



1102 E 1st Street
Papillion, NE 68046
(402) 221-2227

December 5, 2016

Nebraska Public Service Commission
1200 N Street
Suite 300
Lincoln, NE 68508

Attn: Mr. Jeff Pursley, Executive Director

**Re: Black Hills/Nebraska Gas Utility, LLC, d/b/a Black Hills Energy
Farm Tap Safety Proposal**

Dear Mr. Pursley,

Pursuant to Sections 66-1804, 66-1808, and other applicable provisions of the State Natural Gas Regulation Act ("Act"), Black Hills/Nebraska Gas Utility Company, LLC, d/b/a Black Hills Energy (hereinafter "BHE," "Black Hills," or "Company") herewith submits for filing with the Nebraska Public Service Commission ("Commission") this request for approval of tariffs that establish minimum safety standards for farm taps as a condition of service and creation of a mandatory testing program, utility replacement and ownership of customer-owned natural gas service lines, authorization for recovery of testing and replacement capital costs, and authorization for an accounting order to defer testing costs until Company's next general rate case.

The Company's proposal is intended to improve the safety of customer-owned fuel lines located between the interstate pipeline tap and the customer's premise. BHE considered several solutions to the safety issues described herein and determined utility ownership and maintenance of the fuel lines is appropriate. A Farm Tap Services Agreement between BHE and Northern Natural Gas Company ("NNG") expires in May 2017, and BHE needs to understand its service obligations and the regulatory treatment of costs associated with these lines. As explained below, BHE proposes to establish a safety testing and replacement program, and define conditions of service in the proposed tariffs.

Black Hills herewith submits for filing with the Commission an original and five paper copies of the following tariff sheets in redline and clean formats:

Index No. 1: General Index
Index No. 20: General Rules and Regulations Index
Index No. 21: General Service Terms and Conditions
Index No. 27, Sheet 1: Farm Taps – Conditions of Service and Testing
Index No. 27, Sheet 2: Service Line Replacement and Liability

Customer-owned farm tap fuel lines have not been regularly pressure tested, do not have records to show location, material type, or age or cathodic protection, cannot be registered in the Nebraska 811 database, and cannot be located for excavation. These conditions create a safety hazard for Black Hills Energy employees, customers and the general public. The proposals below are intended to improve the safety of customer-owned fuel lines by ensuring that the lines: (i) are currently safe by passing a pressure test, (ii) are constructed of approved materials, (iii) have a tracer wire to ensure they can be located, (iv) have mapping data and other records, (v) are accessible to Black Hills Energy technicians, and (vi) will be registered in the Nebraska 811 database.

Black Hills Energy has prepared tariffs that would make natural gas service to farm tap customers conditional upon the following tests:

1. Passing a maximum allowable operating pressure (“MAOP”) test (assuming approximately 20% of the lines will be tested per year for five years);
2. The customer-owned fuel line must be constructed of approved materials;
3. The line must be locatable;
4. BHE must have access to the property; and,
5. The customer must have easements if the line runs across neighboring property and must allow Black Hills Energy to access the lines.

If the proposed tariff is approved and the line passes the tests above, Black Hills Energy will assume ownership of and liability for the fuel lines, provide ongoing maintenance on the line, and register the lines with the Call 811 database. If the customer can prove the line has been replaced in the prior five years, Black Hills Energy will purchase the fuel line at a fixed price of \$5 per lineal foot multiplied by the line length as measured by Black Hills Energy technicians using tracer wire location measurements. If the proposed tariff is approved and the line does not pass the tests above, Black Hills Energy will replace the line at Black Hills Energy’s cost, or the customer will have the option to convert to propane or another fuel source.

The direct testimony of BHE witness Robert Amdor is attached in support of the proposed tariffs and requests. Any communication associated with this application should be directed to the following individuals:

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WHEREFORE, Black Hills Energy respectfully requests that the Commission:

- A. Approve Black Hills Energy's proposed tariff (attached to this application) that establishes the rights and responsibilities of farm tap customers, including a safety testing program and a line-replacement program for lines that do not meet safety standards;
- B. Determine the appropriate length of a customer-owned fuel line that should be replaced at no customer cost;
- C. Authorize Black Hills Energy to defer capital costs (return on investments and depreciation) and testing costs until the conclusion of the next Black Hills Energy rate review with subsequent recovery by means of a surcharge or other rate recovery determined in that case;
- D. Authorize inclusion of the capital investments in rate base in Black Hills Energy's next rate review; and,
- E. Waive any Commission rules as necessary for approval of Black Hills Energy's application.

Dated December 5, 2016.

Respectfully submitted,

**Black Hills/Nebraska Gas Utility Company,
LLC, d/b/a Black Hills Energy**

By /s/ Adam Buhrman

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cc: Scott Coburn, Commission Staff
William Austin, Consumer Advocate