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**STAFF MEMORANDUM**

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**TO:** COMMISSIONERS AND ADVISORS  
**FROM:** AMANDA REISS, ERIC PAULSON, AND JOSEPH REZAC  
**RE:** DOCKET NG17-004 – IN THE MATTER OF THE FILING BY MIDAMERICAN ENERGY COMPANY FOR APPROVAL OF TARIFF REVISIONS REGARDING EXCESS FLOW VALVES FOR EXISTING SERVICE LINES  
**DATE:** 3/22/17

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**BACKGROUND**

On February 21, 2017, MidAmerican Energy Company (MidAmerican or Company) filed an Application for Approval of tariff revisions regarding excess flow valves for existing service lines with the South Dakota Public Utilities Commission (Commission). MidAmerican proposes an effective date of April 14, 2017.

MidAmerican proposes this excess flow valve (EFV) charge in response to new federal regulations issued by the United States Department of Transportation, Pipeline and Hazardous Materials Safety Administration (“PHMSA”). Under the new regulations in 49 CFR 192.383, natural gas utilities must offer the installation of EFV’s to existing residences and small commercial structures served by a utility’s qualifying distribution system.

MidAmerican requests, that in their tariff, they be allowed to charge customers \$400 for the installation of an EFV on an existing service line if the customer requests an EFV be installed and that with any installation costs totaling less than \$400, the difference between the \$400 fee and the actual costs will be returned to the customer. MidAmerican will send notices to customers informing them of their option to have an EFV installed.

**STAFF’S ANALYSIS**

Staff conducted a comprehensive review of MidAmerican’s filing, assessed the filing’s compliance with the statutes related to the EFV installation, obtained additional information through discovery, and ultimately came to a determination based on this analysis.

The new PHMSA rules require that all existing customers be offered the option to have an EFV installed if the customer chooses. The new rule does not however, require existing customers to make the installation. Simply, customers have the option of installing the EFV. Currently, and since 2008, MidAmerican has been installing EFVs on all new and replacement natural gas service lines as required by PHMSA.

The PHMSA rule gives the utility the opportunity to collect expenses related to the installation of EFV valves. The rule also gives the “operator’s rate-setter” the authority to determine “how and to whom the costs of the requested EFVs are distributed”.

MidAmerican estimates that on average it will cost approximately \$800 per installation. MidAmerican requests that they be allowed recovery of \$400 directly from the customer through an installation fee in their tariff. Any costs of installation under \$400 will be refunded to the customer.

Company cost vs Customer fee chart based on average of \$800 installation cost and varying allowed customer fee.

Customer Fee	Company Cost
\$0	\$800
\$100	\$700
\$200	\$600
\$300	\$500
\$400	\$400
\$500	\$300
\$600	\$200
\$700	\$100
\$800	\$0

MidAmerican has estimated approximately 50,000 service lines in South Dakota will be eligible for this voluntary EFV installation on. With this EFV retrofit it would cost over \$40,000,000 if all customers were to opt to get the EFV installed. For a more detailed estimate of total costs based on a percentage of customer opt-ins and a breakout of cost components, see the confidential response to Staff’s data request, EFV Ruling MEC Cost Analysis - South Dakota Confidential.

MidAmerican has stated in their application letter that the results of new PHMSA requirement will only provide “modest safety improvements” for the customers and that is why installing EFVs on existing lines has not been part of their plans in the past.

**RECOMMENDATION**

While safety should be a big priority for the Commission and MidAmerican, PHMSA does not require the retrofit on all existing lines and MidAmerican has stated that the EFVs only provide modest safety improvement. Since PHMSA does not require EFVs to be installed on all existing lines, Staff would be supportive of establishing an installation charge for the customers who elect to have MidAmerican install an EFV on their existing line. However, Staff will defer to the Commission to establish an appropriate customer installation charge amount and have no recommendation on the installation charge amount at this time.