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PUBLIC UTILITIES COMMISSION

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June 17, 2015

Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Ave.
Pierre, SD 57501

RE: NG14-005

Dear Ms. Van Gerpen,

A question was raised at the Commission meeting on June 16, 2015, regarding MidAmerican's assessed damages against excavators when a gas line is damaged. The Commission inquired as to why MidAmerican's charges appeared to be drastically higher than those assessed by other utilities.

The explanation provided by MidAmerican was that the difference in costs was due, in large part, to the type of facility involved and size of the pipe. Since the meeting, Staff has acquired additional information. Upon discussing this matter with MidAmerican and other utilities, it appears that this explanation is correct, however, MidAmerican does not appear to be inconsistent with other companies in all of their damage expenses. For example, while a larger amount, \$1,461.01, was reported in OC14-010, thus far in 2015, MidAmerican has filed One Call complaints involving damage to a 10psi 1/2" gas line and 48psi 1/2" gas line, with repair costs of \$651.42 and \$335.00, respectively.

There are other factors beyond the type of facility that are included in the cost of damages. If engineering staff has to be brought in to create a bypass and additional holes must accordingly be dug in order to prevent outages, additional costs may be incurred. In addition, if an outage does occur, affected customers may turn in an invoice to MidAmerican for losses. Those costs are then passed on to the liable party. If the liable party disputes the damages, they may contest them with the utility and request an explanation of all charges.

After discussing this issue with other utilities, it was not possible to come up with exact numbers to compare, as other utilities were equally inconsistent for the same reasons. While One Call complaints brought by Montana-Dakota Utilities have recently cited damages consistently between \$300 and \$500, going back to 2013, complaints from MDU vary and listed damages up to \$1,200. Other operators cited things such as cost of materials, labor, cost of shutting off and turning on meters, call center activity, customer communication, lost gas, and third party damage as factors to be considered in assessing damages. Third party damage is largely dependent on whether the utility itself was pursued for those damages and had to pass them on. An example would be an excavator damaging a gas line that caused an outage to an ethanol plant, causing spoilage.

The damages that become public are those that are reported in One Call complaints. However, those are not necessarily reflective of typical costs assessed by the utility, as not all damages result in a complaint. MDU and NorthWestern confirmed that damages actually vary from a few hundred to several thousand dollars. MDU further confirmed that One Call complaints contain an estimate of damages, rather than a final amount. Also, many of the recent complaints have involved hits to small plastic lines that did not cost as much to repair.

The potentially high cost of repairing lines underscores the need for calling 811. This free service can save both excavators and consumers thousands of dollars.

Sincerely,

Kristen Edwards
Staff Attorney