internal corporate reorganization within BHC, BHUH and its subsidiaries.

The Commission has previously considered and determined that BHC's ownership and control of BH Gas Utility and BH Gas Distribution were in the public interest in approving the Aquila Acquisition and the SourceGas Acquisition. Upon Commission approval of this Joint Application and the consummation of the Consolidation detailed herein, BH Nebraska Gas will merely "step into the shoes" of both BH Gas Utility and BH Gas Distribution with respect to the CPCNs, franchises, and contractual obligations of BH Gas Utility and BH Gas Distribution, as

well as all other services provided to Nebraska customers pursuant to the rates, terms and conditions of a consolidation of their respective tariffs. As far as current customers of BH Gas Utility and BH Gas Distribution are concerned, it will be business as usual; only that business will be conducted under the new name of Black Hills Nebraska Gas, LLC d/b/a Black Hills Energy.

### **III. APPLICATION EXHIBITS**

The Joint Applicants are filing the direct testimony and exhibits in support of this Joint Application:

- Joint Application Exhibit A – Direct Testimony of Robert J. Amdor;
- Joint Application Exhibit B – Current BHUH Organizational Chart;
- Joint Application Exhibit C – Post Consolidation BHUH Organizational Chart;
- Joint Application Exhibit D – BHC Jurisdictional Simplification Organization Chart; and
- Joint Application Exhibit E - BH Nebraska Gas Tariff

### **IV. JOINT APPLICANT CONTACT INFORMATION**

#### **A. Applicant Names and Addresses**

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**Black Hills/Nebraska Gas Utility Company, LLC d/b/a Black Hills Energy**  
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**B. Names and Addresses of Persons Authorized to Receive Notices and Communications on behalf of Joint Applicants.**

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**V. THE CONSOLIDATION TRANSACTIONS**

The purpose of the Consolidation is to simplify the currently complex corporate structure of BHC's Nebraska jurisdictional utility subsidiaries, which in large part is due to acquisitions made in prior years. The Consolidation will result from a few internal transactions whose purpose is to transfer all tariffs, assets, liabilities, and other items of BH Gas Utility and BH Gas Distribution to BH Nebraska Gas.

The surviving Jurisdictional Utility, will be renamed as Black Hills Nebraska Gas, LLC. BH Nebraska Gas will continue to provide the same jurisdictional utility operations as provided previously by BH Gas Utility and BH Gas Distribution. BH Nebraska Gas will assume all rights and responsibilities for the management, operation, or maintenance of the combined tariffs, assets, liabilities, and other items currently under BH Gas Distribution and BH Gas Utility. The utility services will be provided under a single BH Nebraska Gas tariff resulting from the consolidation of the BH Gas Utility and BH Gas Distribution tariffs.

Specifically, the Joint Applicants request Commission approval of corporate reorganization transactions, and approval of a consolidated tariff of BH Nebraska Gas, as follows:

- Authorization for BHUH to contribute 100% interest in all of BH Gas Utility's Nebraska gas utility tariffs, rate areas, programs, assets, liabilities, and operations, including all certificates of public convenience, and necessity ("CPCNs"), franchises, certificates, licenses, permits, or items under which BH Gas Utility currently provides jurisdictional

utility service under the Nebraska State Natural Gas Regulation Act (*Neb. Rev. Stats. §§ 66-1801 et. seq.*) and applicable Commission regulations to Black Hills Gas Holdings, LLC. Then Black Hills Gas Holdings will transfer that same 100% interest in BH Gas Utility to Black Hills Gas, LLC. BH Gas Utility would then reside as a subsidiary of BHG, which is a subsidiary of BHGH, which is a subsidiary of BHUH. See Joint Application Exhibits B and C.

- Authorization for BH Gas Distribution to transfer and merge into BH Gas Utility all of BH Gas Distribution's Nebraska gas utility tariffs, rate areas, programs, assets, liabilities, and operations, including all CPCNs, franchises, certificates, licenses, permits, or items under which BH Gas Distribution currently provides jurisdictional utility service under the Nebraska State Natural Gas Regulation Act (*Neb. Rev. Stats. §§ 66-1801 et. seq.*) and applicable Commission regulations.
- Authorization for the surviving merged legal entity of BH Gas Utility to be renamed as Black Hills Nebraska Gas, LLC. As shown on Joint Application Exhibit C, BH Nebraska Gas would be a subsidiary of BHG, which is a subsidiary of BHGH, which is a subsidiary of BHUH, which is a subsidiary of BHC;
- For approval of the proposed tariff of BH Nebraska Gas, which is a consolidation of the existing tariffs of BH Gas Utility and BH Gas Distribution; and
- For any and all Commission approvals needed for Black Hills Nebraska Gas to own, operate, administrate, and maintain all rights and responsibilities under the jurisdictional utility tariffs, rate areas, programs, assets, liabilities, and operations, including all CPCNs, franchises, certificates, licenses, permits, or other items possessed by BH Nebraska Gas as a single consolidated jurisdictional utility to provide natural gas services pursuant to the

requirements of the Nebraska State Natural Gas Regulation Act and applicable Commission regulations.

Upon receipt of the authorizations and consummation of the action discussed above, BH Nebraska Gas will assume ownership and control of all of the tariffs, assets and operations of BH Gas Distribution and BH Gas Utility going forward.

To maintain separation within the resulting jurisdictional utility, BH Nebraska Gas, the accounting for BH Gas Utility and BH Gas Distribution will continue to be kept separately within BH Nebraska Gas until changed as a result of a future rate review proceeding. Other than the consolidation of tariffs and a change of the legal name of the jurisdictional utilities serving them, existing customers of BH Gas Utility and BH Gas Distribution in Nebraska should experience the same services they receive currently. The Consolidation is not intended to significantly change those services or to increase jurisdictional revenues for BH Nebraska Gas.

A. The Joint Applicants have not identified any other required Commission approvals.

However, to the extent determined appropriate or necessary by the Commission, the Joint Applicants request that the Commission grant to Joint Applicants any other relief or waivers as may be deemed necessary and proper in accordance with the Commission's rules.

Joint Application Exhibit B is a current (i.e., pre-consolidation) BHC corporate organizational chart showing the current relationships between and among BHUH and its corporate affiliates and subsidiaries. As noted above, Joint Application Exhibit B also shows the concept of the BHC organization intended in the future after its jurisdictional simplification project is eventually completed.

Joint Application Exhibit C is a post-consolidation organization chart showing BHUH and its tiered corporate subsidiaries, including, BHGH, BHG, BH Gas Utility, BH Gas Distribution, and ultimately BH Nebraska Gas and the jurisdictional utility subsidiaries or affiliates as of the date of this Joint Application. As noted above, Joint Application Exhibit D shows the concept of the BHC organization intended in the future after its jurisdictional simplification project is eventually completed.

## **VI. BH NEBRASKA GAS TARIFF APPROVAL**

BH Nebraska Gas seeks approval of a single BH Nebraska Gas tariff resulting from the consolidation of the BH Gas Utility and BH Gas Distribution tariffs. Any tariff changes are identified in Joint Application Exhibit E.

The consolidation of tariffs was a significant undertaking of BH Gas Distribution and BH Gas Utility. The tariff consolidation involved a side-by-side, provision-by-provision comparison of each tariff section and a decision regarding which of the tariffs' language was appropriate to include in the new tariff.

The tariff proposed for BH Nebraska Gas was combined from using the approved tariff provisions of BH Gas Utility and BH Gas Distribution, including the General Terms and Conditions, Rate Schedules and Other Charges into one single tariff book. The consolidated tariff book has three main sections: 1. Rules and Regulations applicable to all rate areas; 2. Rate Schedules and Other Charges applicable to Rate Areas One through Four (i.e. the former BH Gas Utility customers); and 3. Rate Schedules and Other Charges applicable to Rate Area Five (i.e. the former BH Gas Distribution customers).

Joint Application Exhibit E is the consolidated tariff book. In the Rules and Regulations section of the tariff, different font types were used to designate the source utility tariff:

- Italics font indicates that the tariff language came from BH Gas Distribution's tariff.
- Non-italic font indicates that the tariff language came from BH Gas Utility's tariff.
- Blue font (italics or non-italics) indicates that the tariff language was only present in one of the tariffs. For example, a definition in blue italics font indicates that the tariff language is from BH Gas Distribution and was only present in BH Gas Distribution's tariff. BH Gas Utility's tariff did not have that definition in its tariff.
- Black font (italics or non-italics) indicates that there was language in both tariffs, and that one or the other, or a combination of both was used.
- Red font indicates new language.

The process of consolidating the tariffs and how that tariff differs from the existing tariffs of BH Gas Utility and BH Gas Distribution is set forth in more detail within the Direct Testimony and Exhibits of Mr. Amdor.

BH Nebraska Gas understands that the format of the proposed tariff will be different than the format that currently exists for BH Gas Distribution. In addition, BH Nebraska Gas understands that the provisions in the BH Nebraska Gas tariff may be different than provisions contained in the BH Gas Utility Tariff. However, it is important to note that the combined BH Nebraska Gas tariff does not start from scratch. As explained, the BH Nebraska Gas contains existing and approved tariff provisions of either BH Gas Utility or BH Gas Distribution. Where the language is revised, the proposed tariff indicates the differences.

Mr. Amdor's direct testimony provides a summary and explanation of several significant provisions within the BH Nebraska Gas tariff for the convenience of the Commission and the Public Advocate in their investigation and review of that tariff.

## **VII. NO ADVERSE AFFECT AND CONSISTENT WITH THE PUBLIC INTEREST**

Nebraska law requires the Commission to determine whether the Consolidation adversely affects the jurisdictional utility's ability to serve its customers and is consistent with the public interest. In determining whether a proposed transfer of control will adversely affect a jurisdictional utility's ability to serve its customers and is consistent with the public interest, the Commission has previously considered several factors. Those factors considered by the Commission include a review of the following areas: management, local commitments, impact on rates and services, investment and planned long-term ownership, and stability.

This Joint Application, supporting testimony, and accompanying exhibits clearly demonstrate that the Consolidation will not adversely affect jurisdictional utility services provided by BH Nebraska Gas to the public, and that the Consolidation is consistent with the public interest. As such, the Joint Applicants respectfully submit that the Commission approve the Consolidation.

### **A. The Reason for the Consolidation**

As explained above and in the Direct Testimony of Mr. Amdor, the Consolidation will not result in any change to BHC's corporate control of the jurisdictional utility facilities, operations and services provided to Nebraska customers. The rates, services, operations and business processes of either BH Gas Distribution or BH Gas Utility will be substantially the same after the consolidation of these two utilities into a single entity. The consolidation of these two jurisdictional utility businesses into a single entity named Black Hills Nebraska Gas, LLC, is a

necessary step towards simplifying the regulatory administration of the Nebraska jurisdictional utility operations and services under BHC.

As discussed in the Direct Testimony of Mr. Amdor, the customers of BH Gas Utility and BH Gas Distribution will not be adversely affected by the Consolidation as BH Nebraska Gas will simply be “stepping into the shoes” of BH Gas Utility and BH Gas Distribution by consolidating the existing tariffs BH Gas Utility and BH Gas Distribution into one tariff. In fact, the consolidation of the two jurisdictional utilities into one jurisdictional utility will ultimately improve overall administrative efficiency by reducing the number of utility-specific filings that will have to be prepared and filed with the Commission. Such efficiencies, include but are not limited to annual reports and other generally applicable federal, state or local filings. As noted above, any tariff changes resulting from the consolidation of the respective tariffs of BH Gas Utility and BH Gas Distribution are identified within this Application and accompanying Exhibits. None of those tariff changes are intended to adversely impact customers, or to trigger a general rate filing under Neb. Rev. Stats. §§ 66-1825 and 66-1838.

**B. Management**

As explained above, all of the Nebraska jurisdictional utility services and operations currently provided by BH Gas Utility and BH Gas Distribution will be performed substantially as they are being performed today, but consolidated within a single corporate entity with a new name. Except as identified within the Consolidation tariff provided in Joint Application D, the rates, terms and conditions of the jurisdictional utility services currently provided to Nebraska customers will remain unchanged, there will be no detrimental effects to Nebraska customers. In addition, as explained in this Joint Application and discussed in the Direct Testimony of Mr. Amdor:



- There will be no change in the way in which these gas systems are operated after BH Nebraska Gas becomes the operating entity.
- Except for a limited number of identified changes, the BH Nebraska Gas tariff consists of the consolidation of the BH Gas Distribution and BH Gas Utility gas tariffs as those tariffs exist and as previously approved by the Commission.
- No changes outside of the ordinary course of business in future proceedings or inconsistent with prudent, safe, and reliable operations and service are planned or expected concerning operations, administration, shared services, personnel, or positions as a result of the Consolidation.
- The methods used to allocate indirect costs to BH Nebraska Gas based upon services provided by BHSC and BHUH will not change as a result of the Consolidation, and there will be no increase in existing corporate overhead cost allocations as a result of the Consolidation<sup>3</sup>.
- There will be no negative impact on customer service or rates of the other Nebraska public utility companies that are wholly-owned subsidiaries of BHC that are not parties to this Joint Application.
- BH Nebraska Gas will abide by all ring-fencing conditions and any applicable customer protection requirements as previously adopted by the Commission with respect to BH Gas Utility and BH Gas Distribution.
- There will be no gain or loss, goodwill, acquisition premium, or acquisition adjustment recorded on the regulatory books of the BH Nebraska Gas as a result of the proposed transactions other than the acquisition premium that already

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<sup>3</sup> Joint Applicants note that effective January 1, 2019, BHUH transferred substantially all of its assets and liabilities to BHSC in order to more efficiently allocate costs from BHUH and BHSC.

exists on the regulatory books of BH Gas Utility as a remnant of the Aquila Acquisition.

- There will be no change to BHC's corporate control over the gas systems operated by BH Gas Utility and BH Gas Distribution in Nebraska.

BH Nebraska Gas is ready, willing, and able in terms of experience, management, resources, financial strength, and otherwise to operate and maintain the utility properties and to continue to perform the services authorized by the CPCNs issued to BH Gas Distribution and BH Gas Utility.

**C. Local Commitments and Other Considerations**

The Joint Applicants bring a long history of active partnership and dedication to the local communities that it serves. After the Consolidation, BH Nebraska Gas will continue working on regional and community development through active participation in local organizations, similar to the strong community development and participation BH Gas Distribution and BH Gas Utility have demonstrated in the past.

**D. Impact on Rates and Services to Nebraska Customers**

The Consolidation will not result in any change to BHC's corporate control of the facilities, operations, and services provided to Nebraska customers. Except as identified in the Consolidation tariff of BH Nebraska Gas, none of the rates, services, operations, and business processes of either BH Gas Distribution or BH Gas Utility will be changed by the consolidation of these two utilities into a single entity and single tariff. The consolidation of these two jurisdictional utility businesses into a single entity is a necessary step towards simplifying the regulatory administration of the Nebraska jurisdictional utility operations and services under BHC.

The programs currently offered by either BH Gas Utility or BH Gas Distribution will continue to

be offered to those same customers. For example, any customer of BH Gas Utility who meets the qualification to enroll in the Annual Price Option or Energy Options programs provided by BH Gas Utility will continue to enroll in those programs under the BH Nebraska Gas tariff. Similarly, any customer of BH Gas Distribution who meets the qualification to enroll in the Choice Gas Program provided by BH Gas Distribution will continue to enroll in those programs under the BH Nebraska Gas tariff.

The BH Nebraska Gas tariff will maintain the existing rate areas of BH Nebraska Gas and BH Gas Distribution. Thus, there will be no overlapping offer of services from one rate area to another. In other words, a BH Gas Utility customer will not be allowed to enroll in the BH Gas Distribution Choice Gas Program. Likewise, a BH Gas Distribution Customer is not allowed to enroll in BH Gas Utility programs or services. Those programs and services remain as they exist prior to the Consolidation except that those different services will be administered under a single consolidated tariff.

**E. Investment and Planned Long-Term Ownership**

No change of corporate control will result from the Consolidation. The proposed transaction will facilitate a wholly internal corporate reorganization within BHC and BHUH. The Commission, in approving the Aquila Acquisition and the SourceGas Acquisition, has previously considered and determined that BHC's ownership and control of BH Gas Utility and BH Gas Distribution were in the public interest. As far as current customers of BH Gas Utility and BH Gas Distribution are concerned, it will be business as usual. The Consolidation will ultimately improve overall administrative efficiency by reducing the number of utility-specific filings that will have to be prepared and filed with the Commission.

BH Nebraska will abide by all ring-fencing conditions and any applicable customer protection requirements as previously adopted by the Commission with respect to BH Gas Utility and BH Gas Distribution.

**F. Stability and Effect on Other Utilities**

Following the Consolidation, Nebraska jurisdictional utility services and operations currently provided by BH Gas Distribution and BH Gas Utility will be performed substantially as they are being performed today, but consolidated within a single corporate entity with a new name. The Joint Applicants are not aware of any material effect the Consolidation will have on any other Nebraska utility.

**VIII. CONCLUSION**


BH Gas Utility and BH Gas Distribution customers, communities, and regulators will not experience any significant negative impacts to jurisdictional utility service or the business practices of BH Nebraska Gas as a result of the Consolidation. Ultimately, the Consolidation is in the public interest, will not result in any detriment to customers, and will not adversely affect the utility's ability to serve the public.

**WHEREFORE**, the Joint Applicants respectfully request that the Commission:

- **Authorize BHUH to contribute its 100% interest in BH Gas Utility**, including its Nebraska gas utility tariffs, rate areas, programs, assets, liabilities and operations, including all CPCNs, franchises, certificates, licenses, permits, or items under which BH Gas Utility currently provides jurisdictional utility service under the Nebraska State Natural Gas Regulation Act (*Neb. Rev. Stats. §§ 66-1801 et. seq.*) and applicable Commission regulations to Black Hills Gas Holdings, LLC. Then Black Hills Gas Holdings will transfer that same 100% interest in BH Gas Utility to Black Hills Gas, LLC. BH Gas Utility would then reside as a subsidiary of BHG, which is a subsidiary of BHGH, which is a subsidiary of BHUH.

- **Authorize BH Gas Distribution to transfer and merge into BH Gas Utility all of BH Gas Distribution’s** Nebraska gas utility tariffs, rate areas, programs, assets, liabilities, and operations, including all certificates of public convenience, and necessity (“CPCN”), franchises, certificates, licenses, permits, or items under which BH Gas Distribution currently provides jurisdictional utility service under the Nebraska State Natural Gas Regulation Act (*Neb. Rev. Stats. §§ 66-1801 et. seq.*) and applicable Commission regulations.
- **Authorize the surviving merged legal entity of BH Gas Utility to be renamed as Black Hills Nebraska Gas, LLC.** As shown on Joint Application Exhibit C, BH Nebraska Gas would be a subsidiary of BHG, which is a subsidiary of BHGH, which is a subsidiary of BHUH, which is a subsidiary of BHC.
- **Approve the BH Nebraska Gas proposed tariff,** which is a consolidation of the existing tariffs of BH Gas Utility and BH Gas Distribution.
  - B. **Approve the Consolidation,** as detailed herein, as consistent with the public interest and that the Consolidation will not adversely affect the ability of BH Nebraska Gas to serve its customers;
  - C. **Grant such waivers, conditions, approvals or further relief** as may be deemed necessary and proper in accordance with the Commission’s rules.

Respectfully submitted this 29th day of March, 2019.

By:   
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