

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC d/b/a/ BLACK HILLS ENERGY	DOCKET NOS. SPU-2015-0039, TF-2015-0352
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**ORDER APPROVING CUSTOMER NOTICE, SCHEDULING CUSTOMER
MEETINGS, AND ESTABLISHING NEW INTERVENTION DATE**

(Issued July 5, 2016)

PROCEDURAL BACKGROUND

On November 24, 2015, Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy (BHE), filed with the Utilities Board (Board) a request for approval of tariff and other relief, which BHE states is a "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 replacement capital costs; and request for an accounting order to defer testing costs until the company's next general rate case."

On December 10, 2015, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed an objection and requested that this matter be docketed for further investigation. The Board docketed this matter as Docket No. SPU-2015-0039 on December 23, 2015, and required interventions to be made

on or before January 11, 2016. On January 11, 2016, Northern Natural Gas Company (Northern) filed a Petition to Intervene in Support and Comments pursuant to 199 IAC 7.13. The Board granted Northern's intervention on February 10, 2016.

BHE held customer focus groups in Webster City on February 11, 2016, Waukee on March 1, 2016, and Dike on March 3, 2016, to discuss the proposed plan. An informal workshop also took place on March 11, 2016, at the Board's offices in Des Moines.

On May 17, 2016, the Board issued an order directing BHE to file a new customer notice for Board approval. The order also provided the Board would set a new intervention date and schedule customer meetings at the time it approved BHE's new notice.

BHE filed its revised customer notice on June 1, 2016. On June 2, 2016, OCA filed an additional response recommending changes to the language of the revised customer notice. Specifically, OCA recommended changes to highlight that BHE's proposal recovers costs through a monthly surcharge over a three-year period that would be paid by all customers rather than just farm tap customers. OCA also argues that the notice does not notify all customers of the future potential increase in costs. BHE responded on June 3, 2016, stating it does not object to the changes proposed by OCA. On June 15, 2016, BHE filed an informational brochure that it states it sent out to all farm tap customers on May 15, 2016.

BOARD ANALYSIS

The Board has reviewed the proposed customer notice filed by BHE on June 1, 2016. The revised notice addresses the issues raised in the Board's May 17, 2016, order. However, the Board agrees with OCA that the revised notice filed by BHE requires further modification. The notice should include a brief description of the plan and explain that customer rates could be impacted as a result of the plan. The notice should also provide an estimate of the potential rate impact on BHE's customers. Lastly, the notice should also include information about the customer meetings as discussed by the Board in its May 17, 2016, order.

The Board has made the described changes to the notice originally filed by BHE on June 1, 2016. The notice with the incorporated changes is approved and is attached to this order for BHE to send to its customers. BHE shall send the amended customer notice to all of its customers since all customers may be impacted depending on the final outcome of the case. Since BHE has previously provided specific notice of this proposal to farm tap customers via a brochure mailed on May 15, 2016, its plan to mail this notice to all customers with their monthly bills is satisfactory.

The Board will also schedule six customer meetings to allow potentially-affected customers the chance to provide feedback on the proposal. The meetings will be scheduled for the following dates and locations, each to begin at 6 p.m. unless otherwise noted:

- 1) Wednesday, August 10, 2016, at the DMACC Newton Campus, 600 N. 2nd Avenue West, Newton, Iowa;
- 2) Tuesday, August 23, 2016, at the Spencer Area Activity Center, 104 E. 4th Street, Spencer, Iowa;
- 3) Wednesday, August 24, 2016, at the Council Bluffs Public Library, 400 Willow Street, Council Bluffs, Iowa;
- 4) Monday, August 29, 2016, at the Boulders Conference Center, 2507 Boulders Drive, Denison, Iowa;
- 5) Wednesday, September 14, 2016, at the Manchester Fire Department, 400 E. Main Street, Manchester, Iowa, at 6:30 p.m.; and
- 6) Tuesday, September 20, 2016, at the Webster City Community Theater, 1001 Willson Avenue, Webster City, Iowa.

The Board will also set a new intervention date of Monday, September 26, 2016. This new date is after the customer meetings and will give potentially affected customers or any other interested parties the opportunity to decide whether to intervene after having a chance to participate in the customer meetings. Following the intervention date, the Board will set a procedural schedule for further actions in this docket.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The revised customer notice filed by Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy on June 1, 2016, is approved as modified by this order. The approved notice containing the changes is attached to this order.
2. Customer meetings shall be held at the times, dates, and locations described above in this order.
3. Interventions in this docket shall be filed on or before Monday, September 26, 2016.

UTILITIES BOARD

/s/ Geri D. Huser

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 5th day of July 2016.

Date

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 Company (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 safe delivery of natural gas, Black Hills Energy has proposed a plan that will require farm tap fuel lines to have 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. The cost of testing and replacing these lines, would 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 an additional monthly surcharge over a three year period. The additional surcharge will be paid by all customers not just farm tap customers. 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. Some farm tap customers may also be required to pay an additional fee to accommodate the replacement of exceedingly lengthy lines.

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, except for those farm tap customers who may be required to pay for replacement of part of their fuel line.

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 to the Iowa Utilities Board and to participate in public comment meetings. The Board should be provided with any facts that would assist with determining whether the requested increase should be approved by the Board. This information will be made available to the Consumer Advocate, who represents the public interest in rate cases before the Board.

Customer comments should be filed using one of the following options:

- Through the Board's electronic filing system at: <https://efs.iowa.gov/efs/> under Docket No. SPU-2015-0039,
- By email to: customer@iub.iowa.gov,
- By using the comment form on the IUB's Web site: <https://iub.iowa.gov>,
- By postal mail to the Iowa Utilities Board at: [1375 E. Court Avenue, Room. 69, Des Moines, Iowa 50319-0069](https://www.iowa.gov/locations/1375-E-Court-Avenue)

Six public customer informational meetings are currently scheduled:

- Newton – Wednesday, August 10, 2016, 6:00 p.m., DMACC Newton Campus, 600 N. 2nd Avenue West, Auditorium, Newton, Iowa
- Spencer – Tuesday, August 23, 2016, 6:00 p.m., Spencer Area Activity Center, 104 E. 4th Street, Dining Room, Spencer, Iowa
- Council Bluffs – Wednesday, August 24, 2016, 6:00 p.m., Council Bluffs Public Library, 400 Willow Street, Rooms A and B, Council Bluffs, Iowa.
- Denison – Monday, August 29, 2016, 6:00 p.m., Boulders Conference Center, 2507 Boulders Drive, Wally Lauridsen Room, Denison, Iowa.
- Manchester – Wednesday, September 14, 2016, 6:30 p.m., Manchester Fire Department, 400 E. Main, Manchester, Iowa.
- Webster City – Tuesday, September 20, 2016, 6:00 p.m., Webster City Community Theater, 1001 Willson Avenue, Auditorium, Webster City, Iowa.

If you have any questions about this docket you may contact Black Hills Energy at 1-800-519-3570, BHEFarmTapComments@blackhillsenergy.com, or the Board's Customer Service section at 1-877-565-4450.