

June 01, 2016

IOWA UTILITIES BOARD

SPU-2015-0039

(TF-2015-0352)

Dear Customer:

Black Hills Energy filed a proposal with the Iowa Utilities Board (Board) on November 25, 2015, to make changes to services provided to farm tap customers by Black Hills Energy. “Farm tap” customers are those whose fuel line connects directly to the interstate natural gas pipeline owned by Northern Natural Gas (NNG). Black Hills Energy provides natural gas distribution service to farm tap customers on behalf of NNG. This service includes billing, customer service, responses to gas leaks, maintenance of odorizers, delivery pressure tests, and consultation on the installation and repair of customer owned facilities. Most of the customer-owned fuel lines were installed many years ago, and the condition of these fuel lines is unknown, since no maintenance records exist. There is also no way to identify the location of many of the lines.

To assure continued safe delivery of natural gas, Black Hills Energy has proposed a plan that will require farm tap fuel lines to have periodic safety tests to comply with current safety standards, adopt access requirements, establish a line replacement program, and clarify the liability of Black Hills Energy and the farm tap customer for the fuel lines. This plan will provide farm tap customers the ability to receive safe and reliable service through facilities that are in compliance with safety regulations.

Black Hills Energy proposes to replace substandard customer-owned fuel lines with new lines that the company would own, operate and maintain, and the cost of testing and replacing these lines, would immediately be held by the company until its next rate review. After the conclusion of that review, Black Hills Energy proposes to recover those costs as a monthly surcharge over a three year period. Since it is impossible to determine which of these lines will need to be replaced until after the testing process is completed, the cost of the proposal can only be estimated. Black Hills Energy estimates the maximum customer impact would be less than one dollar per customer per month, on average, for the three year recovery period. This increase is related to Black Hills Energy’s cost to replace the fuel lines and does not include the cost of natural gas supplies.

Black Hills Energy is providing you this information so that you are aware of the proposal and have an opportunity to provide input. You have the right to submit comments with the Iowa Utilities Board and to participate in public comment hearings. The address of the Board is: Iowa Utilities Board, 1375 E. Court Avenue, Room 69, Des Moines, Iowa 50319-0069. The Board should be provided with any facts what would assist it in determining the justness and reasonableness of this requested increase. This information will be made available to the Consumer Advocate, who represents the public interest in rate cases before the Board.

Customers can file their input through the Board’s electronic filing system at <https://efs.iowa.gov/efs/> under Docket No. SPU-2015-0039. If you have any questions about this docket you may contact Black Hills Energy at 800-519-3570, BHEFarmTapComments@blackhillsenergy.com, or the Board’s Customer Service section at 1-877-565-4450.