

1 **Q. Please state your name and business address.**

2 A. My name is Tom H. Hutchins. My business address is 3500 104th Street,
3 Urbandale, IA 50322.

4 **Q. By whom are you employed and in what position?**

5 A. I am employed by MidAmerican Energy Company (“MidAmerican” or
6 “Company”) as Vice President, Gas Delivery.

7 **Q. Please describe your educational background, professional credentials and
8 employment history.**

9 A. I am a 1976 graduate of Iowa State University where I received a Bachelor’s of
10 Science degree in Metallurgical Engineering. In 1993 I graduated from Drake
11 University where I received a Master’s Degree in Business Administration. I
12 am also a graduate of the Drake University School of Law where I received a
13 Doctorate of Jurisprudence in 2006.

14 I am currently certified by the State of Iowa as a licensed professional
15 engineer in the field of metallurgical engineering. In addition, I am a member of
16 the Iowa Bar and admitted to practice as an attorney in the State of Iowa.

17 In 1978, I accepted employment as a project engineer with Energy
18 Economics Incorporated in Des Moines, Iowa during which I provided
19 engineering and construction services to natural gas utilities and industries
20 throughout the Midwestern United States. In 1984, I joined MidAmerican as a
21 Gas Engineer. Since joining MidAmerican, I have held a variety of positions,
22 including Gas Engineer, Senior Marketing Engineer, Manager of Distribution
23 Engineering, Manager of Operations, and General Manager of Gas Engineering

24 and Compliance. In May 2012, I was appointed to my current position as Vice
25 President of Gas Delivery for MidAmerican, where I have overall responsibility
26 for the design, operation and management of our gas distribution and gas
27 transmission assets.

28 **Purpose of Direct Testimony**

29 **Q. What is the purpose of your direct testimony?**

30 A. In my prepared direct testimony, I will describe MidAmerican, the rate filing
31 and the reasons why MidAmerican is proposing to increase its natural gas
32 distribution rates at this time. I will also introduce other MidAmerican
33 witnesses.

34 **Description of MidAmerican**

35 **Q. Please describe the organization and operation of MidAmerican.**

36 A. MidAmerican is an electric and gas distribution utility serving customers in the
37 states of South Dakota, Iowa, Illinois and Nebraska. In South Dakota,
38 MidAmerican serves 30 cities and unincorporated areas in the Sioux Falls area
39 and in the southeastern part of the state. In 2013, MidAmerican delivered over
40 88,000 South Dakota customers approximately 15.4 million MMBtu of natural
41 gas. These customers are served by approximately 1,415 miles of gas mains and
42 1,215 miles of gas service lines. A map of MidAmerican's service territory is
43 shown in MidAmerican's proposed Tariff Schedule No. 2, Section 2, Sheet No.
44 2 in MidAmerican witness Kutsunis' Exhibit DLK 1.1, Schedule A.

45 **Purpose of Filing**

46 **Q. What is the purpose of this filing?**

47 A. With this filing, MidAmerican is requesting the Commission to provide it with
48 rate relief so that its natural gas distribution rates may reflect the current costs
49 of providing natural gas distribution service to its customers, including an
50 appropriate return on common equity. It has been approximately 10 years since
51 MidAmerican requested a general increase in its natural gas distribution rates in
52 Docket No. NG-04-001. The 1.0% increase in rates became effective
53 September 2004. Since that time, despite increases in the cost of providing
54 natural gas service, MidAmerican has held its gas delivery rates stable.

55 **Q. Do you have any evidence that South Dakota customers are satisfied with**
56 **their natural gas service?**

57 A. Yes. On March 12, 2014, J.D. Power announced the results of its 2014 gas
58 utility business customer satisfaction study, and for the fifth time in six years,
59 MidAmerican ranked highest in the Midwest Region. In research conducted by
60 Market Strategies International (“MSI”), MidAmerican consistently ranks
61 among the top utilities in the MSI benchmark. In June 2014, 93% of residential
62 customers surveyed gave MidAmerican a positive score on “overall customer
63 satisfaction,” resulting in a ranking of second place out of 104 utilities. In that
64 same study, 95% of commercial customers surveyed gave MidAmerican a
65 positive score on that same measure, netting a ranking of second out of 94
66 utilities.

67 **Q. Please describe the rate increase request.**

68 A. MidAmerican proposes a final increase in natural gas distribution rates of
69 approximately \$2.9 million, or approximately 3.5% of test year pro forma

70 revenue. Details of the proposed changes in rates and charges are shown in the
71 direct testimony that is included with this filing.

72 **Q. Are there steps customers can take to cope with the rate increase?**

73 A. Yes there are. We encourage all customers to look at the many ways to reduce
74 energy usage and manage their bills offered through our energy efficiency
75 programs. MidAmerican began offering energy efficiency programs in South
76 Dakota in 2009. Today, MidAmerican conducts energy efficiency programs in
77 South Dakota pursuant to MidAmerican's Revised Energy Efficiency Plan
78 filing for South Dakota, as approved by the Commission on November 27,
79 2012, in Docket No. GE12-005. Currently, MidAmerican offers five
80 combination electric/gas programs to its gas customers. The programs included
81 are Residential Equipment, Residential Audit, Nonresidential Equipment,
82 Nonresidential Custom and Small Commercial Audit.

83 Additionally, we encourage customers to contact our customer
84 satisfaction group to receive advice on ways to manage energy costs, such as
85 budget billing and possible assistance to those that qualify.

86 **Q. Please describe the major increased costs that are reflected in this filing.**

87 A. In addition to the changes in costs resulting from general inflation and
88 increased regulation, MidAmerican's gas facility rate base in South Dakota has
89 increased more than 50% since the last rate case. These investments include the
90 construction of gas distribution system improvements, relocations and
91 extensions that provide substantial benefits to growing regions of South Dakota.
92 MidAmerican's South Dakota gas service territory continues to grow at a rapid

93 pace due to the expanding economy. Since 2004 MidAmerican has installed gas
94 facilities to serve approximately 11,263 new residential, commercial and
95 industrial gas customers in South Dakota. In addition to this new customer
96 growth, MidAmerican has invested substantially in the realignment and
97 relocation of its pipeline network to accommodate numerous roadway and
98 infrastructure improvements necessary to support this growth. MidAmerican
99 has also continued its aggressive efforts to upgrade existing gas distribution
100 facilities, including projects to retire all vintage cast iron gas systems and
101 replacement of older steel and plastic piping systems. This infrastructure
102 upgrade has also included the redesign and replacement of numerous gas
103 regulator stations, odorizers, valves and other items necessary to assure reliable
104 operation and compliance with pipeline safety regulations.

105 A few of the more significant capital projects that have been undertaken
106 since the filing of MidAmerican's last request for natural gas rate relief are
107 related to main reconstruction to replace aging cast iron gas systems. In 2014,
108 MidAmerican will complete a three-year program that will eliminate all
109 remaining cast iron systems, including 23 miles of cast iron and eight miles of
110 aging steel pipelines. In addition, MidAmerican has invested substantially in
111 the reconstruction of pressure control and odorizer facilities and has made
112 substantial capacity upgrades to town border stations serving Harrisburg, Tea
113 and Sioux Falls distribution systems. Some areas of growth that have also
114 required substantial infrastructure additions include the Sioux Falls 69th and
115 Southeastern Expansion, the Lyons capacity expansion and Sioux Falls La

116 Mesa 250 psig extension. MidAmerican has also been required to relocate gas
117 facilities to accommodate various road and utility projects, such as the Sioux
118 Falls North Cliff Avenue road project, the Vermillion Highway 50
119 reconstruction, the BNSF Railway Company River Crossing and the Sioux
120 Falls 60th Street Flood Wall project. While these projects represent only a small
121 portion of the financial commitments made by MidAmerican, they are
122 representative of the type and scope of work requiring investment to enhance
123 the reliability and safety of our gas systems.

124 **Q. Please identify the other witnesses presenting testimony in support of the**
125 **Company's filing.**

126 A. The following witnesses will also be providing testimony on behalf of
127 MidAmerican:

128 Rick R. Tunning is Manager – Corporate Accounting for MidAmerican. His
129 testimony supports the overall revenue requirement, the test year operating
130 income, the capital structure, and related pro forma adjustments.

131 Mary Jo Anderson is Senior Technical Accountant – Property Accounting for
132 MidAmerican. Her testimony supports plant balances, rate base adjustments and
133 plant-related pro forma adjustments.

134 Dr. James Vander Weide is President of Financial Strategy Associates, a firm
135 that provides strategic and financial consulting services to clients in the electric,
136 gas, insurance, telecommunications, and water industries. His testimony
137 supports the determination of an appropriate allowed return on equity.

138 Charles B. Rea is Manager, Regulatory Strategic Analysis for MidAmerican. In
139 his testimony, Mr. Rea supports the weather normalization pro forma
140 adjustment, cost of service model and rate calculations and development of rate
141 components.

142 Debra L. Kutsunis is Manager, Regulated Pricing for MidAmerican. Her
143 testimony supports tariff terms and conditions, rate case expense and cash
144 working capital.

145 Tom A. Gesell is Manager of Gas Supply Operations and supports changes to
146 MidAmerican's natural gas transportation tariff.

147 **Q. Does this conclude your direct testimony?**

148 A. Yes, it does.