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BY: E-filing

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

**Re: NG17-011 - In the Matter of the Filing by MidAmerican Energy Company
for Approval of Tariff Revisions regarding Farm Tap Service**

Dear Executive Secretary:

MidAmerican Energy Company (“MidAmerican”) files this letter to provide information on its proposal to provide services to farm tap customers connected to an interstate pipeline owned and operated by Northern Natural Gas Company (“Northern”).

While MidAmerican originally indicated that tariff language would be filed on July 27, 2017, MidAmerican requires additional time to fully develop specific tariff language that will be necessary to establish the appropriate arrangements between MidAmerican and these customers. MidAmerican expects to file necessary tariff language no later than August 10, 2017, for consideration at the Commission’s August 15, 2017, Commission Meeting. However, to allow for initial discussion among the Commissioners at the August 1, 2017, Commission Meeting, MidAmerican provides the following narrative description of its proposal.

Customers MidAmerican Will Serve

MidAmerican offers its proposal in an attempt to ensure the farm tap customers are provided continuous services without interruption. MidAmerican’s proposal will extend only to those customers who are currently receiving services from NorthWestern Corporation d/b/a NorthWestern Energy (“NorthWestern”) under a contractual arrangement between Northern and NorthWestern. Based on information provided to MidAmerican by NorthWestern, MidAmerican believes that 180 active customers throughout the eastern part of South Dakota would have the opportunity to receive service under this proposal.

MidAmerican will continue to serve its thirteen current farm tap customers under the arrangements that currently apply to them.



Ownership of Facilities and Initial Safety Checks

Northern and the farm tap customers will continue to own and operate the farm tap facilities. MidAmerican will not assume ownership or operation of any facilities (except to fulfill MidAmerican's service requirements as outlined in the next section).

MidAmerican will require initial safety checks of the lines to ensure that gas service can be provided in a safe manner. The cost of a safety check will be split between the farm tap customer and a cost recovery mechanism (described later). The safety inspection requirements that MidAmerican plans to use are included as Attachment 1 to this letter. Customers will be responsible for the costs of completing any repairs necessary to meet the safety requirements.

Separately, MidAmerican is working with Northern to develop an interconnection agreement to ensure there is a clear delineation of the services provided and facilities owned by Northern.

Services MidAmerican Will Provide

MidAmerican will provide comparable services to those currently provided by NorthWestern, as described in Attachment 2 to this letter, which is Exhibit 1 of the April 1, 1987 agreement by and between Northern and Peoples Natural Gas Company (the "1987 Agreement"). The services include: emergency services, checking and filling odorizers and billing. MidAmerican plans to perform odorization checks, visual inspections of the farm taps and meter reading services on a monthly basis consistent with its current business practices for similar facilities, which is more frequent than required by the 1987 Agreement. MidAmerican will provide System Gas Service to farm tap customers under Rider S of MidAmerican's South Dakota Gas Tariff.

MidAmerican will not perform some of the services currently identified in the 1987 Agreement because they no longer are necessary or consistent with good utility practice. The services that MidAmerican will not provide are:

- The services described in paragraph two of the 1987 Agreement that would require MidAmerican to "Respond as a third party contractor to customers' needs related to appliance purchase or service...";
- Pressure checks as required in paragraph three of the 1987 Agreement because MidAmerican is not aware of any state or federal requirements to check delivery pressure;
- Initiation of requests for new farm tap sales facilities as described in paragraph 10 of the 1987 Agreement.



Provision of Emergency Services

Because some of the farm tap customers MidAmerican would serve pursuant to its proposal are located far from MidAmerican’s current South Dakota service territory, MidAmerican will be required to work with other service providers to ensure customers receive emergency services consistent with MidAmerican’s Gas Operating Standards Manual. MidAmerican is reviewing mutual aid arrangements to identify how emergency services can be provided consistent with the needed response times and in the most cost-effective fashion.

Cost of Service and Cost Recovery

Based on preliminary analysis of its costs to provide the proposed services to farm tap customers, and revenues it projects it would receive from farm tap customers at existing rates currently charged by NorthWestern, MidAmerican estimates a revenue deficiency of approximately \$68,000 per year. MidAmerican proposes to phase-in increases to farm tap customer rates over a 10-year period to a level that would result in recovery of the approximate cost of service, plus a reasonable management fee. A phased-in rate will help to mitigate any rate shock on the part of the farm tap customers. These figures are based on estimates and subject to revision if additional information becomes available or conditions of service change.

a. Estimated Annual Cost of Service Per Farm Tap Customer	\$ 707.79	MidAmerican Estimate
b. Management Fee (9.25%)	\$ 65.47	Line a. x 9.25%
c. Estimated Annual Revenue Requirement Per Farm Tap Customer	\$ 773.26	Line a. + Line b.
d. Total Number of Active Farm Tap Customers	180	
e. Estimated Annual Revenue Requirement	\$ 139,187.35	Line c. x Line d.
f. Estimated Annual Revenue (exclusive of gas costs) at existing NorthWestern rates	\$ 70,842.33	Average of 2013-2016
g. Estimated Annual Revenue Deficit	\$ 68,345.02	Line e. - Line f.
h. Normalized Annual South Dakota PGA Sales Volume (Therms)	106,350,000	MidAmerican Estimate
i. Estimated PGA Impact to Recover Annual Revenue Deficit (\$/Therm)	\$ 0.00064	Line g. / Line h.

Note: Estimates subject to change based on number of customers served and change in any aspect of services provided to customers pursuant to MidAmerican's proposal.

To provide for recovery of MidAmerican’s costs while increases in farm tap rates are phased-in, MidAmerican proposes to incorporate a cost recovery mechanism into its Purchased Gas Adjustment (“PGA”) for all South Dakota gas customers (excluding transportation customers). As increased farm tap rates are phased-in, recovery through the PGA mechanism would decrease. The initial estimated impact on PGA customers during the phase-in period of \$0.00064/therm would impact a typical South Dakota residential customer by less than \$0.50 per year. MidAmerican believes there is a sufficient nexus to establish this cost recovery mechanism within its South Dakota PGA because farm tap customers have been granted a right to receive farm tap service as a condition of easements necessary for interstate pipelines to supply natural gas to all South Dakota customers. Further, providing a recovery mechanism as part of an existing line-item on customer bills will reduce administrative costs and the potential for customer confusion.



MidAmerican's proposal is designed to ensure continuity of natural gas service for the farm tap customers in South Dakota. The proposal is focused on providing service in a safe manner and is designed to avoid rate shock over the provision of services. The proposal is also intended to provide for recovery of MidAmerican's costs for providing service to the farm tap customers, including a reasonable return. MidAmerican greatly appreciates the work the Commission staff has done to assist in MidAmerican's development of this proposal.

MidAmerican looks forward to any feedback the Commission may have on this proposal. We will have staff in attendance at the August 1, 2017 Commission Meeting to address any questions from the Commissioners and will continue to work on a tariff filing that will be made on or before August 10, 2017, in which we will incorporate any feedback from the August 1, 2017 Commission Meeting.

If you have any questions prior to the August 1, 2017 Commission Meeting, feel free to contact me at (515) 281-2559.

Sincerely,

Brian J. Rybarik

Brian J. Rybarik
Managing Senior Attorney