FILED WITH
Executive Secretary
December 10, 2015
IOWA UTILITIES BOARD

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE: BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC d/b/a/ BLACK HILLS ENERGY	DOCKET NO. SPU-2015-0039

OBJECTION AND REQUEST FOR DOCKETING

The Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, files this Objection and Request for Docketing in the above-captioned proceeding. In support thereof OCA states:

1. On November 24, 2015, Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy (hereinafter "Black Hills" or "Company") filed a Request for Approval of Tariff and Other Relief. The Request relates to farm tap customers.

2. Among other things, Black Hills requested that it be permitted to test customer-owned service lines for compliance with state and federal safety standards and replace those lines which do not meet safety standards. Black Hills also asked that the Board approve a number of rate-related requests concerning the costs of implementing its safety test and replacement proposal. For example, Black Hills requested that it be permitted to hold the testing-related costs (estimated to be $140,000 per year) in a regulatory asset account for inclusion in rates set in the next rate case instead of expensing the costs in the year incurred as is done for all other costs. Black Hills made this proposal without submitting any evidence that the Company's current rates and earned returns are inadequate to cover these costs.

3. Black Hills also requested that the capital costs associated with replacing existing customer-owned service lines be included in the infrastructure replacement automatic adjustment mechanism that was implemented pursuant to Rule 199 Iowa Admin. Code 19.18. Because Rule 19.18 specifically defines and limits the types of investments that can be automatically recovered through the infrastructure replacement mechanism and does not include customer-owned service lines, Black Hills seeks a waiver of the requirements of Rule 19.18. Again, Black Hills made this proposal without submitting any evidence that the Company's current rates and earned returns are inadequate to cover these costs.

Black Hills' attempt to recover these costs outside of a general rate proceeding constitutes single issue, or piecemeal, ratemaking, which has long been strongly discouraged by the Board because the level and interaction of all of Company's other costs and revenues are completely ignored. The result of increasing revenue to reflect a single cost, while ignoring other possible cost decreases and sales and revenue increases, could easily result in excessive earnings.

4. Black Hills' proposal to recover the customer-owned service line investment costs through the infrastructure replacement mechanism raises a number of ratemaking issues, including whether and the extent to which it is appropriate and reasonable to recover these costs from its non farm tap customers. No cost of service study evidence has been submitted to justify the allocation of these service line costs among the various customer classes. Furthermore, there is no effective way to protect Company's non farm tap customers in the event the Board later determines, after reviewing a cost of service study in a future rate proceeding, that the amount of costs allocated to these customers through the infrastructure replacement mechanism was excessive.

5. Black Hills is also proposing an increase in the monthly customer charge for applicable farm tap customers. Company is proposing this increase without complying with the statutory notice requirements set forth in Iowa Code Section 476.6(2) (2015), which states, in relevant part as follows:

> All public utilities, except those exempted from rate regulation by section 476.1, shall give written notice of a proposed increase of any rate or charge to all affected customers serviced by the public utility no more than sixty-two days prior to and prior to the time the application for the increase is filed with the board.

Furthermore, no evidence has been submitted to support the amount of the proposed increase in the monthly charge. Nor has any evidence been submitted to support the length of service line that Black Hills proposes to provide at no cost to the farm tap customer. This is important because Black Hills ultimately plans to recover these costs from all of its customers.

6. The request filed by Black Hills should not be approved until affected customers are properly notified and a thorough investigation has been conducted.

WHEREFORE the Office of Consumer Advocate respectfully requests that the Request for Approval of Tariff and Other Relief be rejected at this time and the matter docketed by the Board for investigation.

Respectfully submitted,

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Consumer Advocate

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