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Brian Rybarik, Attorney

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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 the following documents and requests that the South Dakota Public Utilities Commission (“Commission”) approve revisions to the MidAmerican South Dakota Natural Gas Tariff to allow MidAmerican to step in and provide services to farm tap customers connected to an interstate pipeline owned and operated by Northern Natural Gas Company. Without a service provider to step in and take on these customers, it appears that they will not have natural gas service as of January 1, 2018.

For the reasons set forth below, and as identified in MidAmerican’s prior filings in this docket, MidAmerican believes that its proposals offer balanced solutions. Customers will be able to continue service, safety for farm tap customers, MidAmerican employees and the public will be enhanced through the application of safety checks, and the financial impact to customers is mitigated by phasing-in service rates over 10 years and amortizing the costs of safety checks and a significant portion of the facility repair or replacement that may be needed.

MidAmerican files the following information with this filing:

- **Tariff Package – Option 1:** This proposal establishes a new Rate NF for Farm Tap Service for Northern Natural Gas Easement Holders. The tariff identifies the availability and application of the new rate (limited to those customers that currently receive services from NorthWestern Energy). The tariff also establishes the phase-in of new rates over a 10-year period as well as other standard tariff provisions like a minimum charge and late payment charge. The package also includes changes to Section 5 of the MidAmerican Gas Tariff to establish the safety inspection procedure that MidAmerican will follow for these transitioned farm tap customers. Option 1 would split the cost of safety inspections between the farm tap customers (\$200) and MidAmerican’s Purchased Gas Adjustment (PGA). The revenue deficiencies during the 10-year phase-in would be collected through the PGA. Finally, under Option 1, transitioning farm tap customers would receive an allowance for any repairs or replacements needed on their farm tap systems, up to the amount they would receive for an extension of service under MidAmerican’s Gas Tariff. This would assist the customer in paying for repairs or replacements (and in some cases might cover all repair



- or replacement costs), with the costs recovered through the PGA (approximately \$600,000 under this option). Customers would be responsible for any difference between the allowance provided and actual repair or replacement costs. Included with this filing is documentation showing the customer impacts of this methodology which shows that the highest annual impact of this proposal (which would phase-down over time) is estimated to be approximately \$1.25 for the average South Dakota residential customer.
- **Tariff Package – Option 2:** This Option is similar in all respects to Option 1, with the exception that it would provide for full repair or replacement cost of any service lines that require repair or replacement, with the costs running through MidAmerican’s PGA. Farm tap customers would be responsible only for the \$200 share of the safety inspections. Without more information on the amounts needed to repair or replace all service lines, MidAmerican provides a variety of analyses to show the impacts to PGA customers. Assuming a total of \$1.2 million in repair or replacement costs, the highest annual impact would be approximately \$1.88 for the average South Dakota residential customer. Assuming a total repair or replacement cost of \$2.7 million, the highest annual impact the average residential customer would be approximately \$3.50. These impacts are identified in the accompanying documentation.
 - **Tariff Package – Option 3:** This Option is similar in all respects to Option 1, with the exception that it would provide no contribution to customers for any repair or replacement costs for service lines that require repair or replacement. Farm tap customers would be responsible for the \$200 share of the safety inspections, with the remainder of the inspection costs running through the PGA. The highest annual impact to the average residential customer under this option would be approximately \$0.60 per year, as shown in the accompanying documentation.
 - MidAmerican provides a **cost-of-service analysis** to support the reasonableness of the rates.
 - A **draft interconnection agreement with Northern Natural Gas** to demark the facilities and services provided.
 - A **draft mutual assistance agreement with Northern Natural Gas** outlining the emergency services that Northern Natural Gas may provide to customers that are far away from MidAmerican’s existing service territory. Portions of this document (Attachments A and C) are confidential because they include customer-specific information.

As MidAmerican indicated at the August 1, 2017 Commission meeting, MidAmerican intends to safely serve *all* of the farm tap customers currently receiving services from NorthWestern Energy (approximately 180 active customers). MidAmerican stands firm that the safety requirements outlined in the proposed tariff are necessary to ensure the safety of South Dakota residents and MidAmerican employees. The safety requirements are also consistent with our Gas Service



Manual, available at https://www.midamericanenergy.com/content/pdf/gas_srv_manual.pdf. We want to make clear that it was never MidAmerican's intent to use the safety requirements as a backdoor to reduce or refuse service to these customers. If MidAmerican intended not to serve these farm tap customers, we would not be part of this conversation. MidAmerican is stepping up, voluntarily, to provide an opportunity for customers that otherwise would be left with no options.

MidAmerican believes that safety is essential, especially when dealing with services like natural gas service. As identified above, MidAmerican has proposed solutions to provide funding to farm tap customers who will need to repair or replace their service lines that would allow them to significantly reduce their costs in retaining natural gas service and that would increase safety for all, including the farm tap customers.

MidAmerican agrees that the statutes and previous Orders of the Commission establish liability on the part of the farm tap customers for any damages caused due to the condition of the service lines. However, the boundaries of liability do not always determine the right thing to do. This situation presents an opportunity to implement policies that provide for the continuation of natural gas service in rural parts of South Dakota and to significantly increase the safety of farm tap service with a reduction in the cost impact to farm tap customers that are required to replace their lines. As outlined in the options above, this can be achieved with reasonable annual impacts to other customers.

Upon review of the situation, MidAmerican identifies that the same requirements and rates should apply to its 13 existing farm tap customers. MidAmerican will work with these customers and with the Commission to transition the customers in an orderly way to ensure that all similarly situated customers are treated the same. While MidAmerican has significantly more experience with these customers, safety and fairness encourage us to move these customers on to the proposed Rate NF in the near future.

Consistent with the allowances of Commission Rule 20:10:01:41, MidAmerican requests confidential treatment of the customer-specific information that is included in the attachments to the draft mutual assistance/emergency response agreement, specifically Attachment A (customer listing) and Attachment C (map identifying customer locations). MidAmerican requests confidential treatment of this information in perpetuity. This is customer-identifying information that the Commission has typically withheld from view because it would serve no purpose for public inspection, and could provide the opportunity for the customer information to be used negatively. MidAmerican requests confidential treatment of this information under the allowances of Commission Rule 20:10:01:39(6). Questions about this request for confidentiality can be directed to the undersigned attorney, using the contact information in the header of this letter.

Finally, MidAmerican notes that these tariff changes (if approved by the Commission) will require cross-references and other clean up in the MidAmerican Gas Tariff. Upon approval, MidAmerican will work to file clean up revisions promptly.



MidAmerican's proposal is designed to ensure continuity of natural gas service for the farm tap customers in South Dakota that is safe and equitable for all customers. MidAmerican's proposed solutions will mitigate the impact to current farm tap customers, while also mitigating the impact to other customers to fulfill the safety requirements that MidAmerican believes are necessary. MidAmerican continues to greatly appreciate the work the Commission staff has done to assist in MidAmerican's development of this proposal and looks forward to any additional input they have for the Commission. MidAmerican requests action on this tariff so that we can start performing safety checks immediately and can begin work to continue service to customers that, without this proposal, would otherwise be without an opportunity to receive natural gas service as of January 1, 2018.

If you have any questions prior to the August 15, 2017 Commission Meeting, feel free to contact me at (515) 281-2559.

Sincerely,

/s/ Brian J. Rybarik

Brian J. Rybarik
Managing Senior Attorney

Enclosures