

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION)	Docket No. NG-0088
OF SOURCEGAS DISTRIBUTION LLC,)	
GOLDEN, COLORADO, SEEKING)	Joint Stipulation of
APPROVAL OF THE REGULATORY)	the Public Advocate and the Public
TREATMENT OF THE NET BUYOUT)	Alliance for Community Energy,
COSTS OF TWO GAS SUPPLY-RELATED)	Interveners, and
CONTRACTS, THE COSTS ASSOCIATED)	Black Hills Gas Distribution, LLC d/b/a
WITH FINANCING THE BUYOUT COSTS,)	Black Hills Energy (f/k/a SourceGas
AND OTHER SPECIFIED RELIEF)	Distribution LLC), Applicant

Pursuant to Neb. Rev. Stat. §66-1831(3), the Public Advocate, the Public Alliance for Community Energy ("ACE"), and Black Hills Gas Distribution, LLC d/b/a Black Hills Energy (f/k/a SourceGas Distribution LLC), Applicant ("Black Hills Gas Distribution," the "Applicant" or the "Company"), collectively, the "Parties," do enter into the following stipulations regarding the above-captioned docket:

1. On February 12, 2016, Black Hills Utility Holdings, Inc. closed its acquisition of the Applicant, SourceGas Distribution LLC; as a result, SourceGas Distribution LLC is now named Black Hills Gas Distribution, LLC. On December 14, 2015, Black Hills Gas Distribution filed with the Nebraska Public Service Commission (the "Commission") an application in this docket (the "Application") seeking approval of the creation of a regulatory asset on the Company's books and records comprised of the net buyout costs that the Company will incur to terminate a gas purchase contract with Noble Energy, Inc. called the "P-0802 Contract" and a related gas gathering agreement with WBI Energy Midstream, LLC, along with carrying costs incurred in financing the buyout costs. The Company filed the Application pursuant Neb. Rev. Stat. § 66-1804 and in compliance with the Rules and Regulations of the Nebraska Public Service Commission. The Application includes the Direct Testimony of Jerrad S. Hammer and Mr. Hammer's Confidential Exhibit JSH-1, Confidential Exhibit JSH-2, and Exhibit JSH-3; and

the Direct Testimony of Richard A. Maceyka and Mr. Maceyka's Exhibits RAM-1 through RAM-3, Confidential Exhibit RAM-4, and Exhibits RAM-5 and RAM-6. The Application, which includes such direct testimony, exhibits and confidential exhibits, is hereby offered into evidence and the Parties stipulate and agree that the same may be received by the Commission without objection. Also on December 14, 2015, Black Hills Gas Distribution filed a Motion for Protective Order of the above-referenced confidential exhibits and other commercially sensitive and proprietary information that might be produced by the Company during the proceeding. The Commission entered its Protective Order in this docket on January 12, 2016.

2. The Public Advocate filed a Petition of Formal Intervention on January 8, 2016, and ACE filed a Petition for Formal Intervention on January 15, 2016. The Commission's Hearing Officer granted those petitions in the Order Granting Formal Intervention entered in this docket on January 21, 2016.

3. The Commission entered its Notice of Assessment in this docket on January 12, 2016. The Public Advocate propounded requests for information and documents upon Black Hills Gas Distribution subsequent to the Commission entering its Notice of Assessment, and Black Hills Gas Distribution fully responded to all information requests.

4. The Commission's Hearing Officer entered an Order Setting Planning Conference in this docket on January 29, 2016. In accordance with the Order Setting Planning Conference, the Hearing Officer held a planning conference on February 4, 2016. Representatives of the Parties and Commission Staff participated in the planning conference in person or by telephone. The Hearing Officer entered a Planning Conference Order and Notice of Hearing in this docket on February 5, 2016. The Planning Conference Order and Notice of Hearing established several procedural deadlines, including: the filing of testimony by the Public Advocate and ACE by

March 14, 2016; the filing of rebuttal testimony by the Applicant by March 24, 2016; the filing of hearing exhibits, a list of issues and any settlement by April 1, 2016; the commencement of the hearing on April 6, 2016; and the proposed target date for the Commission order in this docket by April 26, 2016.

5. On February 26, 2016, the Public Advocate filed in this docket its Notice of Filing of Written Testimony of Donna Mullinax. The Public Advocate therein stated that it was filing under seal and serving on the Company a confidential version of the Direct Testimony and Exhibits of Donna H. Mullinax, pursuant to the above-referenced Protective Order, and was serving on all persons on the Service List a redacted version of the same. The confidential and redacted versions of the Direct Testimony and Exhibits of Donna H. Mullinax are hereby offered into evidence and the Parties stipulate and agree that the same may be received by the Commission without objection.

6. ACE did not file testimony in this docket.

7. The Direct Testimony of Ms. Mullinax concludes on page 52 therein that "the Commission's approval would be in the best interests of Nebraska ratepayers." The complete portion of Ms. Mullinax's testimony containing that conclusion appears below.

Q. Following your examination of the four areas, would approval of the Company's requested regulatory and accounting treatment regarding the net buyout costs of the two gas-supply-related contracts be in the best interest of Nebraska ratepayers?

A. Based upon my evaluation of the SourceGas Distribution LLC request for approval of accounting and regulatory treatment relative to a regulatory asset comprised of the net buyout costs of two gas-supply-related contracts and the costs associated with financing the buyout costs and other specified relief, my opinion is that the Commission's approval would be in the best interests of Nebraska ratepayers. A regulatory asset should be created with the

updated actual costs and filed with the Commission in a Compliance Filing. To further reduce the impact on Nebraska ratepayers, the Company should make monthly principal and interest payments instead of the proposed annual payments. This approach would result in significant savings. The regulatory asset should be recovered over a five-year period through the existing GSCA mechanism. The GSCA annual filing should also include the beginning bank loan balance, principal and interest payments made, and the ending bank loan balance.

8. Ms. Mullinax's conclusion is that the Commission's approval of the Application would be in the best interests of Nebraska ratepayers, but she recommended that the Company "should make monthly principal and interest payments instead of the proposed annual payments." Ms. Mullinax also testifies that the Company should create the regulatory asset "with the updated actual costs," with those costs "filed with the Commission in a Compliance Filing," and that the Gas Supply Cost Adjustment ("GSCA") "annual filing should also include the beginning bank loan balance, principal and interest payments made, and the ending bank loan balance."

9. Black Hills Gas Distribution agrees with the Public Advocate and Ms. Mullinax that the regulatory asset should be created with the updated actual costs and those costs should be filed with the Commission in a Compliance Filing, and the Company had proposed such creation and filing in the Application (see Direct Testimony of Jerrad S. Hammer, page 8, lines 3-15). Further, Black Hills Gas Distribution agrees with the Public Advocate and Ms. Mullinax that the GSCA annual filing also should include the beginning bank loan balance, principal and interest payments made, and the ending bank loan balance. The Company planned to include such information in its GSCA annual filing but the Application did not elaborate on that plan. After the Public Advocate filed the testimony of Ms. Mullinax, Black Hills Gas Distribution proposed to the Public Advocate that the Company make quarterly principal and interest payments. The

Public Advocate has accepted Black Hills Gas Distribution's proposal for the Company to make quarterly principal and interest payments.

10. ACE stipulates and agrees that the Commission should approve the Application with the modification that the Company make quarterly principal and interest payments.

11. Black Hills Gas Distribution, the Public Advocate and ACE stipulate and jointly recommend to the Commission that the Commission enter an order approving the Application as modified by this Joint Stipulation, as follows:

- a. Authorize Black Hills Gas Distribution to establish, for accounting and ratemaking purposes, a regulatory asset equal to: (i) Nebraska's share of Black Hills Gas Distribution's portion of the net buyout costs; plus (ii) Nebraska's share of Black Hills Gas Distribution's portion of the carrying costs associated with Black Hills Gas, LLC or its affiliates entering into a bank loan to finance the regulated buyout costs; plus (iii) Nebraska's share of the costs to obtain Commission approval;
- b. Authorize Black Hills Gas Distribution to create the regulatory asset with the updated actual costs and to file those updated actual costs with the Commission in a Compliance Filing;
- c. Authorize Black Hills Gas Distribution to amortize the regulatory asset into the Company's GSCA account over a five-year period, with principal and interest over the five-year loan funding the contract buyout paid on a quarterly basis;
- d. Authorize Black Hills Gas Distribution to exclude, for regulatory purposes, the borrowing to pay the buyout costs from the calculation of

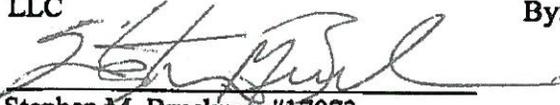
the Company's capital structure and exclude, for regulatory purposes, the regulatory asset from the calculation of the Company's rate base; and

- e. In addition to the "Adjustment to Actual" (as defined in the GSCA Tariff) for any over- or under-recovery, the GSCA annual filing also shall include the beginning bank loan balance, principal and interest payments, and ending bank loan balance until it is paid in full.

The above stipulations are entered into on this 22nd day of March, 2016.

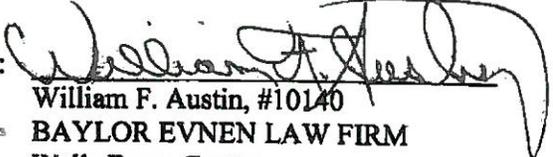
BLACK HILLS GAS DISTRIBUTION,
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