

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF NEBRASKA

IN THE MATTER OF THE APPLICATION OF )  
SOURCEGAS DISTRIBUTION LLC FOR AN )  
ORDER AUTHORIZING IT TO PUT INTO EFFECT )  
A SYSTEM SAFETY AND INTEGRITY RIDER )  
TARIFF AND A SYSTEM SAFETY AND )  
INTEGRITY RIDER CHARGE )

DOCKET NO. NG-0078

**NON-CONFIDENTIAL**

**DIRECT TESTIMONY AND EXHIBITS OF**

**DONNA H. MULLINAX**

**ON BEHALF OF THE NEBRASKA PUBLIC ADVOCATE**

**AUGUST 21, 2014**

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1 **I. QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Donna H. Mullinax. My business address is 114 Knightsridge Road,  
4 Travelers Rest, South Carolina 29690.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed as Vice President and Chief Financial Officer by Blue Ridge  
7 Consulting Services, Inc. (Blue Ridge), located in Travelers Rest, South Carolina.

8 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**  
9 **EDUCATIONAL BACKGROUND.**

10 A. I have over 35 years of professional experience. I have held the position of Vice  
11 President and Chief Financial Officer (CFO) for the last 19 years and have served  
12 on various Boards of Directors. As Vice President/CFO, I have been responsible  
13 for all aspects of finance and administration, including accounting, cash  
14 management, tax planning and preparation, fixed assets, human resources and  
15 benefits for my current employer and my previous employer, Hawks, Giffels, &  
16 Pullin (HGP), Inc.

17 In addition to my corporate responsibilities, I have been a utility industry  
18 consultant for the last 21 years. My consulting assignments include management,  
19 financial, and compliance audits, due diligence reviews, prudence reviews, and  
20 economic viability and financial studies. Other projects include numerous rate  
21 cases for natural gas and electric utilities and litigation support for various  
22 construction claims.

1           From 1991 to 1993, I worked with Cherry, Bekaert & Holland CPAs as a  
2           senior accountant and accounting supervisor. My responsibilities included  
3           financial reporting and tax return preparation. I was lead auditor for several large  
4           financial and compliance audits.

5           From 1988 to 1991, I was a sales representative for Smith, Kline and  
6           French Pharmaceutical Company.

7           I worked with Milliken and Company, a large privately held textile and  
8           chemical company, from 1979 through 1988. As head of the Quality Assurance  
9           Department, I was actively involved in numerous operations' audits supporting  
10          Milliken's Quality Program. As the Technical Cause Analyst, I analyzed complex  
11          quality and production problems to develop corrective actions through advanced  
12          statistical and problem solving techniques. I conducted training seminars for  
13          production associates and management on statistical quality control techniques. I  
14          held various production management positions with the responsibility of  
15          controlling cost, schedule, production, and quality within areas under my control.

16          I am a Certified Public Accountant (CPA), Certified Internal Auditor  
17          (CIA), a Certified Financial Planner (CFP) and recently was awarded the  
18          designation of Chartered Global Management Account (CGMA). I am a member  
19          of the South Carolina Association of Certified Public Accountants, the American  
20          Institute of Certified Public Accountants, and the Institute of Internal Auditors. I  
21          graduated with honors from Clemson University with a Bachelor of Science in  
22          Administrative Management and a Master of Science in Management.

1 **Q. HAVE YOU PREVIOUSLY APPEARED AS A WITNESS OR FILED**  
2 **TESTIMONY?**

3 A. Yes. While my primary role has been as an auditor presenting my work through  
4 written reports or as a consultant working directly with Commissioners and/or  
5 Staff, I have testified in Colorado, Delaware Maryland, and Michigan. I have also  
6 supported other experts' testimony in numerous other jurisdictions.

7 **Q. HAVE YOU INCLUDED A MORE DETAILED DESCRIPTION OF YOUR**  
8 **QUALIFICATIONS?**

9 A. Yes. A description of my qualifications is included as Attachment A.

10 **II. OVERVIEW OF TESTIMONY AND EXHIBITS**

11 **Q. PLEASE PROVIDE THE PURPOSE OF YOUR TESTIMONY IN THIS**  
12 **PROCEEDING.**

13 A. The purpose of my testimony is to present Blue Ridge's analysis and my  
14 recommendations in regard to the following three fundamental questions related  
15 to SourceGas Distribution LLC's (SourceGas or Company) Revenue Deficiency  
16 and the System Safety and Integrity Rider (SSIR):

- 17 1. Is the revenue deficiency of \$4.5 million that SourceGas seeks to recover  
18 through the ISR, SSIR, and revised depreciation rates applications  
19 appropriate?
- 20 2. Should the Commission authorize SourceGas's request to replace the  
21 legislative ISR with its proposed prospective SSIR?
- 22 3. If the Commission approves SourceGas's SSIR, what changes should be  
23 made to the Company's SSIR request?

1 **Q. ON WHO'S BEHALF ARE YOU TESTIFYING?**

2 A. I am testifying on behalf of the Nebraska Public Advocate.

3 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND**  
4 **RECOMMENDATIONS TO THESE FUNDAMENTAL QUESTIONS.**

5 A. I believe that the Company's \$4.5 million revenue deficiency that it has used to  
6 justify the SSIR in this proceeding and a prospective change in its depreciation  
7 rates Docket No. NG-0079 is overstated. The Commission should reject the  
8 Company's request to replace the legislative ISR with the prospective SSIR.  
9 Should the Commission authorize the SSIR, changes should be made to the SSIR.  
10 I discuss each of these items in detail in the balance of my testimony.

11 **Q. WHAT INFORMATION DID YOU REVIEW IN PREPARATION OF**  
12 **YOUR TESTIMONY?**

13 A. I reviewed the Company's application for Docket No. NG-0078, which included  
14 the prefiled direct testimonies and exhibits of Mr. Jerrad S. Hammer and Mr.  
15 Charles A. Bayles. Additional information was obtained and reviewed through  
16 information requests.

17 I also reviewed the Company's application for an increase in its  
18 Infrastructure System Replacement Cost Recovery Charge (2014 ISR) in Docket  
19 No. NG-0072.01. I was the project manager and lead auditor in the Company's  
20 first ISR examination in Docket No. NG-0072 and continued that role in its recent  
21 request for an increase (2014 ISR) in Docket No. NG-0072.01. Blue Ridge's audit  
22 report was filed June 30, 2014.

1           In addition, I reviewed the Company’s applications for Docket No. NG-  
2           0079 requesting a prospective change in depreciation rates on its Nebraska book  
3           of accounts. The Public Advocate retained a depreciation expert to review that  
4           Application in detail.

5       **Q.   WERE THE ANALYSES AND RESULTS PREPARED BY YOU OR**  
6       **UNDER YOUR DIRECT SUPERVISION?**

7       A.   Yes.

8       **Q.   HOW IS YOUR TESTIMONY ORGANIZED?**

9       A.   After a background section, my testimony is divided into three sections to address  
10       the fundamental questions mentioned earlier. These sections include the  
11       following:

- 12           1. Revenue Deficiency: Is the revenue deficiency of \$4.5 million that  
13           SourceGas seeks to recover through the ISR, SSIR, and revised  
14           depreciation rates applications appropriate?
- 15           2. Replacement of ISR with Prospective SSIR: Should the Commission  
16           authorize SourceGas’s request to replace the legislative ISR with its  
17           proposed prospective SSIR?
- 18           3. SSIR Changes: If the Commission approves SourceGas’s SSIR, what  
19           changes should be made to the Company’s SSIR request?

20       **Q.   ARE YOU PRESENTING ANY EXHIBITS IN CONNECTION WITH**  
21       **YOUR DIRECT TESTIMONY IN THIS PROCEEDING?**

22       A.   Yes. The following exhibits support my analysis and the resulting testimony:  
23           • Exhibit DHM-1 Blue Ridge’s SSIR Review Summary

- 1 • Exhibit DHM-2 Comparison ISR to SSIR
- 2 • Exhibit DHM-3 Information Request List
- 3 • Exhibit DHM-4 SourceGas Responses to Information Requests PA-1
- 4 through PA-57 [Electronic Non-Confidential]
- 5 • Exhibit DHM-5 SourceGas CONFIDENTIAL Responses to Information
- 6 Requests PA-32, PA-35, PA-44, PA-48, PA-49, PA-50, and PA-51
- 7 [Electronic CONFIDENTIAL]
- 8 • Exhibit DHM-6 SourceGas Response to PA-2
- 9 • Exhibit DHM-7 SourceGas Response to PA-3
- 10 • Exhibit DHM-8 SourceGas Response to PA-38
- 11 • Exhibit DHM-9 SourceGas Response to PA-30
- 12 • Exhibit DHM-10 SourceGas Response to PA-31
- 13 • Exhibit DHM-11 SourceGas CONFIDENTIAL Response to PA-49
- 14 • Exhibit DHM-12 SourceGas CONFIDENTIAL Response to PA-35
- 15 • Exhibit DHM-13 SourceGas Response to PA-36
- 16 • Exhibit DHM-14 SourceGas Response to PA-9
- 17 • Exhibit DHM-15 WP Comparison of Original and Revised Project
- 18 Estimates- PA-9a to 9b
- 19 • Exhibit DHM-16 SourceGas Response to PA-45
- 20 • Exhibit DHM-17 SourceGas Response to PA-1
- 21 • Exhibit DHM-18 SourceGas Response to PA-4
- 22 • Exhibit DHM-19 SourceGas Response to PA-10
- 23 • Exhibit DHM-20 SourceGas response to PA-34

1 **III. BACKGROUND**

2 **Q. PLEASE PROVIDE BACKGROUND ON THE COMPANY’S REQUEST**  
3 **FOR AN SYSTEM SAFETY AND INTEGRITY (SSIR) RIDER.**

4 A. On June 25, 2013, the Commission approved the Company’s initial request for an  
5 infrastructure system replacement (ISR) cost recovery charge pursuant to the State  
6 Natural Gas Regulation Act (Act or Neb. Rev. Stat.) §§ 66-1865 and 66-1866.  
7 The 2013 ISR resulted in a charge of \$0.50 per month for residential customers,  
8 \$1.07 per month for small commercial customers, and \$6.83 per month for large  
9 commercial customers. The charge was effective July 1, 2013.<sup>1</sup>

10 On May 1, 2014, the Company stated that its existing rates generate a  
11 jurisdictional revenue deficiency compared with its current revenue requirement.  
12 As stated by SourceGas, the revenue deficiency for its Nebraska jurisdictional  
13 customers for the calendar year 2014 is approximately \$4.5 million. The  
14 Company stated that when rate case expenses, charges of the Public Advocate and  
15 his consultants, and the costs of the Commission’s consultants are included in a  
16 general rate case customers would have to pay an additional \$5.25 million in the  
17 first year of new rates. To avoid filing a general rate case, the Company filed  
18 three applications to cumulatively address the calculated revenue deficiency.  
19 These applications include the following:

- 20 • Docket No. NG-0072.01 – a request to increase its Infrastructure System  
21 Replacement Cost Recovery Charge (2014 ISR) in accordance with Section  
22 66-1865 and 66-1866 of the Act

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<sup>1</sup> Docket No. NG-0072, Commission Order dated June 25, 2013, page 3.

- 1 • Docket No. NG-0079 – a request to prospectively change depreciation rates
- 2 on the Company’s Nebraska book of accounts
- 3 • Docket No. NG-0078 – a request for a new System Safety and Integrity Rider
- 4 (SSIR) Tariff

5 **Q. DO YOU HAVE ANY CONCERN ABOUT HOW THE COMPANY HAS**  
6 **PRESENTED ITS APPLICATIONS FOR DOCKET NOS. NG-0072.01, NG-**  
7 **0078, AND NG-0079?**

8 A. Yes. The Company has calculated a revenue deficiency to justify its need for a  
9 revised ISR, a new proposed prospective SSIR, and a prospective change in its  
10 depreciation rates instead of presenting each application on their own merits. Neb.  
11 Rev. Stat. §66-1866 requires that no other revenue requirement or ratemaking  
12 issue shall be examined in consideration of the ISR application. This should also  
13 be the case for the Company’s request for a SSIR and a change in depreciation  
14 rates. These applications should be considered as separate and distinct matters and  
15 not included with an argument that the Company has a revenue deficiency. The  
16 Commission should evaluate the revenue deficiency separately and not as  
17 justification for stopgap measures to justify expedited recovery of costs.

18 **Q. TAKING WHAT THE COMPANY HAS PROVIDED ON ITS FACE**  
19 **VALUE, HOW DO THE THREE APPLICATIONS REDUCE THE**  
20 **REVENUE DEFICIENCY?**

21 A. The Company analysis<sup>2</sup> summarized in the following table shows the impact of  
22 each of the three applications on its calculated revenue deficiency. The approval  
23 of the 2014 ISR would contribute \$448,454 to the deficiency, leaving a balance of

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<sup>2</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 1, page 1.

1 \$4,018,848. The SSIR would contribute an additional \$1,457,272, leaving a  
 2 balance of \$2,561,576. The Company stated that approval of all three applications  
 3 would reduce the Company's revenue deficiency to a level that would allow the  
 4 Company to avoid its planned general rate case at this time.

5 **Table 1: Cumulative Impact on Revenue Deficiency of Three Applications**

Description	Amount	Cumulative Impact
Calculated Revenue Deficiency	\$4,467,302	
Docket No. NG-0072.01 2014 ISR Revenue Increase	\$448,454	\$4,018,848
Docket No. NG-0078 SSIR Proposed Revenue Increase	\$1,457,272	\$2,561,576
Docket No. NG-0079 Proposed Change in Depreciation Rates	\$1,617,639	\$943,937
Remaining Revenue Deficiency	\$943,937	

6

7 **Q. WHAT IS THE STATUS OF THE 2014 ISR FILED IN DOCKET NO. NG-**  
 8 **0072.01?**

9 A. Blue Ridge submitted its report on June 30, 2014, with a recommendation that the  
 10 Commission allow recovery of \$3,246,649 of the proposed jurisdictional rate base  
 11 associated with the ISR projects put into service for the period ended April 30,  
 12 2014, which results in a revenue increase of \$448,454. Residential customer bills  
 13 would increase by \$0.34 each month or \$4.08 annually. Small commercial  
 14 customers will have a monthly increase of \$0.73 or \$8.76 per year and large  
 15 commercial customers will have an increase of \$4.55 each month or \$54.60  
 16 annually.

17 If the Commission approves the findings in Blue Ridge's report, the  
 18 Pipeline Replacement Charge (also referred to as the ISR) will increase as  
 19 follows: Residential Service will increase from \$0.50 per month to \$0.84 per  
 20 month, Small Commercial Service will increase from \$1.07 per month to \$1.80

1 per month, and Large Commercial Service will increase from \$6.83 per month to  
2 \$11.38 per month.

3 **Q. IF THE COMMISSION AUTHORIZED THE COMPANY’S PROPOSED**  
4 **SSIR, WHAT WOULD BE THE ADDITIONAL IMPACT ON THE**  
5 **RATEPAYERS?**

6 A. If the Commission approves the Company’s request for an increase to the  
7 Customer Charge for a new System Safety and Integrity Rider Charge, the  
8 Residential Service charge would increase by \$0.93 per month, Small  
9 Commercial Service charge by \$1.99 per month, and Large Commercial Service  
10 charge by \$14.03 per month.

11 Including these new charges for the 2014 ISR and the SSIR, the total  
12 Customer Charge would be as shown in the following table.

13 **Table 2: Impact of ISR, 2014 ISR, and SSIR on Customer Charge by Customer Class**

Type of Charge	Residential	Small Commercial	Large Commercial
Customer Charge	\$15.23	\$23.28	\$56.68
Pipeline Replacement Charge (ISR) Initial	\$0.50	\$1.07	\$6.83
Pipeline Replacement Charge (2014 ISR) Revision	\$0.34	\$0.73	\$4.55
System Safety and Integrity Rider (SSIR) Charge	\$0.93	\$1.99	\$14.03
Total per Month	\$17.00	\$27.07	\$82.09
Total per Year	\$204.00	\$324.00	\$985.00

14  
15

**IV. REVENUE DEFICIENCY**

16 **Q. WHAT FUNDAMENTAL QUESTION WILL YOU ADDRESS IN THIS**  
17 **SECTION?**

18 A. This section will address the following fundamental question related to the  
19 Company’s Revenue Deficiency: is the revenue deficiency of \$4.5 million that  
20 SourceGas seeks to recover through the ISR, SSIR, and revised depreciation rates  
21 applications appropriate?

1 **Q. HOW MUCH IS THE ANTICIPATED REVENUE DEFICIENCY THAT**  
2 **THE COMPANY IS SEEKING TO RECOVER THROUGH THE THREE**  
3 **APPLICATIONS AND WHAT ASSUMPTIONS WERE USED TO**  
4 **CALCULATE IT?**

5 A. Company witness Hammer's prefiled direct testimony presents an anticipated  
6 revenue deficiency from its Nebraska jurisdictional customers of approximately  
7 \$4.5 million, assuming (1) a 9.60% return on equity approved by the Commission  
8 in Docket No. NG-0067, (2) the current cost of debt and current capital structure  
9 with resulted in a cost of capital of 7.30%, (3) Test Year base expenses and  
10 jurisdictional revenues, (4) the Commission approved cost of service study  
11 allocations from Docket No. NG-0067, and (5) no rate case expenses.<sup>3</sup>

12 **Q. DID YOU REVIEW THE COMPANY'S ANTICIPATED REVENUE**  
13 **DEFICIENCY CALCULATIONS?**

14 A. Yes. Since the Company's applications for a prospective SSIR and a prospective  
15 change in depreciation rates on its Nebraska book of accounts is predicated on  
16 recouping its anticipated revenue deficiency, I did a high level review of the  
17 revenue deficiency workpapers and additional information obtained through  
18 discovery.

19 **Q. DID YOU REVIEW ALL OF THE MAJOR COMPONENTS OF THE**  
20 **COMPANY'S REVENUE DEFICIENCY CALCULATION?**

21 A. No. While I did review the Company's revenue deficiency calculations and  
22 provided workpapers, I did not perform a full analysis that would typically be  
23 done in a general rate case. Of significance, I did not analyze the Company's

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<sup>3</sup> Prefiled Direct Testimony of Jerrad Hammer, page 5, lines 18-26.

1 return on equity of 9.60%. Return on equity can have a major impact on the  
2 revenue deficiency. For example, in a recent case in the District of Columbia, the  
3 Commission authorized a return on equity of 9.25% for Washington Gas Light  
4 Co.<sup>4</sup> If this Commission authorized a similar return on equity, the Company's  
5 current return on equity would be reduced from 9.6% to 9.25%, resulting in a  
6 reduction of SourceGas's revenue deficiency of \$292,234.<sup>5</sup> Also recently, West  
7 Coast Gas was authorized a return on equity of 8.5%,<sup>6</sup> which would result in a  
8 \$918,449<sup>7</sup> reduction in SourceGas's revenue deficiency if that rate were adopted  
9 by this Commission.

10 I will concede that other gas utilities during the same time period may  
11 have had higher returns on equity authorized, but my point is that the Company's  
12 revenue deficiency has not been fully vetted and a full review of the Company's  
13 presentation of its revenue deficiency could likely yield in a different result.

14 **Q. WHAT ARE THE COMPANY'S EXISTING RATES BASED UPON?**

15 A. The Commission approved the Company's current rates in Docket No. NG-0067  
16 on May 22, 2012. The Commission authorized a revenue increase of \$4.957  
17 million.<sup>8</sup>

18 **Q. HOW MUCH OF THE COMPANY'S INITIAL REQUESTED RATE**  
19 **INCREASE IN ITS LAST GENERAL RATE CASE DID THE**  
20 **COMMISSION AUTHORIZE?**

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<sup>4</sup> DCPSC, Order # 17132, dated May 15, 2013.

<sup>5</sup> The impact on SourceGas's revenue deficiency was calculated by inserting a return on equity of 9.25% into SourceGas's Revenue Requirement workpapers.

<sup>6</sup> CAPUC Docket # D.13-03-014, Order dated March 21, 2013.

<sup>7</sup> The impact on SourceGas's revenue deficiency was calculated by inserting a return on equity of 8.5% into SourceGas's Revenue Requirement workpapers.

<sup>8</sup> Docket No. NG-0067, Interlocutory Exhibit I, Interlocutory Schedule B1.

1           The Commission granted \$4.957 million of the Company’s initial request  
2 of \$8.279 million or ~60% of the Company’s initial request. The Company  
3 initially requested a revenue increase of \$8.279 million based upon a test year of  
4 twelve months ending March 31, 2011. SourceGas significantly reduced the  
5 increase sought in its rebuttal case to \$6.086 million when it updated the costs in  
6 its direct case to use actual data through January 31, 2012, adjusted for known and  
7 measurable changes.<sup>9</sup>

8           While each general rate case is unique, companies are rarely authorized all  
9 that they request in a general rate case.

10 **Q. PLEASE EXPLAIN YOUR PRESENTATION OF YOUR ANALYSIS OF**  
11 **THE COMPANY’S ANTICIPATED REVENUE DEFICIENCY.**

12 A. The following sections present my comments on my review of the Company’s  
13 anticipated revenue deficiency regarding Weighted Cost of Capital and Return,  
14 Choice of Test Year, and Adjustments to Rate Base, Revenue, and Operating  
15 Expenses.

16 **A. *Weighted Cost of Capital and Return***

17 **Q. PLEASE EXPLAIN THE RETURN COMPONENT?**

18 A. Under traditional ratemaking, a utility is provided an opportunity to earn a fair  
19 return on its investments. The return is calculated based on the approved weighted  
20 cost of capital applied to the utility’s rate base.

21 **Q. DID THE COMPANY USE THE WEIGHTED COST OF CAPITAL**  
22 **APPROVED BY THE COMMISSION IN THE LAST BASE RATE CASE**

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<sup>9</sup> Docket No. NG-0067, Order dated 5/22/12, pages 1-2.

1           **WHEN IT CALCULATED ITS ANTICIPATED REVENUE**  
2           **DEFICIENCY?**

3    A.    No. However, the Company’s approach to determining its weighted cost of capital  
4           is reasonable. The weighted cost of capital in the last base rate case was 7.67%  
5           based upon a return of equity of 9.60%. In this proceeding, the Company used the  
6           Commission-approved return on equity of 9.60% but updated the weighting  
7           between long-term debt and equity and the cost of long-term debt to the Test Year  
8           balances, which resulted in a lower weighted cost of capital of 7.30%.<sup>10</sup>

9    **Q.    DO YOU HAVE ANY COMMENTS RELATED TO THE WEIGHTED**  
10       **COST OF CAPITAL AND THE RETURN COMPONENT?**

11   A.    Yes. The determination of the appropriate weighted cost of capital is a major  
12        component in a general rate case. The return on equity portion of the weighted  
13        cost of capital is frequently hotly contested. In the last base rate case, the  
14        Commission authorized a return on equity of 9.60%. Should the Company’s  
15        calculated revenue deficiency in this proceeding be reviewed in a full general rate  
16        case, there is a possibility, based on recent industry trends, that the return on  
17        equity could be reduced. A reduction in the return on equity would reduce the  
18        return component and thus the overall calculated revenue deficiency.

19        ***B.    Test Year***

20   **Q.    WHAT TEST YEAR DID THE COMPANY USE TO CALCULATE ITS**  
21        **REVENUE DEFICIENCY?**

22   A.    The Company used a future year-end December 31, 2014, for its Test Year to  
23        calculate its anticipated \$4.5 million revenue deficiency. The Base Year amounts

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<sup>10</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 3, Schedules A and B.

1 represent Nebraska's actual costs for calendar year 2013 as reported on the  
2 Company's books and records.<sup>11</sup> The Company made a number of *pro forma*  
3 adjustments to forecast its costs through the end of 2014 to develop its Test Year.

4 **Q. IS A FUTURE TEST YEAR REASONABLE?**

5 A. There has been ongoing debate on whether a historical test year with actual costs  
6 adjusted for known and measureable changes or a future forecasted test year is the  
7 best option to set just and reasonable rates. Utilities argue a future test year is  
8 needed because current market and operating conditions cause a utility's total  
9 costs to grow more than sales between rate cases, resulting in the erosion of their  
10 earnings, a trend they find particularly worrisome in an era of large investments.  
11 This is frequently referred to as regulatory lag.

12 However, regulatory lag provides an incentive for a utility to control its  
13 costs and provides an effective tool for motivating utilities to act efficiently.  
14 Another concern with a future test year, as occurred in SourceGas's last general  
15 rate case, is that the forecasted costs are susceptible to error and some costs and  
16 sales elements are inherently difficult to predict. Another factor is that utilities  
17 have an incentive to present biased forecasts that are not always easy to uncover.

18 In conclusion, a future test year is reasonable as long as the limitations are  
19 understood and a company's revenue requirement filing is fully vetted, which is  
20 not the case in SourceGas' anticipated revenue deficiency that was used to justify  
21 the replacement of the ISR with the SSIR.

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<sup>11</sup> SourceGas response to Information Request PA-2 (Exhibit DHM-6).

1 **C. Adjustments to Develop Future Test Year**

2 **Q. WHAT ADJUSTMENTS DID THE COMPANY MAKE TO THE 2013**  
3 **BASE YEAR TO DEVELOP ITS PROJECTED 2014 FUTURE TEST**  
4 **YEAR?**

5 A. The Company made two types of adjustments to get from the 2013 Base Year,  
6 based on the Company's books and records, to the projected 2014 Future Test  
7 Year used in the Company's anticipated revenue deficiency calculations. First, the  
8 Company made adjustments totaling \$18,846 (Total State)<sup>12</sup> to remove out of  
9 period entries, performed reclassification between FERC account numbers, and  
10 removed charitable and political contributions<sup>13</sup> to develop the 2013 Adjusted  
11 Base Year. Second, to project the 2013 Adjusted Base Year into a Future Test  
12 Year ending December 31, 2014, the Company made *pro forma* adjustments to  
13 rate base, totaling \$12,295,139 (Total State),<sup>14</sup> and operating expense *pro forma*  
14 adjustments, totaling \$1,828,559 (Total State).<sup>15</sup>

15 **D. Rate Base Adjustments**

16 **Q. WHAT IS THE BASE YEAR RATE BASE?**

17 A. The Company Base Year rate base is \$106,195,774 (Total Sate) and \$85,353,159  
18 (Jurisdictional).<sup>16</sup>

19 **Q. WHAT PRO FORMA ADJUSTMENTS WERE MADE TO THE BASE**  
20 **YEAR RATE BASE?**

21 A. The following table summarizes the *pro forma* adjustments to rate base.

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<sup>12</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C, page 1 of 2.

<sup>13</sup> SourceGas response to Information Request PA-3 (Exhibit DHM-7).

<sup>14</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule B.

<sup>15</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C, page 1 of 2.

<sup>16</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule B.

1 **Table 3: Total *Pro forma* Adjustments to Rate Base<sup>17</sup>**

#	Description	Total State Amount	Jurisdictional Amount
1	Utility Plant in Service	\$31,471,685	\$25,143,302
2	CWIP	(12,502,513)	(9,941,610)
3	Less Accumulated Depreciation	(5,552,386)	(4,506,909)
4	Less Accumulated Deferred Income Taxes	(1,121,646)	(893,314)
5	Less Customer Advances		10
6	Plus Working Capital		17
7	<b>Total Pro Forma Adjustments</b>	<b>\$12,295,139</b>	<b>\$9,801,496</b>

2  
3 **Q. WHAT CATEGORIES OF PROJECTS ARE INCLUDED IN THE**  
4 **\$25,143,302 INCREASE TO JURISDICTIONAL UTILITY PLANT IN**  
5 **SERVICE?**

6 A. The Company provided a list of the categories of increases included in the \$25  
7 million increase to Utility Plant in Service as summarized in the following table.<sup>18</sup>

8 **Table 4: Categories of Change in Utility Plant in Service**

#	Description	Amount	% of Total
1	In-Service Projects included in the 2014 ISR	\$3,230,387	12.8%
2	Proposed Projects included in the 2014 SSIR	\$8,812,447	35.0%
3	Proposed Projects included in the 2015 SSIR	\$1,459,563	5.8%
4	2014 Nebraska Direct Additions	\$8,806,818	35.0%
5	Corporate Allocation	\$2,834,087	11.3%
6	Total	\$25,143,302	100.0%

9  
10 The 2014 ISR projects were addressed in Docket No. NG-0072.01 and  
11 includes projects that are used and useful providing service to Nebraska's  
12 ratepayers. The 2014 SSIR includes the costs associated with the proposed  
13 projects in which the Company is asking for recovery in this proceeding. It  
14 includes projects it anticipates putting in service by the end of 2014. These  
15 forecasted projects are addressed later in this testimony.

<sup>17</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Schedule B.

<sup>18</sup> SourceGas response to Information Request PA-38 (Exhibit DHM-8).

1 **Q. WHAT IS THE IN-SERVICE STATUS OF THE 2014 SSIR PROJECTS?**

2 A. According to a June 6, 2014, information response, none of the 2014 SSIR  
3 projects have been placed in service as of that date.<sup>19</sup> The Company stated that it  
4 would provide periodic updates with information about any projects that have  
5 been placed in service. As of the date of this testimony, no information on the in-  
6 service dates has been provided. The following table shows the projected amounts  
7 to be placed in service each month and the actual amounts placed in service that  
8 month.

9 **Table 5: Projected In-Service Date vs. Actual In-Service Date**

<b>Projected In-Service Date</b>	<b># of Internal Order or Budget ID</b>	<b>Projected Amount</b>	<b>Actual Amount</b>
May 2014	9	682,240	0
June 2014	13	2,221,834	0
July 2014	3	19,030	0
August 2014	2	52,517	
September 2014	17	3,224,000	
October 2014	2	148,283	
November 2014	9	5,279,314	
December 2014	0	0	
Total	55	11,627,218	

10 Slight difference due to rounding

11  
12 **Q. WHAT IS THE SIGNIFICANCE OF THE 2014 SSIR PROJECTS BEING**  
13 **BEHIND SCHEDULE?**

14 A. If the projects are not in service before December 31, 2014, they should not be  
15 included in the rate base at the end of the 2014 Test Year and the Company  
16 should not include the return on and return of these dollars in its revenue  
17 deficiency.

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<sup>19</sup> SourceGas response to Information Request PA-10 (DHM Exhibit 19).

1 **Q. PLEASE EXPLAIN THE 2015 SSIR PROJECTS INCLUDED IN THE**  
2 **COMPANY’S RATE BASE.**

3 A. The 2015 SSIR includes projects that the Company anticipates including in a  
4 future SSIR.<sup>20</sup> These projects will not be put into service until 2015, a year after  
5 the Future Test Year and should not be included in the Company’s presentation of  
6 its revenue deficiency. The Company should not be earning a return on and a  
7 return of the \$1,459,563 that is a year beyond the future test year.

8 **Q. WHAT ARE THE REMAINING CATEGORIES IN THE COMPANY’S**  
9 **PROJECTED UTILITY PLANT IN SERVICE?**

10 A. The 2014 Nebraska Direct Additions of \$8,806,818 includes proposed work  
11 associated with facilities, highway relocation, mains, measurement, plant  
12 improvement, routine work, equipment, vehicles, and any associated  
13 retirements.<sup>21</sup> While these types of projects do not appear unreasonable, little  
14 information has been provided other than a list of categories for these future  
15 projects. It is presumed that these projects would not be includable in an ISR or  
16 SSIR. Under a typical general rate case, these projects would be evaluated to  
17 ensure that the projects did not encounter any delays and whether they were  
18 expected to be used and useful and provided a benefit to the Nebraska ratepayers.  
19 The forecasted costs would be reviewed for reasonableness.

20 The Corporate Allocation projects include the allocated portions of the  
21 Customer Information System, facilities, information technology, software, and

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<sup>20</sup> SourceGas response to Information Request PA-38, Attachment PA-38 (Exhibit DHM-8).

<sup>21</sup> SourceGas response to Information Request PA-38, Attachment PA-38 (Exhibit DHM-8).

1 associated retirements.<sup>22</sup> Little information has been provided other than a list of  
2 categories on these future projects. Again, under a typical general rate case, these  
3 projects would be fully vetted to determine if they were appropriate to be included  
4 in rate base.

5 **Q. IN SUMMARY, WHAT IS YOUR CONCERN REGARDING THE \$25**  
6 **MILLION INCREASE TO UTILITY PLANT IN SERVICE?**

7 A. My concern is that with the exception of the 2014 ISR projects, the Company has  
8 included additions to utility plant in service that are proposed and may not  
9 represent the actual costs of plant put in service. The result is an overstated rate  
10 base, and thus the anticipated return on and return of these projects is overstated.  
11 The Company included costs for projects that will not be put into service until  
12 after the Test Year, which strengthens the argument that utilities have an incentive  
13 to present biased forecasts and, thus, an overstated revenue deficiency that will  
14 not be fully vetted in a general rate case.

15 ***E. Revenue***

16 **Q. DID THE COMPANY FORECAST ANY INCREASE IN ITS REVENUES?**

17 A. Yes. The Company appropriately reflected a full year of recovery from the  
18 Pipeline Cost Recovery Charge or ISR approved by the Commission in Docket  
19 No. NG-0072. The Company also included an adjustment for weather  
20 normalization as shown in the following table.

21

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<sup>22</sup> SourceGas response to Information Request PA-38 (Exhibit DHM-8).

1 **Table 6: Revenues Included in the Calculated Revenue Deficiency**<sup>23</sup>

Description	Amount
Base Year Revenues	\$34,707,094
Weather Normalization	\$(400,917)
Full Year of Pipeline Cost Recovery Charge	\$356,771
Test Year Revenue	\$34,662,948

2  
3 **Q. DO YOU HAVE A CONCERN REGARDING THE COMPANY'S**  
4 **FORECASTED REVENUES?**

5 A. Yes. One of the premises of sound ratemaking is the matching principle, which is  
6 required to achieve consistency between the various components that are used to  
7 calculate the revenue requirement. For example, the Company used the matching  
8 principal when it included the projected project costs in rate base and then also  
9 made a matching prospective adjustment to depreciation expense. My concern is  
10 related to matching revenues with costs. The original ISR, the revised 2014 ISR,  
11 and the SSIR included projects for current and future load growth. The Company  
12 removed the incremental cost of the increase in pipe size from the capital costs  
13 with the intent to offset any potential increase in revenues. However, the removal  
14 of the cost of the incremental pipe size reduces the return on and return of the  
15 investment, but may not reflect the actual increase in revenue. Load growth will  
16 increase revenues and should be evaluated in the context of a revenue deficiency  
17 analysis. An increase in revenue should reduce the revenue deficiency.

18 ***F. Operating Expense Adjustments***

19 **Q. HAVE THE COMPANY'S EXPENSES INCREASED SINCE THE LAST**  
20 **BASE RATE CASE?**

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<sup>23</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 5, Schedule C.

1 A. Yes. The following table compares the expenses approved in the last base rate  
 2 case (Docket No. NG-0067) to the 2013 Base Year in this proceeding. Most  
 3 significant are the reduction in Administrative and General (A&G) expenses and  
 4 the increase in Operations and Maintenance (O&M) expenses.

5 **Table 7: Comparison of Expenses Approved in Last Base Rate Case (NG-0067) to Expenses**  
 6 **Included in Base Year NG-0078 Revenue Deficiency - Jurisdictional<sup>24</sup>**

Description	Approved In NG-0067 3/31/11	NG-0078 Base Year 12/31/13	Difference	% Change
Return	5,348,593	6,229,413	880,820	16.47%
O&M Expense	10,984,586	12,948,622	1,964,036	17.88%
A&G Expense	8,699,950	7,183,153	(1,516,797)	-17.43%
Other Taxes	2,094,233	1,929,356	(164,877)	-7.87%
Depreciation	6,476,885	6,845,589	368,704	5.69%
Provision of Income Tax	2,204,966	2,815,178	610,212	27.67%
Total Revenue Requirement	35,809,213	37,951,310	2,142,097	5.98%
Other Revenues	(2,020,218)	(1,892,181)	128,037	-6.34%
Net Cost of Service	33,788,995	36,059,130	2,270,135	6.72%

PA-1 JSH-2 Table 2  
 Schedule A

7 **Q. WHAT EXPENSES WERE SHIFTED FROM A&G TO O&M?**

8 A. The Company stated that it is shifting expenses from Administrative and General  
 9 (A&G) to Operations and Maintenance (O&M) through the coding of labor for  
 10 certain cost centers. Nine cost centers were changed to Operations Support cost  
 11 centers since the 2011 rate case: Gas Control, Gas Supply & Shipper Services,  
 12 Technical Services, Engineering, Environmental Health, Safety and Training,  
 13 Project Management, Engineering, GIS, and Load Growth. This shift accounts for  
 14 just over \$1 million moving from A&G to O&M based on the labor figures from  
 15 the 2011 rate case.<sup>25</sup>

<sup>24</sup> SourceGas response to Information Request PA-1 (Exhibit DHM-17) and Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2 Schedule A.

<sup>25</sup> SourceGas response to Information Request PA-30 (Exhibit DHM-9).

1 **Q. WHAT OTHER CHANGES CAUSED AN INCREASE IN O&M**  
2 **EXPENSES FROM THE LAST BASE RATE CASE?**

3 A. The Company stated that a new cost center for Integrity Management was added.  
4 In the last base rate case, the Company estimated this cost center's labor at  
5 \$57,000. Integrity Management now accounts for approximately \$350,000 of  
6 labor.<sup>26</sup>

7 **Q. WERE THERE OTHER CHANGES MADE SINCE THE LAST BASE**  
8 **RATE CASE?**

9 A. Yes. The Company stated that it increased the Direct Capital Rate from 7.15% to  
10 18.89%. The impact is a reduction to A&G expense of \$125,000.<sup>27</sup> The Direct  
11 Capital Rate allocates overhead costs to additions to utility plant in service. This  
12 change reduces the A&G expenses, but it increases capital costs.

13 **Q. PLEASE COMMENT ON THESE CHANGES.**

14 A. A utility is in the best position to understand what it needs to provide safe and  
15 reliable service and develops its processes and procedures to provide those  
16 services. However, during a general rate case, any significant changes as  
17 discussed above would be carefully reviewed to ensure that the Company is not  
18 over-recovering among its various jurisdictions and that Nebraska ratepayers are  
19 not receiving a disproportionate share of the costs. Although, there is no  
20 indication that this is the case, a careful review of those costs in a general rate  
21 case would ensure that Nebraska ratepayers are paying only for services in which  
22 they benefit.

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<sup>26</sup> SourceGas response to Information Request PA-30 (Exhibit DHM-9).

<sup>27</sup> SourceGas response to Information Request PA-30 (Exhibit DHM-9).

1 **Q. DID THE COMPANY FORECAST ANY ADDITIONAL INCREASES IN**  
2 **OPERATING EXPENSES?**

3 A. Yes. The Company made *pro forma* adjustments to Base Year jurisdictional  
4 operating expenses totaling \$1,520,002 (Total State \$1,828,559).<sup>28</sup>

5 **Q. WHAT WAS THE CAUSE FOR MOST OF THE INCREASE TO THE**  
6 **FORECASTED OPERATING EXPENSES?**

7 A. The most significant cause for the increase in the forecasted operating expenses  
8 was the forecasted hiring of 59 employees to fill new positions during the period  
9 January 1, 2014, to December 31, 2014. Wages, benefits, and payroll tax  
10 associated with the New Labor totaling \$1,058,534 have been forecasted in the  
11 Test Year.<sup>29</sup> This is a substantial increase of 122% over the wages, benefits, and  
12 payroll taxes included in the 2013 Base Year of \$477,150.

13 **Table 8: Increase in Wages, Benefits, and Payroll Taxes from Base Year<sup>30</sup>**

<b>Description</b>	<b>Base Labor</b>	<b>New Labor</b>	<b>Total</b>
Wages	\$348,970	\$765,025	\$1,113,995
Benefits	\$100,470	\$232,761	333,231
Payroll Taxes	\$27,710	\$60,748	\$88,458
Total	\$477,150	\$1,058,534	\$1,535,684

14  
15 **Q. DID THE COMPANY MODIFY ITS LABOR COSTS DURING**  
16 **DISCOVERY?**

17 A. Yes. While responding to an information request, the Company realized that the  
18 percentages used to determine the portion of New Labor to be allocated to

<sup>28</sup> Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C.

<sup>29</sup> SourceGas response to Information Request PA-31 (Exhibit DHM-10). The Company intends to hire a total of 84 new positions during the period of 1/1/2014 through 12/31/2014. Fifty-nine of those positions impact the expenses in Nebraska.

<sup>30</sup> SourceGas response to Information Request PA-4 (Exhibit DHM-18).

1 Nebraska was based on preliminary amounts. After the Company revised the  
2 allocation percentages, wages decreased from \$765,025 to \$724,760<sup>31</sup> for a  
3 reduction of \$40,265. This reduction in wages should also result in a reduction in  
4 the *pro forma* cost of benefits and payroll taxes. This is another example of why a  
5 utility's revenue deficiency should be reviewed fully in a general rate case.

6 **Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING THE NEW**  
7 **LABOR?**

8 A. Yes. The labor cost for these New Labor positions is based upon a forecast. These  
9 forecasted new hires may not actually be hired. The Company budgeted  
10 headcount as of December 31, 2013, was 1,059 of which 1,037 positions were  
11 filled as of that date.<sup>32</sup> Since the budgeted headcount for December 31, 2014, is  
12 1,143, the Company needs to hire 106 employees in 2014. If the positions are not  
13 filled, then the Company will have lower operating expenses, which will reduce  
14 the Company's anticipated revenue deficiency for the 2014 Test Year.

15 **Q. DO YOU HAVE ANY OTHER CONCERNS ASSOCIATED WITH THE**  
16 **COMPANY'S LABOR COSTS?**

17 A. Yes. The Company has a Short Term Bonus program [BEGIN CONFIDENTIAL]

18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]

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<sup>31</sup> SourceGas response to Information Request PA-49, Confidential Attachment 49 (Exhibit DHM-11).

<sup>32</sup> SourceGas response to Information Request PA-34 (Exhibit DHM-20).

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED] .<sup>33</sup> [END

5 CONFIDENTIAL] My belief is that it is not appropriate for the Nebraska  
6 ratepayers to carry the burden of rewarding employees through the Short Term  
7 Bonus program for financial results that may not be in the ratepayers' best  
8 interest. At a minimum, the burden for the costs of rewarding employees for  
9 financial results should be shared with the Company's shareholders.

10 Another concern is related to the Growth performance parameter in the  
11 Short Term Bonus program, which encourages new customers' requests for  
12 service. However, the Company has not included any additional revenue in the  
13 revenue deficiency Test Year for new customer growth. The Company expects  
14 ratepayers to bear the cost of rewarding employees for new customer growth, but  
15 has not included additional revenue that would offset the revenue deficiency.

16 **Q. DO YOU HAVE ANY OTHER COMMENTS ON THE COMPANY'S**  
17 **OTHER *PRO FORMA* ADJUSTMENTS?**

18 A. Yes. The Company is forecasting an increase in the Milsap rent expense from  
19 \$55,948 to \$102,866 due to a change in the allocation method used from direct  
20 assignment to Arkansas to applying a three-factor allocator for all jurisdictions.  
21 The Company stated that the new allocation method more accurately reflects the

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<sup>33</sup> SourceGas response to Information Request PA-35 and Confidential Attachment PA-35 (Exhibit DHM-12).

1 association of costs with those jurisdictions that benefit from those costs.<sup>34</sup> While  
2 this change in allocation factors may be appropriate, it is another example of an  
3 area that would typically be reviewed in a general rate case.

4 **G. Conclusion**

5 **Q. PLEASE SUMMARIZE YOUR CONCLUSION TO THE FUNDAMENTAL**  
6 **QUESTION: IS THE REVENUE DEFICIENCY OF \$4.5 MILLION THAT**  
7 **THE SOURCEGAS SEEKS TO RECOVER THROUGH THE ISR, SSIR,**  
8 **AND REVISED DEPRECIATION RATES APPLICATIONS**  
9 **APPROPRIATE?**

10 A. In summary, the anticipated revenue deficiency, which is the Company's  
11 justification for the SSIR and its request to prospectively change depreciation  
12 rates in Docket No. NG-0079, has not been subject to the scrutiny of a general  
13 rate case. As this proceeding is not a base rate case, many of the assumptions the  
14 Company used to calculate its forecasted revenue deficiency have not been fully  
15 explored. Based upon what I did review, the Company's anticipated revenue  
16 deficiency of \$4.5 million is likely overstated. Some of the potential issues that  
17 could result in a lower revenue deficiency are the following:

- 18 1. While each general rate case is unique, companies are rarely authorized all  
19 that they request in a general rate case.
- 20 2. Any change in the rate of return on equity could have a significant impact on  
21 the revenue deficiency.
- 22 3. The forecasted costs included in a Future Test year can be susceptible to error,  
23 and some costs and sales elements are inherently difficult to predict. Another

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<sup>34</sup> SourceGas response to Information Request PA-36 (Exhibit DHM-13).

1 factor is that utilities have an incentive to present biased forecasts that are not  
2 always easy to uncover.

- 3 4. The Company's projected rate base is overstated. Rate base includes 2015  
4 SSIR projects' costs that the Company anticipates including in a future SSIR.  
5 These projects will not be put into service until 2015, a year after the Future  
6 Test Year, and therefore should not be included in the Company's  
7 presentation of its revenue deficiency. The Company should not be earning a  
8 return on and a return of the \$1,459,563 that is a year beyond the future test  
9 year.
- 10 5. The Company could be over-forecasting the 2014 SSIR projects resulting in  
11 an overstatement of rate base. When an update to actual costs and actual in  
12 service is done, the revenue deficiency could be less.
- 13 6. The Company has included projects within rate base that could contribute to  
14 additional revenues that have not been reflected in the Company's calculated  
15 revenue deficiency.
- 16 7. The Company has forecasted New Labor that may not be hired by the end of  
17 2014, thus overstating the revenue deficiency for labor costs that may not  
18 occur.
- 19 8. Nebraska ratepayers may be paying for bonuses that should be shared with the  
20 Company's shareholders.
- 21 9. The Company made adjustments between cost centers and to allocation  
22 factors that have not been fully vetted to ensure that Nebraska ratepayers are  
23 not paying for services from which they are not benefiting.

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**V. REPLACEMENT OF ISR WITH PROSPECTIVE SSIR**

**Q. WHAT QUESTION WILL YOU ADDRESS IN THIS SECTION?**

A. This section will address the following fundamental question: should the Commission authorize SourceGas’s request to replace the legislative ISR with its proposed prospective SSIR?

**Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF WHY THE COMPANY IS REQUESTING REPLACING THE ISR WITH AN SSIR?**

A. It is my understanding that the Company wants to replace the ISR with the SSIR to address the lag between the time the Company incurs a cost of a jurisdictional utility plant project and the time the Company can start recovering that cost after Commission approval.<sup>35</sup> To address this regulatory lag, the Company seeks authorization to recover costs concurrent with the incurrence of those costs.<sup>36</sup>

**Q. DO YOU AGREE WITH THE COMPANY’S ARGUMENT THAT THE SSIR WILL PROVIDE CONCURRENT RECOVERY OF COSTS AND ADDRESS THE REGULATORY LAG?**

A. No. The SSIR as proposed by the Company does not provide concurrent recovery of costs. The SSIR would allow, in most cases, costs to be recovered prior to incurring those costs. On November 1 of each year, the Company will submit a list of proposed projects that are anticipated for the next year. The SSIR charge would then be placed on the customer’s bill effective January 1.<sup>37</sup> The Company would begin recovery on projects that, in many cases, are not even started. This

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<sup>35</sup> Prefiled Direct Testimony of Jerrad Hammer, page 14, lines 1-7.  
<sup>36</sup> Prefiled Direct Testimony of Jerrad Hammer, page 14, lines 19-21.  
<sup>37</sup> Docket No. NG-0078, SourceGas Application, Exhibit 1, First Revised Sheet No. 11, Section 1.2.

1 clearly goes beyond the concept of allowing a utility to earn a return on its rate  
2 base, including construction work in progress. Rather, it results in ratepayers  
3 paying for a return on and return of an anticipated increase in rate base.

4 **Q. DO YOU RECOMMEND THAT THE COMMISSION AUTHORIZE**  
5 **REPLACING THE LEGISLATIVE ISR WITH A PROSPECTIVE SSIR**  
6 **TO ELIMINATE REGULATORY LAG?**

7 A. No. Regulatory lag provides an incentive for a utility to control its costs and  
8 provides an effective tool for motivating utilities to act efficiently. If the  
9 Company is allowed to recover costs that it has not yet incurred, there is little  
10 incentive to ensure that the projects represent the most effective use of capital and  
11 that the work is done efficiently to minimize costs. Without a vigorous process to  
12 ensure that the Company actually implemented what it had planned, this shift  
13 from post construction recovery to recovery prior to the start of construction  
14 jeopardizes prudence reviews, which along with regulatory lag are the most  
15 effective regulatory tools to motivate utility cost efficiency. The result is a  
16 shifting of risk from utility shareholders (who are rewarded by a return on their  
17 investment) to ratepayers.

18 **Q. WHAT FRAMEWORK DID THE COMPANY USE TO DEVELOP ITS**  
19 **PROPOSED SSIR?**

20 A. The Company developed the proposed SSIR Tariff based upon the System Safety  
21 and Integrity Rider that the Colorado PUC approved for SourceGas Distribution's

1 affiliate, Rocky Mountain Natural Gas LLC, in Decision No. R14-0114 in  
2 consolidated Proceeding Nos. 13A-0046G *et al.*<sup>38</sup>

3 **Q. HOW DID YOU EVALUATE THE COMPANY’S PROPOSED SSIR?**

4 A. Although the Company stated that it did not develop its proposed SSIR tariff  
5 based upon the Infrastructure System Replacement (ISR) Cost Recovery Charge  
6 in Docket No. NG-0072, under Sections 66-1865 and 66-1866 of the State Natural  
7 Gas Regulatory Act (Act), the Act is a good framework to evaluate the  
8 Company’s SSIR request. Exhibit DHM-1 is a summary of the results of Blue  
9 Ridge’s review of the SSIR projects and the components used by the Company to  
10 calculate its requested SSIR revenues.

11 **Q. WHAT ARE THE DIFFERENCES BETWEEN THE PROPOSED SSIR  
12 AND ISR?**

13 A. The Company stated that there are several fundamental differences between the  
14 Company’s proposed SSIR tariff and the ISR cost recovery charge rate schedules  
15 that the Company is authorized to file under the Act. These differences are related  
16 to (1) the timing of cost recovery, (2) the ability to timely recover all eligible  
17 costs, (3) the types of costs eligible for recovery, and (4) the timing of the  
18 regulatory process and stakeholder knowledge.<sup>39</sup>

19 **Q. DO YOU AGREE WITH THE COMPANY’S ASSESSMENT OF THE  
20 DIFFERENCES BETWEEN THE PROPOSED SSIR AND THE ISR?**

21 A. Yes, but there are other differences between the ISR and SSIR that should be  
22 considered. I prepared a comparison of the ISR authorized under the Act and the

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<sup>38</sup> Prefiled Direct Testimony of Jerrad S. Hammer, page 13, lines 1-10.

<sup>39</sup> Prefiled Direct Testimony of Jerrad S. Hammer, page 13, lines 17-23.

1 Company's proposed SSIR [Exhibit DHM-2] and will discuss some of the  
2 significant differences throughout the remainder of my testimony.

3 **Q. WHAT INFORMATION IS REQUIRED TO BE INCLUDED IN THE ISR**  
4 **APPLICATION?**

5 A. The Act requires specific information be provided on the projects in an ISR  
6 application, including (a) a list of eligible projects, (b) a description of the  
7 projects, (c) the location of the projects, (d) the purpose of the projects, (e) the  
8 dates construction began and ended, (f) the total expenses for each project at  
9 completion, and (g) the extent to which such expenses are eligible for inclusion in  
10 the calculation of the recovery charge.<sup>40</sup>

11 **Q. DID THE COMPANY PROVIDE THE ACT'S REQUIRED**  
12 **INFORMATION FOR EACH PROJECT IN ITS SSIR APPLICATION?**

13 A. Yes, to the extent the information was available. The Company provided (a) a list  
14 of the projects, (b) a description of the projects, (c) the location of the projects, (d)  
15 the purpose of the projects, (e) the dates the Company *expects* construction to  
16 begin and when the projects *are expected* to be in service, (f) the total *estimated*  
17 expenses for each project at completion, and (g) the extent to which such  
18 *estimated* expenses are eligible for inclusion in the calculation of the recovery  
19 charge<sup>41</sup> [emphasis added to demonstrate the difference between the Act's  
20 required information and what was provided].

21 **Q. PLEASE ELABORATE ON THE ITEMS THAT YOU EMPHASIZED IN**  
22 **THE ABOVE LIST?**

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<sup>40</sup> Nebraska State Natural Gas Regulation Act § 66-1866 (3)(b).

<sup>41</sup> Prefiled Testimony of Charles Bayles, Exhibit CAB-17.

1 A. The SSIR projects are proposed with estimated in-service dates and estimated  
2 costs. Therefore, the actual in service date and the actual final cost of the project  
3 are unknown. A detailed true up comparing the projected in service date to the  
4 actual in service date will be required.

5 **Q. HOW MANY PROJECTS DID THE COMPANY INCLUDE IN ITS**  
6 **PROPOSED SSIR RIDER?**

7 A. The Company has included 41 projects in the proposed SSIR rider. These 41  
8 projects are split into 55 different Internal Order Numbers and/or Budget  
9 Identifying Numbers to allow for assignment to different FERC account  
10 numbers.<sup>42</sup> The total forecasted capital cost is \$11,627,216 (Total State) or  
11 \$8,462,214 (Jurisdictional).<sup>43</sup>

12 **Q. ARE THERE OTHER REQUIREMENTS THAT THE PROJECTS**  
13 **WOULD HAVE TO MEET UNDER THE ACT?**

14 A. Yes. Blue Ridge reviewed the Act's other requirements. Specifically, the Act  
15 requires that the projects (a) do not increase revenue by directly connecting the  
16 infrastructure system replacement to new customers, (b) are in service and used  
17 and required to be used, (c) were not included in the jurisdictional utility's rate  
18 base in its most recent general rate proceedings, and (d) may enhance the capacity  
19 of the system but are only eligible for infrastructure system replacement cost  
20 recovery to the extent the jurisdictional utility plant project constitutes a  
21 replacement of existing infrastructure.<sup>44</sup>

22 **Q. WHAT DID YOU FIND IN YOUR EVALUATION OF THE PROJECTS?**

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<sup>42</sup> Prefiled Testimony of Charles Bayles, Exhibit CAB-17.

<sup>43</sup> Prefiled Testimony of Jerrad Hammer, Exhibit JSH-1, Tables 2 and 3.

<sup>44</sup> Nebraska State Natural Gas Regulation Act § 66-1802 Terms, defined (6)(a) through (d).

1 A. The SSIR projects met most of the requirements for inclusion under the Act.  
2 However, a couple of requirements require further discussion.

3 While most of the projects met the requirement that the projects do not  
4 increase revenue, 14 of the 55 projects will increase the pipe size to provide for  
5 current and future load growth. To account for this potential increase in revenue,  
6 the Company adjusted the estimated costs of the project to seek recovery for the  
7 costs of only the smaller, original diameter pipe that is being replaced.<sup>45</sup> The  
8 Company's method of adjusting the estimated costs to include only replacement  
9 instead of betterment is adequate. However, these betterment differentials and  
10 their future recovery of the capital costs will require careful tracking to recognize  
11 them in rate base along with the increase in revenue in the next base rate case.

12 Another item that requires further discussion is the Act's requirement that  
13 the projects "be in service and used and required to be used." This requirement  
14 cannot be met in an accelerated recovery of projected projects. The SSIR provides  
15 recovery for projects the Company *anticipates* putting into service with *estimated*  
16 rather than actual costs.

17 **Q. DOES THE ACT HAVE A SPECIFIC DEFINITION OF THE**  
18 **JURISDICTIONAL UTILITY PLANT THAT CAN BE INCLUDED?**

19 A. Yes. The Act defines jurisdictional utility plant as (a) mains, valves, service lines,  
20 regulator stations, vaults, and other pipeline system components installed to  
21 comply with state or federal safety requirements as replacements for existing  
22 facilities; (b) main relining projects, service line insertion projects, joint

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<sup>45</sup> The 14 projects include multiple line items for Red Cloud to Blue Hill Replacement, McCook South TOG Replacement, TOG Replacement-NW Gothenberg, and Nebraska MAOP-Creighton Lateral [Prefiled Testimony of Charles Bayles, Exhibit CAB-17, Attachment 1-see footnotes].

1 encapsulation projects, and other similar projects extending the useful life or  
2 enhancing the integrity of pipeline system components undertaken to comply with  
3 state or federal safety requirements; and (c) facility relocations required due to  
4 construction or improvement of a highway, road, street, public way, or other  
5 public work by or on behalf of the United States, this state, a political subdivision  
6 of this state, or another entity having the power of eminent domain, if the costs  
7 related to such relocations have not been reimbursed to the jurisdictional utility.<sup>46</sup>

8 **Q. HOW DID THE COMPANY DEFINE AND CATEGORIZE THE**  
9 **PROJECTS THAT IT INCLUDED WITHIN ITS PROPOSED SSIR?**

10 A. The Company defined the SSIR projects as follows:

- 11 1. Projects to comply with CFR Title 49 (Transportation), Part 192  
12 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal  
13 Safety Standards), Subpart O (Gas Transmission Pipeline Integrity  
14 Management), including projects in accordance with the Company's  
15 transmission integrity management program (TIMP) and projects in  
16 accordance with state enforcement of Subpart O and the Company's TIMP.
- 17 2. Projects to comply with CFR Title 49 (Transportation), Part 192  
18 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal  
19 Safety Standards), Subpart P (Gas Distribution Pipeline Integrity  
20 Management), including projects in accordance with the Company's  
21 distribution integrity management program (DIMP) and projects in  
22 accordance with state enforcement of Subpart P and the Company's DIMP.

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<sup>46</sup> Nebraska State Natural Gas Regulation Act § 66-1802 Terms, defined (14)(a) through (c).

- 1           3. Projects to comply with final rules and regulations of the US Department of  
2           Transportations’ Pipeline and Hazardous Materials Safety Administration  
3           (PHMSA) that become effective on or after the filing date requesting approval  
4           of the SSIR.
- 5           4. Facility relocation projects with a per-Project total cost of \$20,000 or more,  
6           exclusive of all costs that have been, are being, or will be reimbursed  
7           otherwise, that are required due to construction or improvement of a highway,  
8           road, street, public way, or other public work by or on behalf of the United  
9           States, the State of Nebraska, a political subdivision of the State of Nebraska  
10          or another entity having the power of eminent domain.<sup>47</sup>

11                   The Company categorized the SSIR projects as follows:

- 12          1. Replacement of Bare Steel Distribution Main
- 13          2. Replacement of Transmission Pipeline
- 14          3. Barricades
- 15          4. Cathodic Protection and Corrosion Prevention
- 16          5. Span Replacements
- 17          6. Town Border station
- 18          7. Top of Ground Replacement
- 19          8. Centerline Services
- 20          9. MAOP verification (maximum allowable operating pressure).<sup>48</sup>

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<sup>47</sup> Prefiled Direct Testimony of Charles Bayles, Exhibit CAB-17, pages 2-3.

<sup>48</sup> Prefiled Direct Testimony of Charles Bayles, page 32, lines 12-24.

1 **Q. HOW DOES THE COMPANY’S DEFINITION AND CATEGORIZATION**  
2 **OF SSIR PROJECTS COMPARE TO THE ACT’S DEFINITION OF**  
3 **ELIGIBLE JURISDICTIONAL UTILITY PLANT?**

4 A. Although many of the projects are not “replacements” as required in the ISR, the  
5 SSIR projects are consistent with the types of projects that are allowed in the Act.

6 **Q. IS THE COMPANY’S ESTIMATED COSTS FOR THESE PROJECTS**  
7 **REASONABLE?**

8 A. The Company’s Application includes estimated capital cost for the proposed SSIR  
9 projects of \$11,627,216 (Total State) or \$8,462,214 (Jurisdictional).<sup>49</sup> The  
10 Company explained that after the budget is approved, individual work orders are  
11 created for specific projects and a revised cost estimate is created. The Company  
12 provided an updated forecasted cost (without burden<sup>50</sup>) for 25 of the 41 projects.  
13 The revised estimated costs of these 25 projects shows an increase of \$535,890  
14 (without AFUDC/burden).<sup>51</sup> The actual final cost will include AFUDC and the  
15 overhead burden which may result in an under recovery that could result in an  
16 increase in rates during the True Up next April 2015.

17 The Company will also recognize any retirements, cost of removal, and  
18 salvage when the Company files the annual report with actual costs and performs  
19 the reconciliation of revenue requirements to revenue collected.<sup>52</sup> The Company’s  
20 process to estimate project costs is not unreasonable. However, until the projects

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<sup>49</sup> Prefiled Testimony of Jerrad Hammer, Exhibit JSH-1, Tables 2 and 3.

<sup>50</sup> Burdens are the indirect costs, such as A&G expenses, that are allocated to capital costs.

<sup>51</sup> SourceGas response to Information Request PA-9 (Exhibit DHM-14] and WP Attachment PA-9b Comparison to PA-9a (Exhibit DHM-15).

<sup>52</sup> SourceGas response to Information Request PA-9 (Exhibit DHM-14).

1 are complete and in service, the final actual costs are not known and are subject to  
2 change.

3 **Q. HOW DOES THE COMPANY PROPOSE TO ADDRESS ANY**  
4 **DIFFERENCES BETWEEN THE ESTIMATE AND ACTUAL COST OF**  
5 **THE PROJECTS?**

6 A. The Company proposes an annual true up between the estimates and the actual  
7 costs of the projects put into service.

8 **Q. DO YOU HAVE ANY CONCERN WITH THE TRUE-UP MECHANISM**  
9 **PROPOSED BY THE COMPANY?**

10 A. Yes. The Company has proposed a true-up mechanism to reconcile the projected  
11 eligible system safety and integrity costs with actual eligible system safety and  
12 integrity costs. The SSIR True-Up Amount would be equal to the difference,  
13 positive or negative, between the eligible SSIR costs as projected for a particular  
14 calendar year and the actual eligible SSIR costs incurred by the Company for that  
15 particular calendar year.<sup>53</sup> Because actual eligible system safety integrity costs for  
16 a particular calendar year will not be known until after the Company files its  
17 Annual Application in that year, the reconciliation will be reflected in the SSIR  
18 charges included in the subsequent year's Annual Application. The Company  
19 provided an example.

20 "For example, SourceGas Distribution's projected 2015 Eligible  
21 System Safety and Integrity Costs will be recovered during 2015.  
22 Because actual 2015 Eligible System Safety and Integrity Costs  
23 will not be known until after the Company files its Annual  
24 Application by November 1, 2015 (for recovery of projected 2016  
25 Eligible System Safety and Integrity Costs), the projected 2015  
26 Eligible System Safety and Integrity Costs will be reconciled to

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<sup>53</sup> Docket No. NG-0078, SourceGas's Application, Exhibit 1, Section 1.3.D.

1 actual 2015 Eligible System Safety and Integrity Costs through the  
2 SSIR True-Up Amount stated in the Annual Application to be filed  
3 by November 1, 2016, to become effective on January 1, 2017.<sup>54</sup>

4 If I understand the pre-filed testimony correctly, the Company might over-  
5 collect, for example, its 2015 SSIR projects. The over collection will not be  
6 known until 2016. The reconciliation and true up adjustment would be done with  
7 the Company filing for the 2017 projects in November of 2016 and rates would be  
8 adjusted January 1, 2017. My concern is that this is an extended period of time  
9 for the Company to hold ratepayer money to which it was not entitled.

10 In addition, the Company's proposed SSIR tariff, states that an Annual  
11 Report will be submitted each year by April 1 that will explain how the project  
12 costs were managed and any deviations between budgeted and actual costs. The  
13 tariff states that an interested party may request that the Commission convene a  
14 hearing within ninety days from the date the Company filed the Annual Report.<sup>55</sup>

15 My concern is that the Annual Report and supposedly the true up as  
16 proposed by the Company has no prescribed process for a review of the estimated  
17 costs and in service dates to the actual costs and actual in-service dates to confirm  
18 proper calculations of the true up and resultant SSIR rates and rate schedules.

19 **Q. PLEASE DESCRIBE THE O&M COSTS INCLUDED WITHIN THE**  
20 **COMPANY'S APPLICATION.**

21 A. The Company provided estimated operations and maintenance (O&M) costs for  
22 the Nebraska MAOP-Grand Lateral (also referred to as the McCook Lateral)

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<sup>54</sup> Prefiled Direct Testimony of Jerrad Hammer, page 25, lines 14-22.

<sup>55</sup> SourceGas's Application in Docket No. NG-0078, Exhibit 1, Section 1.2.B.

1 project of \$65,312 (Jurisdictional \$49,457).<sup>56</sup> The Company explained the nature  
2 of these O&M costs.

3 The Pipeline Safety, Regulatory Certainty and Job Creation Act of  
4 2011 (the “Act”) requires transmission pipeline operators to  
5 confirm established maximum allowable operating pressures  
6 (“MAOP”) assigned to pipeline segments. Specifically, Section 23  
7 of the Act mandates that operators conduct a verification of records  
8 related to transmission lines in Class 3 and Class 4 locations and  
9 Class 1 and Class 2 HCAs. SourceGas operates 1,207 miles of  
10 transmission pipeline in Nebraska, of which 23.17 miles are  
11 located in Class 3 areas and 1.29 miles are located in HCAs. The  
12 required record confirmation identified 0.96 miles of pipe in Class  
13 3 locations, of which 0.42 miles of pipe are located in HCAs, for  
14 which records are not traceable, verifiable and complete as  
15 required by PHMSA.

16  
17 This testing under this Project is not normal and routine, and is  
18 rather unique, because the McCook Lateral is one of the few  
19 SourceGas Distribution pipelines in Nebraska located in a Class 3  
20 HCA. Accordingly, the Company has evaluated this Project as a  
21 high risk gas infrastructure project under its proposed SSIR Tariff.  
22 SourceGas Distribution is hydro-testing this pipeline to comply  
23 with the Pipeline Safety Act. As the testing is being conducted  
24 pursuant to an express federal pipeline safety mandate, it is  
25 appropriate to recover the associated cost through the SSIR  
26 Tariff.<sup>57</sup>

27  
28 **Q. DID THE COMPANY INCLUDE THESE O&M EXPENSES IN ITS**  
29 **CALCULATION OF THE PROPOSED SSIR?**

30 A. No. I found that the Company’s SSIR projects and the revenue requirement model  
31 included O&M, but these O&M costs were not actually included in the SSIR  
32 Revenue Requirements for which the Company is seeking recovery. The O&M  
33 costs are recorded in July 2014, but the SSIR Revenue Requirements includes  
34 only the monthly calculations for November 2014 through December 2015. The  
35 July 2014 O&M costs were not included in the Company’s SSIR request. While

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<sup>56</sup> Prefiled Direct Testimony of Charles Bayles, Exhibit CAB-17, Attachment 1, Line #53.

<sup>57</sup> SourceGas response to Information Request PA-45 (Exhibit DHM-16).

1 these O&M costs are not included in the revenue requirement, I recommend that  
2 should the Commission approve an SSIR tariff, O&M costs should be excluded in  
3 any true up or any future SSIR requested by the Company.

4 **Q. WHY DO YOU RECOMMEND THAT O&M COSTS BE EXCLUDED**  
5 **FROM THE SSIR?**

6 A. The proposed SSIR includes not only capital costs but also O&M expenses. This  
7 clearly is an extension beyond what is permitted under the legislative ISR. While I  
8 do not challenge the Company's focus on pipeline safety, I am concerned about  
9 setting a precedent to include O&M costs in an infrastructure rider that is intended  
10 to recover capital costs. First, routine O&M expenses should be recovered in the  
11 Company's base rates as established in a general rate proceeding after interested  
12 parties vet them. The Company stated that these particular O&M costs are non-  
13 routine and one-time only. Outside a general rate case, it becomes difficult to  
14 determine what is routine and what is not. Second, if the Company is allowed to  
15 recover O&M costs (whether they are routine or not) in an infrastructure capital  
16 cost recovery rider, there is a possibility of over recovery without a focused  
17 reconciliation.

18 **Q. ARE THERE OTHER OPERATING COSTS INCLUDED IN THE**  
19 **PROPOSED SSIR?**

20 A. Yes. Consistent with Neb. Rev. Stat. §66-1866, the Company included  
21 depreciation expense calculated using the depreciation accrual rates applicable at  
22 the time of the most recent general rate proceeding. The Company also  
23 appropriately included state and federal income taxes. Different from what is

1 allowed in the ISR, the SSIR also includes property taxes that were not provided  
2 for within the Act.

3 **Q. WHAT IS YOUR RECOMMENDATION REGARDING INCLUDING**  
4 **PROPERTY TAXES?**

5 A. While property taxes are not specifically provided for within Neb. Rev. Stat. §66-  
6 1866, the Act does allow for state, federal, and local income taxes or excise taxes.  
7 Including the property taxes associated with the capital projects appears to be  
8 consistent with the intent of the Legislature to pass through costs imposed by state  
9 and local governments and should be allowed.

10 **Q. WHAT IS YOUR CONCLUSION TO THE FUNDAMENTAL QUESTION**  
11 **SHOULD THE COMMISSION AUTHORIZE SOURCEGAS'S REQUEST**  
12 **TO REPLACE THE LEGISLATIVE ISR WITH ITS PROPOSED**  
13 **PROSPECTIVE SSIR?**

14 A. No. The Commission should not authorize replacement of the legislative ISR  
15 with the prospective SSIR. The ISR was established through a thoughtful  
16 legislative process, which allows recovery for projects that are in service and used  
17 and useful with known costs. The ISR process allows for sufficient time and a  
18 structured process in which to review the projects and their costs prior to making  
19 any rate changes that is lacking in the Company's proposed SSIR.

20 The Company's proposal to recovery costs prior to construction  
21 significantly reduces the Company's incentive to control its costs and eliminates  
22 any motivation to act efficiently. If the Company is allowed to recover costs that  
23 it has not yet incurred, where is the incentive to ensure that the projects represent

1 the most effective use of capital and that the work is done efficiently, minimizing  
2 costs? Without a vigorous process to ensure that the Company actually  
3 implemented what it had planned, this shift from post construction recovery to  
4 preconstruction recovery jeopardizes prudence reviews, which along with  
5 regulatory lag are the most effective regulatory tools to motivate utility cost  
6 efficiency. The result is a shifting of risk from utility shareholders (who are  
7 rewarded by a return on their investment) to ratepayers.

8 **VI. SSIR RECOMMENDED CHANGES**

9 **Q. WHAT FUNDAMENTAL QUESTION WILL YOU ADDRESS IN THIS**  
10 **SECTION?**

11 A. This section will address the following fundamental question: if the Commission  
12 approves the SSIR, what changes should be made to the Company's SSIR  
13 request?

14 **Q. DOES THE COMPANY'S PROPOSED REVIEW PROCESS PROVIDE**  
15 **SUFFICIENT ASSURANCE THAT THE SSIR COST RECOVERY IS**  
16 **APPROPRIATE?**

17 A. No. Neb. Rev. Stat. § 66-1866 specifically requires that the Public Advocate  
18 conduct an examination of the ISR rate schedules to confirm that the underlying  
19 costs are in accord with the Act and to confirm proper calculations of the ISR  
20 rates and rate schedules. The Public Advocate must file a report with the  
21 Commission not later than sixty days after the application is filed. The  
22 Commission must hold a hearing within 120 days after the filing of the  
23 application.

1           The Company’s proposed SSIR review process is exceedingly weak.  
2           Essentially, it allows sixty days from application to rate implementation. The  
3           Company proposes submitting an application by November 1 of each year of its  
4           anticipated eligible system safety and integrity costs that form the basis for  
5           establishing the SSIR charge with rates to take effect two months later. This is  
6           sixty days from application to rate adjustment.

7           Currently, the Public Advocate alone is given sixty days in which to  
8           prepare and file the report on the ISR surcharge under Neb. Rev. Stat. § 66-1866.  
9           Thereafter, the Commission must hold a hearing within 120 days after the filing  
10          of the application.

11          The Company’s proposed SSIR review proposal would not only reduce  
12          the timeframe by half but also leave the Public Advocate, as well as the  
13          Commission, in an extremely ambiguous position as to exactly how to react to the  
14          application. Nothing is spelled out as to what the Public Advocate’s role is, nor is  
15          there any specific assurance that the matter will come to a hearing at which the  
16          Commission will either approve or deny the projects as presented. In fact, there is  
17          no “approval” process written into the proposed SSIR tariff. Rather, it appears  
18          that the Company proposes to make the filing and then informally meet with the  
19          Commission and the Public Advocate who may obtain additional information at  
20          their discretion, but there is nothing in the tariff that actually specifies how to  
21          process and to either approve or reject some or all of the filing.

22          **Q. DO YOU HAVE OTHER CONCERNS WITH IMPLEMENTING THE**  
23          **SSIR AS PROPOSED BY THE COMPANY?**

1 A. Yes. As I mentioned earlier, the Company's True-Up Mechanism is problematic. I  
2 also have concerns that there is no limit on the amount of the SSIR that can be  
3 implemented and that there is no requirement for periodic general rate cases.

4 **Q. PLEASE ELABORATE ON YOUR CONCERN ABOUT NO LIMIT ON**  
5 **THE AMOUNT OF THE SSIR THAT CAN BE IMPLEMENTED.**

6 A. Neb. Rev. Stat. § 66-1866 limits the amount of recovery to the lesser of \$1 million  
7 or 1/2% of jurisdictional utility's base revenue level approved by the Commission  
8 in the most recent general rate proceeding, but not greater than 10% of base  
9 revenue level approved by the Commission in the most recent general rate  
10 proceeding. There is no such limit on the SSIR that can be recovered.

11 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE LIMITS ON**  
12 **THE AMOUNT OF SSIR THAT CAN BE IMPLEMENTED IN EACH**  
13 **FILING?**

14 A. Limits similar to the legislative ISR should be imposed on any SSIR.

15 **Q. ARE THERE OTHER LIMITS IMPOSED IN THE LEGISLATIVE ISR?**

16 A. Yes. The ISR's monthly charge cannot increase more than \$0.50 per month per  
17 residential customer.

18 **Q. IF THE SSIR AS PROPOSED BY THE COMPANY WERE**  
19 **IMPLEMENTED, WHAT WOULD BE THE IMPACT ON RESIDENTIAL**  
20 **CUSTOMERS?**

21 A. The Company's proposed SSIR rider, if implemented and added to the 2014 ISR  
22 in Docket No. NG-0072.01, will increase the monthly residential customer charge  
23 by \$1.27 (2014 ISR \$0.34 + SSIR \$0.93). The following table shows that the

1 Customer Charge would be \$17.00 per month or \$204.00 per year on the  
2 Residential customer.

3 **Table 9: Impact of ISR, 2014 ISR, and SSIR on Customer Charge by Customer Class**

Type of Charge	Residential
Customer Charge	\$15.23
Pipeline Replacement Charge (ISR) Initial	\$0.50
Pipeline Replacement Charge (2014 ISR) Revision	\$0.34
System Safety and Integrity Rider (SSIR) Charge	\$0.93
Total per Month	\$17.00
Total per Year	\$204.00

4  
5 This \$1.27 increase in one year ignores the limit on increases to residential  
6 customers of \$0.50 per month per filing as is now provided for in the ISR  
7 surcharge under Neb. Rev. Stat. § 66-1866. This limitation on increases for  
8 residential customers was a legislative determination made at the time of the  
9 passage of LB 658 in 2009. It is my understanding that attempts to legislatively  
10 increase that cap have been rebuffed ever since.

11 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE LIMIT?**

12 A. If the Commission authorizes the replacement of the ISR with the SSIR, I  
13 recommend that the Commission limit SSIR increases to residential customers to  
14 \$0.50 per month per filing as is now provided for in the ISR surcharge under Neb.  
15 Rev. Stat. § 66-1866.

16 **Q. PLEASE ELABORATE ON YOUR CONCERN THAT THERE IS NO**  
17 **REQUIREMENT FOR PERIODIC GENERAL RATE CASES.**

18 A. Neb. Rev. Stat. § 66-1865, that defines the ISR, limits the Commission's ability to  
19 approve any infrastructure system replacement cost recovery charge rate schedule  
20 that has not had a general rate proceeding within sixty months immediately  
21 preceding the application by the jurisdictional utility for an infrastructure system

1 replacement cost recovery charge. The utility cannot collect an infrastructure  
2 system replacement cost recovery charge for a period exceeding sixty months  
3 after its initial approval. In essence, this results in a required general rate case  
4 every five years.

5 **Q. WHY DO YOU THINK A GENERAL RATE CASE IS IMPORTANT TO**  
6 **HAVE EVERY FIVE YEARS?**

7 A. There are several reasons to require a general rate proceeding at least every five  
8 years. First, the utility is implementing betterments that it stated would allow for  
9 current and future load growth. While the Company adjusted the capital costs for  
10 these betterments, the increase in revenues needs to be recognized in a general  
11 rate case. Second, many of the infrastructure improvements could result in a  
12 reduction in O&M expenses that need to be recognized in a general rate case.  
13 Both the increase in revenue and reduction in O&M savings could result in the  
14 Company overearning if not adjusted in a general rate case. Third, the return on  
15 equity is based on what was approved in the most recent general rate case.  
16 Operating and market conditions should be reviewed and the return on equity  
17 adjusted to ensure the utility has an opportunity to earn a fair rate of return on  
18 their investments and to adjust for an over earning. Finally, several other  
19 components in the SSIR revenue requirement calculation, such as depreciation  
20 accrual rates and the allocation of the cost of service among customer classes, are  
21 based on those approved in the last general rate case. These need to be  
22 periodically reviewed.

1 **Q. WHAT DO YOU RECOMMEND REGARDING THE REQUIREMENT**  
2 **FOR PERIODIC GENERAL RATE CASES?**

3 A. I recommend that should the Commission approve the replacement of the ISR  
4 with the SSIR, general rate cases should be mandated at least every sixty months.  
5 Neb. Rev. Stat. § 66-1866 provides that the ISR surcharge will cease to be  
6 collected when new base rates and charges become effective and essentially  
7 provides that a rate case has be brought within sixty months. The SSIR imposes  
8 no such condition, which means that the SSIR surcharge can be imposed,  
9 increased, and continued unless and until the jurisdictional utility or the  
10 Commission institutes a rate proceeding. There is no inherent reconciling  
11 mechanism included within the SSIR.

12 **Q. PLEASE SUMMARIZE YOUR CONCLUSION TO THE FUNDAMENTAL**  
13 **QUESTION: IF THE COMMISSION APPROVES SOURCEGAS'S SSIR,**  
14 **WHAT CHANGES SHOULD BE MADE TO THE COMPANY'S SSIR**  
15 **REQUEST?**

16 A. Any SSIR proposal should have sufficient safeguards so that the Commission and  
17 ratepayers can feel comfortable that the requested increases were properly  
18 scrutinized and properly limited. The Company's proposed SSIR does not provide  
19 either. The extremely vague and shortened procedure for review and the lack of  
20 caps or specific provisions for the filing of a timely general rate case to clear the  
21 surcharge are additional reasons for the Commission to reject the Company's  
22 request to replace the ISR with a prospective SSIR. However, should the  
23 Commission authorize the replacement of the ISR with the prospective SSIR,

1 changes should be made to allow sufficient safeguards to protect the ratepayers of  
2 Nebraska.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes. I conclude by offering into evidence Exhibits DHM-1 through DHM-20.

## ***Attachment A – Professional Experience and Education of Donna H. Mullinax***

### ***Summary***

Mrs. Mullinax has over thirty-five years of financial, management and consulting experience. She has held the position of Vice President and Chief Financial Officer for the last 19 years and served on various Boards of Directors. She has extensive experience in project management; regulatory and litigation support; financial, administration, and human resource management. She has performed numerous financial, compliance and management audits. Mrs. Mullinax has excellent analytical skills and report writing capabilities. She has designed and implemented accounting and business systems and developed policy and procedure manuals to support those systems.

### ***Key Qualifications and Selected Professional Experience***

#### **Financial, Administration, and Human Resource Management**

As Chief Financial Officer and Vice President she is responsible for all aspects of financial, administration, and human resources. Her responsibilities include accounting, cash management, budgeting, tax planning and preparation, fixed assets, human resources, and employee benefits. Records under her control have been subject to an IRS compliance audit with no findings.

#### **Project Management**

Mrs. Mullinax has successfully managed numerous projects controlling cost, schedule, and scope. These projects included management, financial, and compliance audits, M&A due diligence reviews, economic viability studies, prudence reviews, and litigation/regulatory support for construction contract claims and regulatory proceedings. She works well with diverse team members and has an excellent ability to reconcile various viewpoints and establish and maintain effective working relationships among cross-functional teams.

#### **Financial, Compliance, and Management Auditing**

Mrs. Mullinax is a skilled auditor. She has performed numerous financial, compliance, and management audits for governmental entities, businesses, and public utilities. As a CPA and CIA, she is knowledgeable about sound internal control processes and procedures and has made numerous recommendations for modifications to provide reasonable assurance regarding the achievement of objectives related to (1) effectiveness and efficiency of operations; (2) reliability of financial records, and (3) compliance with laws and regulations.

She has also conducted detailed base rates revenue requirements and rider compliance audits. She has analyzed financial information and budget projections, performed risk identification, and evaluated performance against industry benchmarks. Her extensive professional experience allows her to effectively analyze and evaluate methods and procedures and to thoroughly document her findings. She has successfully testified to her audit findings.

❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska

- NEPSC Application NG-0072.01, SourceGas Distribution, LLC May 2014-August 2014.
- NEPSC Application No. NG-0074, Black Hills/Nebraska Gas Utility Company, LLC, d/b/a Black Hills Energy, July-November 2013.
- NEPSC Application No. NG-0072, SourceGas Distribution, LLC March 2013-May 2013.

Project Manager and Lead Auditor. Led the review of the Companies' applications for an infrastructure system replacement cost recovery charge for compliance to the Nebraska

Natural Gas Regulation Act. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of plant work order supporting the requested recovery of utility plant in service. Summarized the transactional testing results and calculated the impact to the customer charge. Drafted the report including documentation of findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly support all work.

❖ On behalf of the Staff of the Public Utilities Commission of Ohio (PUCO)

- Case No. 13-2100-EL-RDR: Delivery Capital Recovery (DCR) Rider Audit of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, Companies), December 2013-present. Project Manager and Lead Auditor.
- Case No. 13-0419-EL-RDR: Distribution Investment Rider (DIR) Audit of Columbus Southern Power Company and Ohio Power Company, d/b/a AEP-Ohio, March-August 2013. Project Manager and Lead Auditor.
- Case No. 12-2855-EL-RDR: Delivery Capital Recovery (DCR) Rider Audit of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, Companies), December 2012-July 2013. Project Manager and Lead Auditor.
- Case No. 11-5428-EL-RDR: DCR Rider Audit of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, Companies), November 2011 - May 2012. Project Manager and Lead Auditor.

Led the review to ensure the accuracy and reasonableness of the Companies' compliance with its Commission-approved infrastructure cost recovery rider filings. The review included a detailed mathematical verification and validation of the support of the riders' revenue requirements model, development of sensitivity analysis that supported the PPS sampling techniques used to isolate specific plant work order for further testing. Summarized the transactional testing results and calculated the impact to the rider's revenue requirements. Detailed variance analyses of historical data with investigations into any significant changes. Drafted the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly support all work performed.

- Case # 08-0072-GA-AIR Columbia Gas of Ohio for an increase in gas rates, April-August 2008
- Case # 07-0829-GA-AIR Dominion East Ohio for an increase in gas rates, November 2007-July 2008
- Case # 07-0589-GA-AIR Duke Energy Ohio for an increase in gas rates. November 2007-February 2008

Lead Auditor and assistant project manager. Performed a comprehensive rate case audit of companies' gas rate filings to validate the filings, provided conclusions and recommendations concerning the reliability of the information, and supported Staff in its evaluation of the reasonableness of the filing. Drafted the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly document work performed.

❖ On behalf of the Massachusetts Department of Public Utilities, Case No. D.P.U. 08-110, regarding the Petition and Complaint of the Massachusetts Attorney General for an Audit of New England Gas Company (NEGC), February-August 2010. Lead Auditor and Assistant Project Manager. Conducted a management audit on how NEGC manages its accounting and

financial reporting functions and whether sufficient controls are in place to ensure that the information included in the company's filings can be reasonably relied upon for setting rates – areas reviewed included general accounting, financial reporting, and internal controls; plant accounting; income tax; accounts receivable; accounts payable; cash management; payroll; cost allocations; and capital structure. Developed the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly document work performed.

- ❖ On behalf of the Staff of the Connecticut Public Utilities Regulatory Authority (PURA), Docket 07-07-01: Diagnostic Management Audit of Connecticut Light and Power Company, July 2008-June 2009, Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management, system operations, financial operations, marketing operations, human resources, customer service, external relations, and support services. In addition, supported an in-depth review of the development and implementation process of the company's new customer information system. Developed the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly document all findings.
- ❖ Before the Oregon Public Utilities Commission (ORPUC), Docket No. UP 205: Examination of NW Natural's Rate Base and Affiliated Interests Issues, Co-sponsored between NW Natural, ORPUC Staff, Northwest Industrial Gas Users, Citizens Utility Board, August 2005-January 2006, Lead Auditor and Assistant Project Manager. Examined NW Natural's Financial Instruments, Deferred Taxes, Tax Credits, and Security Issuance Costs to ensure Company compliance with orders, rules, and regulations of the ORPUC and with Company policies. Developed the report including documenting findings, conclusions, and recommendations and coordinated the accumulation of work papers to thoroughly document work performed.

### **Regulatory and Civil Litigation**

She has provided or supported civil or regulatory testimony in Arizona, Colorado, Connecticut, Delaware, Illinois, Maryland, Michigan, Missouri, New York, North Carolina, North Dakota, South Carolina, Texas, and Utah. She has also served as an advisor to public service commissioners in the District of Columbia and Connecticut. In addition to providing analytical support, she has served as an expert witness and routinely works with other highly specialized expert witnesses. She has developed defensible analyses and testimony in connection with rate cases, audit findings, and other regulatory issues. She has also supported various civil litigations including delay and disruption construction claims and financial fraud. She has supported counsel with interrogatories, depositions, and hearings/trials support.

### **Regulatory Proceedings**

- ❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska
  - NEPSC Application NG-0078, SourceGas Distribution, LLC May 2014-present.  
Project Manager, Lead Auditor, and Expert Witness. Led the review of the Companies' applications to replace its infrastructure system replacement (ISR) cost recovery charge with a prospective System Safety and Integrity Rider (SSIR). The review included an analysis of the Company's projected revenue deficiency that led to the request for the prospective SSIR. The SSIR was subject to a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed

projects supporting the requested recovery of utility plant in service. Testimony on the analysis will be filed in August 2014.

- ❖ On behalf of the Commissioners and Staff of the District of Columbia Public Service Commission (DCPSC)
  - Formal Case No. 1103 Potomac Electric Power Company (Pepco) base electric rate case, June 2013-present. Project Manager.
  - Formal Case No. 1093 Washington Gas Light Company (WGL) base gas rates case, July 2011-July 2013. Project Manager.
  - Formal Case No. 1087 Pepco base electric rates case, September 2011-December 2012
  - Formal Case No. 1076 Pepco base electric rates case, July-December 2009
  - Formal Case No. 1053 Pepco base electric rates case, February 2007-June 2008

Lead Consultant advising Commissioners and Staff of the Office of Technical and Regulatory Analysis regarding Company's proposed rate base, net operating income and revenue requirements. Assessed the companies' and Intervenors' positions on various issues and provided defensible recommendations for the Commissioners' consideration. Developed "what if" revenue requirement model used during Commission deliberations to analyze the impact of various adjustments. Supported the drafting of the Commission's Order and supplied the revenue requirement schedules to support the final decision. Supported the Commissioners' legal team in addressing motions for reconsideration.

  - Formal Case No. 1106 Washington Gas Light Company (WGL) Interruptible Service Customer Class rates and related issues, February 2014-present. Lead Consultant and Project Manager. Led the effort to review the Distribution Charge Adjustment and proposed changes as well as the review of taxes, depreciation, and cash working capital within the customer class cost of service study.
  - Formal Case No. 1032 Pepco base electric rates case, January-March 2005. Senior Technical Consultant and Assistant Project Manager. Reviewed and evaluated Company's compliance filings for class cost of service and revenue requirements for distribution service pursuant to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.
  - Formal Case No. 1016 WGL natural gas base rates case, June-December 2003. Senior Technical Consultant and Project Manager. Analyzed and recommended adjustments regarding the company's proposed increase to base rates – advised the Commission on party positions during deliberations Review and evaluation of company's depreciation study filed with the Commission.
- ❖ Before the Missouri Public Service Commission, Case No. HR-2011-0241, on behalf of the City of Kansas City: Veolia Energy Company 2011 and 2012 electric base rates case, July-September 2011. Senior Technical Consultant. Analyzed Company's proposed net operating income, rate base, and revenue requirements. Supported testifying witness with drafted testimony and development of a model to calculate an alternative revenue requirement incorporating recommended adjustments.
- ❖ Before the North Dakota Public Service Commission, Case No. PU-10-657/PU-11-55: Northern States Power Company (NSP) 2011 and 2012 electric base rates case, April-November 2011. On behalf of the Commission Staff, Lead Consultant and Assistant Project Manager. Led the analysis of NSP's rate increase filings and supported adjustments for the Commission's consideration. Developed a model to calculate the appropriate revenue requirements and exhibits to support Staff recommended adjustments.

- ❖ Before the Connecticut Public Utilities Regulatory Authority (PURA), Docket 10-02-13: Aquarion Water Company base rates case, on behalf of the PURA, April-August 2010. Senior Technical Consultant and Assistant Project Manager. Reviewed the expense component of the company's revenue requirement and recommended adjustments for Staff consideration.
- ❖ Before the of the Delaware Public Service Commission on behalf of Staff
  - Docket No. 09-414: Delmarva Power & Light Company (DPL) electric base rates case, September 2009-May 2010. Expert Witness and Assistant Project Manager. Analyzed the company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
  - Docket No. 06-284: DPL's gas base rates case, October 2006-March 2007. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Michigan Public Service Commission (MIPSC) on behalf of the Michigan Attorney General
  - Case No. U-15506: Consumers Energy Company base gas rates case, May-November 2008. Expert Witness and Assistant Project Manager. Analyzed the company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – proceeding was settled through negotiations.
  - Case No U-15244 Detroit Edison electric base rates case, September 2007-October 2008.
  - Case No. U-15245 Consumers Energy Company base gas rates case, July 2007-April 2008.  
Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
  - Case No. U-14547 Consumers Energy Company base gas rates case, December 2005-April 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for Commission consideration related to the rate base and revenue requirements.
- ❖ Before the Maryland Public Service Commission (MDPSC)
  - Case No. 9092 Pepco electric base rates case, on behalf of the Staff of the MDPSC, December 2006-June 2007. Expert Witness and Assistant Project manager. Analyzed Company's rate increases filings and provided direct and rebuttal testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
  - Case No. 9062 Chesapeake Utilities Corporation gas base rates case, on Behalf of the Maryland Office of People's Counsel, May-August 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – participated in settlement negotiations that were ultimately accepted by all parties.

- ❖ Before the Illinois Commerce Commission, Case No. 05-0597, on behalf of the Illinois Citizens Utility Board, Cook County State Attorney's Office and City of Chicago, November 2005-May 2006. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Hawaii Public Utilities Commission (HPUC), Docket No. 05-0075: Instituting a Proceeding to Investigate Kauai Island Utility Cooperative's Proposed Revised Integrated Resource Planning and Demand Side Management Framework, On behalf of the Staff of the HPUC, June-November 2005. Senior Technical Consultant and Assistant Project Manager. Conducted and reported on the results of an industry survey of other cooperatives and Commissions to obtain an overview of how other entities approach the specific issues identified within this docket.
- ❖ Before the Public Utilities Commission of the State of Colorado (COPUC), Docket No. 04A-050E: Review of the Electric Commodity Trading Operations of Public Service Company of Colorado (PSCo), On behalf of the COPUC Staff, March-September 2004. Expert Witness and Assistant Project Manager. Performed a transaction audit of PSCo's electric commodity trading operations and submitted testimony describing the process used to conduct the investigation, a summary of the audit findings, and discussion of the significance of the findings.
- ❖ Before the New York Public Service Commission, Case No. 00-E-0612: Proceeding on Motion of the Commission to Investigate the Forced Outage at Consolidated Edison Company of New York, Inc.'s Indian Point No. 2 Nuclear Generation Facility, On behalf of Consolidated Edison Company of New York, Inc., October 2000-September 2003. Project Manager. Supervised cross functional teams to assist scheduling and nuclear engineering experts with responses to interrogatories and the development of three comprehensive rebuttal testimonies on the prudence of extended outages at the Indian Point 2 nuclear power plant. The proceeding settled prior to filing of testimony.

#### **Civil Litigation**

- ❖ ADF Construction vs. Kismet, On Behalf of ADF Construction, December 2003-February 2004. Assistant Project Manager for a delay and disruption construction claim related to a large hotel complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages.
- ❖ On behalf of New Carolina Construction, July 2002-January 2003
  - New Carolina Construction vs. Atlantic Coast
  - New Carolina Construction vs. Acousti

Project Manager for a delay and disruption claim related to construction of a large high school complex in South Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ State of Nevada Bureau of Consumer Protection, September-December 2003. Assistant Project Manager for damage assessment project related to potential litigation regarding the Western Market Manipulation.
- ❖ Oakwood Homes, On behalf of Oakwood Homes, February 1999-May 2000. Assistant Project Manager for a delay and disruption claim related to the construction of a large manufacturing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute was settlement through mediation.

- ❖ McMillan Carter, On behalf of McMillan Carter, June-September 2002. Project Manager for a delay and disruption claim related to construction of a large high school complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ Fluor Daniel Inc. vs. Solutia, Inc., On behalf of Fluor Daniel, May 2000-August 2001. Assistant Project Manager for a delay and disruption construction claim related to large chemical processing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute proceeded through mediation.
- ❖ First National Bank of South Carolina vs. Pappas, On Behalf of First National Bank of South Carolina, 1991-1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Supported counsel and expert witnesses during civil proceeding.
- ❖ First Union vs. Pappas, On Behalf of First Union, 1991-1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Dispute was settled out of court.

### *Testimony proffered*

Before the Colorado Public Utilities Commission

- Public Service Company of Colorado - Docket No. 04A-050E

Before the Delaware Public Service Commission

- Delmarva Power & Light Company - Docket No. 09-414

Before the Maryland Public Service Commission

- Potomac Electric Power Company - Case No. 9092
- Chesapeake Utilities Corporation - Case No. 9062

Before the Michigan Public Service Commission

- Consumers Energy Company - Case No. U-15506
- Consumers Energy Company - Case No. U-14547

Before the Public Service Commission of Nebraska

- SourceGas Distribution LLC – Docket No. NG-0078

### **System Implementation**

Mrs. Mullinax has worked with various business and local governmental entities to design and implement accounting and business systems that addressed real world problems and concerns. She has developed accounting policy and procedure manuals for county governments, a library, and a water utility.

### *Professional Experience*

**Blue Ridge Consulting Services, Inc.: 2004 - Present**

*Vice President and Chief Financial Officer*

*Senior Technical Consultant / Expert Witness*

**Hawks, Giffels & Pullin, Inc.: 1993 - 2004**

*Vice President and Chief Financial Officer  
Executive Consultant  
Controller*

**Cherry, Bekaert & Holland, CPAs: 1991 - 1993**

*Accounting Supervisor  
Senior Accountant  
Staff Accountant*

**Smith, Kline and French Pharmaceutical Company: 1988 - 1991**

*Professional Sales Representative*

**Milliken & Company: 1979 - 1988**

*Quality Assurance Manager  
Technical Cause Analyst  
Department Manager*

***Professional Certification***

Certified Public Accountant (CPA), State of South Carolina - 1993  
Certified Financial Planner (CFP) - 1994  
Certified Internal Auditor (CIA) - 2006  
Chartered Global Management Account (CGMA) - 2012

***Professional Affiliations***

Member of the American Institute of Certified Public Accountants (AICPA)  
Member of the South Carolina Association of Certified Public Accountants (SCACPA)  
Member of the Institute of Internal Auditors (IIA)  
Member of the Western Carolinas Chapter of the Institute of Internal Auditors (WCIIA)

***Education***

Clemson University, B.S. Administrative Management with honors, 1978  
Clemson University, M.S. in Management, 1979  
College for Financial Planning, 1994  
NARUC Utility Rate School, 32<sup>nd</sup> Annual Eastern

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF NEBRASKA  
Docket No. NG-0078  
SourceGas Distribution LLC  
System Safety and Integrity Rider (SSIR) Review**

## **Introduction**

SourceGas Distribution LLC (SourceGas or “Company”) is requesting jurisdictional SSIR Revenue Requirements for a System Safety and Integrity Rider (SSIR) of \$1,457,272. The impact of the Company’s request would add \$0.93 to Residential, \$1.99 to Small Commercial, and \$14.01 to Large Commercial customers’ bills as a monthly fixed charge.<sup>1</sup>

The Company stated that it did not develop its proposed SSIR tariff based upon the Infrastructure System Replacement (ISR) Cost Recovery Charge in Docket No. NG-0072, under Sections 66-1865 and 66-1866 of the State Natural Gas Regulatory Act (Act). The Company developed the proposed SSIR Tariff based upon the System Safety and Integrity Rider that the Colorado PUC approved for SourceGas Distribution’s affiliate, Rocky Mountain Natural Gas LLC, in Decision No. R14-0114 in consolidated Proceeding Nos. 13A-0046G et al.<sup>2</sup>

The Company stated that there are several fundamental differences between the Company’s proposed SSIR tariff and the ISR cost recovery charge rate schedules that the Company is authorized to file under the Act. These differences are related to (1) the timing of cost recovery, (2) the ability to timely recover all eligible costs, (3) the types of costs eligible for recovery, and (4) the timing of the regulatory process and stakeholder knowledge.<sup>3</sup>

Blue Ridge analyzed the specific differences between the SSIR and ISR in a separate task. Although, the Company stated that the SSIR was not developed under the provisions of the Act, the Act that defines the ISR is well thought out and provides an excellent legislative basis in which to evaluate the Company’s proposed SSIR.

This document summarizes the results of Blue Ridge’s review of the SSIR projects and the components used by SourceGas to calculate its requested SSIR revenue. This document is a workpaper that supports the Direct Testimony filed by Donna Mullinax. Conclusions and recommendations are made within her testimony.

## **Project Eligibility**

The Company provided a list and descriptions of the 41 projects included in the SSIR.<sup>4</sup> The 41 projects are split into 55 internal work orders or budget identifying numbers to allow assignment of different FERC accounts.<sup>5</sup> Blue Ridge tested 100% of the line items included in the SSIR.

The Company categorized the projects included in the SSIR as follows:

1. Replacement of Bare Steel Distribution Main

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<sup>1</sup> Prefiled Direct Testimony of Jerrad S. Hammer, Exhibit JSH-1, Table 1.

<sup>2</sup> Prefiled Direct Testimony of Jerrad S. Hammer, page 13, lines 1-10.

<sup>3</sup> Prefiled Direct Testimony of Jerrad S. Hammer, page 13, lines 17-23.

<sup>4</sup> Prefiled Testimony of Charles Bayles, Exhibit CAB-17.

<sup>5</sup> Prefiled Testimony of Charles Bayles, Exhibit CAB-17.

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2. Replacement of Transmission Pipeline
3. Barricades
4. Cathodic Protection and Corrosion Prevention
5. Span Replacements
6. Town Border station
7. Top of Ground Replacement
8. Centerline Services
9. MAOP verification (maximum allowable operating pressure).<sup>6</sup>

The Company stated that SSIR projects are defined as follows:

1. Projects to comply with CFR Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart O (Gas Transmission Pipeline Integrity Management), including projects in accordance with the Company's transmission integrity management program (TIMP) and projects in accordance with state enforcement of Subpart O and the Company's TIMP.
2. Projects to comply with CFR Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart P (Gas Distribution Pipeline Integrity Management), including projects in accordance with the Company's distribution integrity management program (DIMP) and projects in accordance with state enforcement of Subpart P and the Company's DIMP.
3. Projects to comply with final rules and regulations of the US Department of Transportations' Pipeline and Hazardous Materials Safety Administration (PHMSA) that become effective on or after the filing date requesting approval of the SSIR.
4. Facility relocation projects with a per-Project total cost of \$20,000 or more, exclusive of all costs that have been, are being, or will be reimbursed otherwise, that are required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, the State of Nebraska, a political subdivision of the State of Nebraska, or another entity having the power of eminent domain.<sup>7</sup>

Although the Company stated that it did not develop its proposed SSIR tariff based upon the ISR Cost Recovery Charge in Docket No. NG-0072, under Sections 66-1865 and 66-1866 of the Act, the Act is a good framework to evaluate the Company's SSIR request. Blue Ridge.

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<sup>6</sup> Prefiled Testimony of Charles Bayles, Exhibit CAB-17.

<sup>7</sup> Prefiled Direct Testimony of Charles A. Bayles, Exhibit CAB-17, pages 2-3.

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The findings of Blue Ridge's review are summarized below. Each project or individual line item within a project was evaluated based on the following set of objective criteria.<sup>8</sup>

T1 Does the individual project comply with the following definitions of an eligible project based on the Act?

T1A Does not increase revenue by directly connecting the infrastructure system replacement to new customers

**Finding:** Six projects increased pipe size from 1¼" to 2" pipe for standardization. These projects were not betterments, and the prime purpose was to eliminate the use of 1 ¼" pipe.

Of the 55 projects there were 14 that increased pipe size to address current and future load growth in the area. The Company adjusted the estimated cost of the project to seek recovery of the smaller, original diameter of the pipe to account for the potential increase in capacity and revenue. The 14 projects include multiple line items for Red Cloud to Blue Hill Replacement, McCook South TOG Replacement, TOG Replacement-NW Gothenberg, and Nebraska MAOP-Creighton Lateral.<sup>9</sup>

T1B Were not included in the jurisdictional utility's rate base in the most recent general rate proceeding

**Finding:** These projects are estimates and, therefore, not in UPIS for rates. Only completed projects would be included in rates.

T1C May enhance the capacity of the system, but are eligible for infrastructure system replacement cost recovery only to the extent the jurisdictional utility plant project constitutes a replacement of existing infrastructure

**Finding:** All projects that enhanced the capacity of the system by increasing the pipe size were adequately adjusted to include only the costs of the smaller, original diameter of the pipe. In one project (Danbury Lateral TOG Replacement), the Company determined that the best route was to replace a 2" steel pipe with 4" poly that has a lower MAOP. The operating pressure of the poly pipe will not allow additional throughput. The 4" poly pipe has a lower cost per foot than replacing the 2" steel with like kind.

For those projects where the pipe size was increased for reasons other than standardization or when additional pipe was added, the Company calculated the cost of the betterment and properly excluded that incremental cost from the SSIR.

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<sup>8</sup> WP 2014 SourceGas SSIR Work Order Testing Matrix.xlsx.

<sup>9</sup> Prefiled Testimony of Charles Bayles, Exhibit CAB-17.

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T2 Does the project qualify as jurisdictional utility plant based on one or more of the following Nebraska definitions?

T2A Mains, valves, service lines, regulator stations, vaults, and other pipeline system components installed to comply with state and federal safety requirements as replacements for existing facilities

**Finding:** The projects were reviewed against the applicable safety requirement cited by the Company as either a TIMP or DIMP project. While no exceptions were found, one project was unique and required further review.

Project Centerline Services (internal order 014-867) – a two-year initiative to collect Global Positioning System (GPS) centerline information on the Company gas transmission pipeline system. *The company has used an older system which is less accurate and concluded that accurate pipeline location is critical to daily operational decisions and ensures pipeline integrity and therefore is safety related.* The project was reviewed and found that it complies with CFR Title 49, part 192 subpart O, section 192.5, and therefore should be included in the SSIR.<sup>10</sup>

T2B Main relining projects, service line insertion projects, joint encapsulation projects and other similar projects extending the useful life or enhancing the integrity of pipeline system components undertaken to comply with state and federal safety requirements

**Finding:** The projects associated with this criterion were primarily cathodic protection and corrosion protection. These type projects are normal to extend the useful life of asset(s) without necessarily replacing them. No exceptions were found.

T2C Facility relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state or another entity having the power of eminent domain, if the costs related to such relocations have not been reimbursed to the jurisdictional facility

**Finding:** The facility relocation projects were related to mandates from municipalities requiring the Company to relocate assets or were done as a result of a safety concern. No exceptions were found.

T3 If the workorder is specific (not a blanket), does the workorder package contain project justification?

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<sup>10</sup> SourceGas response to Information Request PA-44.

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**Finding:** All projects in the SSIR population contained project justification. Project estimates were reviewed for reasonableness. We did note that the Company revised some of the project estimates with an aggregate increase of \$535,890 (without AFUDC/burden.<sup>11</sup> Therefore, at the time of true up, the SSIR surcharge may increase to provide for the increase in costs of the projects. Our review did not find any of the project estimates, or revised project estimates, to be unreasonable.

- T4 Does the workorder package contain the project approval documentation or workorder approved at the project level?

**Finding:** All workorders contained the appropriate level of project approval documental.

- T5 Is there any information that would cause one to think that the project costs are unreasonable?

**Finding:** The projects' costs are estimates and the Company categorized the estimates on a line item basis in general categories such as contractor costs, AFUDC, overheads, and contingencies. Those line items appeared to be a reasonable, accepted approach to estimating capital projects. Until the projects are complete and put in service, the final actual costs are not known and are subject to change.

The estimated project costs do not include a forecast for retirements, cost of removal, or salvage. The Company stated that historically these amounts have not been material enough to forecast. These amounts will be included in the actual information when the Company files the annual report and performs the reconciliation of revenue requirements to revenue collected.<sup>12</sup> Should actual cost of removal be significant for any large project, the Company should include those costs in its estimates in the future.

After the budget is approved, individual workorders are created for specific projects and a revised cost estimate is created. The Company provided an updated forecast of 25 project costs (without burden<sup>13</sup>). The updated costs of these 25 projects shows an expected increase of \$535,890 (without AFUDC/burden).<sup>14</sup>

The Company provided estimated O&M costs for the Nebraska MAOP-Grand Lateral (also referred to as the McCook Lateral) project of \$65,312 (jurisdictional \$49,457). The Company explained the nature of these O&M costs.

The Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (the "Act") requires transmission pipeline operators to confirm

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<sup>11</sup> WP Comparison of Original and Revised Project Estimates-PA-9a to 9bSourceGas response to Information Request PA-09, Attachments A and B.

<sup>12</sup> SourceGas response to Information Request PA-9.

<sup>13</sup> Burdens are the indirect costs like A&G expenses that are allocated to capital costs.

<sup>14</sup> SourceGas response to Information Request PA-9 and WP Comparison of Original and Revised Project Estimates-PA-9a to 9b.

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established maximum allowable operating pressures (“MAOP”) assigned to pipeline segments. Specifically, Section 23 of the Act mandates that operators conduct a verification of records related to transmission lines in Class 3 and Class 4 locations and Class 1 and Class 2 HCAs. SourceGas operates 1,207 miles of transmission pipeline in Nebraska, of which 23.17 miles are located in Class 3 areas and 1.29 miles are located in HCAs. The required record confirmation identified 0.96 miles of pipe in Class 3 locations, of which 0.42 miles of pipe are located in HCAs, for which records are not traceable, verifiable and complete as required by PHMSA.

This testing under this Project is not normal and routine, and is rather unique, because the McCook Lateral is one of the few SourceGas Distribution pipelines in Nebraska located in a Class 3 HCA. Accordingly, the Company has evaluated this Project as a high risk gas infrastructure project under its proposed SSIR Tariff. SourceGas Distribution is hydro-testing this pipeline to comply with the Pipeline Safety Act. As the testing is being conducted pursuant to an express federal pipeline safety mandate, it is appropriate to recover the associated cost through the SSIR Tariff.<sup>15</sup>

While Blue Ridge does not challenge the Company’s focus on pipeline safety, we do question whether these non-routine, one-time-only O&M costs should be included in an accelerated infrastructure replacement tariff. These O&M costs are not ongoing, and there is a possibility of over-recovery should the tariff extend beyond one year.

## **Revenue Requirement**

Although the Company stated that it did not develop its proposed SSIR tariff based upon the ISR Cost Recovery Charge in Docket No. NG-0072, under Sections 66-1865 and 66-1866 of the Act, the Act is a good framework to evaluate the Company’s SSIR request.

The Act defines appropriate pretax revenue as the revenue necessary to produce net operating income equal to (a) the jurisdictional utility’s weighted cost of capital multiplied by the net original cost of eligible infrastructure system replacements, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements which are included in an infrastructure system replacement cost recovery charge, (b) recovery of state, federal, and local income taxes applicable to such income, and (c) recovery of depreciation expenses.<sup>16</sup>

The Act specifies what should be considered in determining the pretax revenue. Pretax revenue will be based on the following components:

(a) Net original cost of eligible infrastructure system replacement minus associated retirements of existing infrastructure

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<sup>15</sup> SourceGas response to Information Request PA-45.

<sup>16</sup> Nebraska State Natural Gas Regulation Act § 66-1802 Terms, defined (2)(a) through (c).

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(b) Accumulated deferred income taxes associated with the eligible infrastructure system replacements

(c) Accumulated depreciation associated with the infrastructure system replacements

(d) State, federal, and local income tax or excise tax rates at the time of such determination

(e) Jurisdictional utility's actual regulatory capital structure as determined during the most recent general rate proceeding of the jurisdictional utility

(f) Actual cost rates for the jurisdictional utility's debt and preferred stock as determined during the most recent general rate proceeding of the jurisdictional utility

(g) Jurisdictional utility's cost of common equity as determined during the most recent general rate proceeding of the jurisdictional utility

(h) Depreciation rates applicable to the eligible infrastructure system replacement as the time of the most recent general rate proceeding of the jurisdictional utility<sup>17</sup>

Each of these components is addressed in this analysis.

***PERIOD COVERED***

The Company's calculation of its SSIR revenue is based upon the fourteen-month period of November 2014 through December 2015. The amounts included are based upon total state plant in service of \$11,627,216 (jurisdictional plant in service of \$8,812,447) that is expected to be in service as of November 2014.

***RATE BASE***

The Act specifies the components to be included in rate base. They are (a) net original cost of eligible infrastructure system replacement minus associated retirements of existing infrastructure, (b) accumulated deferred income taxes associated with the eligible infrastructure system replacements, and (c) accumulated depreciation associated with the infrastructure system replacements.<sup>18</sup>

While the proposed SSIR is based upon projected plant rather than actual plant put in service, the SSIR rate base includes the same components as specified in the Act. SourceGas's requested jurisdictional SSIR rate base totals \$8,220,891, and is comprised of the following amounts.

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<sup>17</sup> Nebraska State Natural Gas Regulation Act § 66-1866, (5) (a) through (h).

<sup>18</sup> Nebraska State Natural Gas Regulation Act § 66-1866, (5) (a) through (c).

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**Table 1: SSIR Rate Base<sup>19</sup>**

<b>Description</b>	<b>Total</b>
Projected Utility Plant in Service	11,627,216
Accumulated Deferred Income Taxes	(318,429)
Accumulated Depreciation	(462,034)
Total Rate Base	10,846,754
Jurisdictional Rate Base	8,220,891

Each component is discussed below.

Projected Utility Plant in Service

The Act requires that net original cost of eligible infrastructure system replacement minus associated retirements of existing infrastructure be included in the ISR recovery charge. One of the most significant fundamental differences between the ISR and the SSIR is that the ISR includes actual costs of plant that has been placed in service, while the SSIR is estimated costs for plant that is projected to be placed in service in the future period.

The Company's proposed plant in service included within the SSIR is comprised of 55 line items representing 55 projects totaling \$11,627,216. The projects were allocated to derive the jurisdictional projected plant in service of \$ 8,812,447.<sup>20</sup>

Blue Ridge reviewed the projects using the parameters in the Act as discussed in the Project Eligibility section.

Accumulated Deferred Income Tax

The Company adjusted rate base by Accumulated Deferred Income Taxes (ADIT), which is consistent with the Act. The Act states: "(5) In determining the appropriate pretax revenue, the commission shall consider the following factors: . . . (b) The accumulated deferred income taxes associated with the eligible infrastructure system replacement."<sup>21</sup>

Blue Ridge found that the Company included accumulated deferred income tax (ADIT) of \$(318,429)-Total State and \$(241,322)-Jurisdictional to determine rate base. The ADIT was calculated based upon the month-to-month incremental book-to-tax depreciation expenses calculated on the plant projected to be placed in service.

However, Blue Ridge found that the Company's 2014 ADIT is calculated incorrectly and is overstated. Plant was not initially placed in service until May 2014, yet the tax depreciation calculation assumes that it was in service since for the full year (starting in January 2014). This problem continues for each month from May through December 2014. The Company agrees and provided a corrected schedule that lowered the ADIT balances for 2014 and raised the 2014 SSIR revenue requirement by \$295.<sup>22</sup> The amount is immaterial, and there is no change to the proposed SSIR fixed charge rate.

<sup>19</sup> Prefiled Direct Testimony of Jerrad S. Hammer, Exhibit JSH-1, Tables 2 and 3.

<sup>20</sup> Prefiled Direct Testimony of Jerrad S. Hammer, Exhibit JSH-1, Table 4.

<sup>21</sup> Nebraska State Natural Gas Regulation Act § 66-1866, (5) (b).

<sup>22</sup> SourceGas response to Information Request PA-54.

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Accumulated Depreciation

The Act requires that the ISR recovery charge include accumulated depreciation associated with the infrastructure system replacements.

Blue Ridge found that the Company reduced gross plant by accumulated depreciation totaling \$462,034 state and \$350,233 jurisdictional to derive net investment. Accumulated depreciation is calculated based upon the aggregate month-to-month incremental depreciation expense calculated on the plant projected to be placed in service.

***INCOME TAX***

The Act, allows for the inclusion of state, federal, and local income tax or excise tax rates at the time of such determination.<sup>23</sup>

Blue Ridge found that the rates as shown in the following table are consistent with those used in the ISR and allowed by the Act.

**Table 2: Income Tax**

<b>Description</b>	<b>Rate</b>
Federal Tax Rate	34.00%
State Tax Rate	7.81%
Combined Rate	39.15%

Blue Ridge found that the Company calculated the income tax impact different from the calculation included in the ISR. The Company increased the net income portion of the return to allow for income taxes. The expense components did not include the reduction in income taxes, but since the expenses were not grossed up to include income taxes when calculating the revenue deficiency, the impact is neutral.

***RATE OF RETURN***

Blue Ridge found that the Company included fourteen months of return on rate base using the capital structure and cost rates approved in its last rate case<sup>24</sup> to calculate the weighted cost of capital. This is consistent with the Act's requirements for the ISR, which states that the return should include "(e) the jurisdictional utility's actual regulatory capital structure as determined during the most recent general rate proceeding of the jurisdictional utility; (f) actual cost rates for the jurisdictional utility's debt and preferred stock as determined during the most recent general rate proceeding of the jurisdictional utility; and (g) the jurisdictional utility's cost of common equity as determined during the most recent general rate proceeding of the jurisdictional utility."<sup>25</sup>

The following presents the rate of return calculation used by the Company to determine the earnings requirement for the SSIR.

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<sup>23</sup> Nebraska State Natural Gas Regulation Act § 66-1866, (5) (d).

<sup>24</sup> Case No. NG-0067, Order entered May 22, 2012, pp. 22-25.

<sup>25</sup> Nebraska State Natural Gas Regulation Act § 66-1866, (5) (e) through (g).

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**Table 3: Rate of Return**

Description	Percent of Total	Cost of Capital	Weighted Cost of Capital
Long Term Debt	48.84%	5.642%	2.76%
Equity	51.16%	9.60%	4.91%
<b>Total Capital</b>	<b>100.00%</b>		<b>7.67%</b>

***EXPENSES***

*Depreciation*

Blue Ridge found that the Company included 14 months of depreciation expense calculated on the proposed plant in service balances using a depreciation rate of 3.0% converted to a monthly rate of 0.25% (3.00% annual rate/12 months) for Distribution Plant. The depreciation rates used are the rate in the Company’s last general rate case Docket No. NG-0067.<sup>26</sup> The use of this depreciation rate is consistent with the Act, which requires depreciation expense to be calculated using the depreciation rates applicable at the time of the most recent general rate proceeding of the jurisdictional utility.<sup>27</sup> The Company’s methodology to calculate depreciation expense is not unreasonable.

*Property Taxes*

Blue Ridge found that the Company included 14 months of property taxes within its SSIR revenue requirement. The Act did not include a provision for property taxes in the calculation of the ISR.

The 2013 property tax assessed value and ratios were used to derive the property tax rate.<sup>28</sup> The property tax ratio was applied to the year-end Net Investment (Gross Plant less Accumulated Depreciation) balances as of December 31, 2014, and as of December 31, 2015, and then amortized over twelve months for each of the years 2014 and 2015. The methodology used to determine the property tax ratio is not unreasonable.

*Operation and Maintenance Costs*

The Act did not include a provision for O&M costs in the calculation of the ISR.

Blue Ridge found that the Company’s list of SSIR projects included jurisdictional operation and maintenance (O&M) costs of \$49,457. The Company explained the nature of these O&M costs.

The Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (the “Act”) requires transmission pipeline operators to confirm established maximum allowable operating pressures (“MAOP”) assigned to pipeline segments. Specifically, Section 23 of the Act mandates that operators conduct a verification of records related to transmission lines in Class 3 and Class 4 locations and Class 1 and Class 2 HCAs. SourceGas operates 1,207

<sup>26</sup> Exhibit JSH-1-SSIR Model, WP-Depr Exp.

<sup>27</sup> Nebraska State Natural Gas Regulation Act § 66-1866, (5) (h).

<sup>28</sup> SourceGas response to Information Request PA-53.

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miles of transmission pipeline in Nebraska, of which 23.17 miles are located in Class 3 areas and 1.29 miles are located in HCAs. The required record confirmation identified 0.96 miles of pipe in Class 3 locations, of which 0.42 miles of pipe are located in HCAs, for which records are not traceable, verifiable and complete as required by PHMSA.

This testing under this Project is not normal and routine, and is rather unique, because the McCook Lateral is one of the few SourceGas Distribution pipelines in Nebraska located in a Class 3 HCA. Accordingly, the Company has evaluated this Project as a high risk gas infrastructure project under its proposed SSIR Tariff. SourceGas Distribution is hydro-testing this pipeline to comply with the Pipeline Safety Act. As the testing is being conducted pursuant to an express federal pipeline safety mandate, it is appropriate to recover the associated cost through the SSIR Tariff.<sup>29</sup>

Blue Ridge found that while the Company's SSIR projects and the revenue requirement model included O&M, these O&M costs were not actually included in the SSIR Revenue Requirements for which the Company is seeking recovery. The O&M costs are recorded in July 2014, but the SSIR Revenue Requirements includes only the calculation for November 2014 through December 2015. The July 2014 O&M costs were not included in the Company's request.

While Blue Ridge does not challenge the Company's focus on pipeline safety, we do question whether these non-routine, one-time-only type O&M costs should be included in a tariff. These O&M costs are not ongoing, and there is a possibility of over-recovery should the tariff extend beyond one year.

Since the O&M costs were included in the model, there is the possibility that the Company will seek recovery in the true up or in a future application. Blue Ridge recommends that should the Commission approve a SSIR tariff, O&M costs should be excluded in any true up or any SSIR requested by the Company in the future.

### ***REVENUE REQUIREMENT CALCULATION***

Blue Ridge found that the Company calculated the SSIR revenue requirement on a monthly basis then totaled the monthly balances for November 2014 through December 31, 2015 (14 months).

Blue Ridge performed mathematical checks on the detailed revenue requirements schedules and verified that the amounts rolled forward correctly found nothing unreasonable.

### **Customer Allocation**

Blue Ridge found that the Company used the jurisdictional utility classes of customer allocations approved in the most recent general rate proceeding. The allocation is

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<sup>29</sup> SourceGas response to Information Request PA-45.

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consistent with the Act’s requirement for the ISR: “(6)(a) The monthly infrastructure system replacement cost recovery charge rate shall be allocated among the jurisdictional utilities’ classes of customer in the same manner as costs for the same type of facilities were allocated among classes of customers in the jurisdictional utilities’ most recent general rate proceeding.<sup>30</sup>

Blue Ridge found that the calculation of the SSIR Fixed Charge among customer classes was based on the annual number of bills from the last general rate case, which is different from the calculation in the 2014 ISR. The 2014 ISR was based upon the average number of customers. The difference is not significant as shown in the following table.

**Table 4: Comparison of Method to Calculate Fixed Charge (ISR vs. SSIR)**

<u>Method used in NG-0072.01 to Calculate Monthly Charge</u>				
Rate Case Average Number of Customers	67,686	10,117	1,479	79,282
Rate Case Average Number of Customers x 12 months	812,232	121,404	17,748	951,384
<u>Method used in NG-0078</u>				
Annual # of Bills - NG-0067	812,229	121,408	17,743	951,380
Difference	(3)	4	(5)	(4)

**Amount and Timing of Request**

This task compared the amount and timing of SourceGas’s surcharge request to the limits established by the Act. The Act defines specific limits on the amount and timing of ISR cost recovery as summarized in the following lists. Blue Ridge’s findings are included below:

- 1) Rate schedules must produce revenue greater than \$1 million or 0.5% of the jurisdictional utility’s base revenue approved by the Commission in the last base rate case.<sup>31</sup>
- 2) The total annualized infrastructure system replacement cost recovery charge must be less than 10% of the jurisdictional utility’s base revenue approved by the Commission in the last base rate case.<sup>32</sup>

Blue Ridge found that SourceGas’s SSIR does not have a limit on the revenue that can be recovered through the SSIR.

- 3) The jurisdictional utility must have had a general rate proceeding decided or dismissed by issuance of a Commission order within sixty months immediately preceding the application by the jurisdictional utility for an infrastructure system replacement cost recovery charge.<sup>33</sup>

Blue Ridge found that SourceGas’s proposed SSIR is an annual application with no requirement for periodic base rate cases.

<sup>30</sup> Nebraska State Natural Gas Regulation Act § 66-1866 (6)(a).

<sup>31</sup> Nebraska State Natural Gas Regulation Act § 66-1865.

<sup>32</sup> Nebraska State Natural Gas Regulation Act § 66-1865.

<sup>33</sup> Nebraska State Natural Gas Regulation Act § 66-1865.

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- 4) The ISR cost recovery charge cannot be collected for a period exceeding 60 months after its initial approval unless the jurisdictional utility has filed for or is subject to a new general rate proceeding.<sup>34</sup>

Blue Ridge found that SourceGas's SSIR has no limit on how long the SSIR can be collected.

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<sup>34</sup> Nebraska State Natural Gas Regulation Act § 66-1865.

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**Workpapers Supporting Analysis**

WP 2014 SourceGas SSIR Work Order Testing Matrix

WP ADIT from Attachment PA-54

WP Comparison ISR to SSIR

WP Comparison of Original and Revised Project Estimates-PA-a to 9b

WP Forecasted Adjustments WP from Attachment PA-4

WP NE Jurisdictional Revenue Calculations - Earnings Look - JSH-2

WP NE SSIR Tables - Analysis for Testimony

WP NG-0072 Attachment PA-2D2 - Revenue Requirement Model - Interlocutory Order

WP Revenue Requirement Model -2014 Earnings look - JSH-2

WP SSIR Rev Req Model from Exhibit JSH-1

WP SSIR Review Summary

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#	ISR	Proposed SSIR	Comments
1.	Established under the State Natural Gas Regulation Act (Act), Sections 66-1865 and 66-1866	<p>Developed by SourceGas based upon the SSIR that the Colorado PUC approved for affiliate, Rocky Mountain in Decision No. R14-0114 mailed on January 30, 2014, in Proceeding Nos. 13A-0046G et al. Rider has been in effect as of March 1, 2014. [Prefiled Direct Testimony of Jerrad Hammer, page 13, lines 6-8]</p> <p>Proposed by SourceGas in Nebraska under Sections 66-1801 and 66-1808 of the Act</p> <p>Section 66-1808 (2) for good cause, the Commission may allow for changed rates or any term or condition of service pertaining to the service or rates of such utility outside of a general rate filing</p> <p>The Company shall file the first Annual Application by November 1, 2014, to take effect on January 1, 2015. [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 11, Section 1.2.A]</p>	SSIR developed by SourceGas.
2.	Limits on Recovery: limited to the lesser of \$1 million or 1/2% of jurisdictional utility's base revenue level approved by the Commission in most recent general rate proceeding, but not greater than 10% of base revenue level approved by the Commission in most recent general rate proceeding [Section 66-1865 (1)]		No limits on recovery.
3.	Must have had a general rate proceeding within 60 months immediately preceding the Application [Section 66-1865 (2)]		Several of the components like return on equity, depreciation accrual rates, and the cost allocation methodology are based on those approved by the Commission in the last general rate proceeding. An extended period between rate cases could result in the Company over earning. A general rate case every five years is reasonable.

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#	ISR	Proposed SSIR	Comments
4.	Can not collect ISR for more than 60 months after its initial approval unless within such 60 month period a filing for a general rate case has been made [Section 66-1865 (3)]		No limit on how long the SSIR can be collected before a general rate proceeding is required.
5.	Establishment or change to ISR must include: (a) List of eligible projects (b) Description of the projects (c) Location of the projects (d) Purpose of the projects (e) Date construction began and ended (f) Total expenses for each project at completion (g) Extent to which such expenses are eligible for inclusion in the calculation of the ISR [Section 66-1866 (3)(a)]	The Company shall include in its Annual Application pertinent information and supporting data related to Eligible System Safety and Integrity Costs, including, at a minimum, Project description and scope, Project costs and in-service date. [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 11, Section 1.2.A]  As part of its analysis, the Company shall identify and describe the proposed Projects that are for high-risk gas infrastructure by providing its risk assessment for each such Project including, if applicable, the probability of failure, the consequences of failure for the Project and how it prioritized the Project for which it seeks recovery. [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 14, Section 1.3.C]	The annual application is not required to have extensive information beyond the project description and scope, cost and in service date. The ISR requires the location and purpose of the project.
6.	Public Advocate shall: Conduct an examination of the ISR rate schedules to confirm that the underlying costs are in accord with the ACT and to confirm proper calculation of the ISR rates and rate schedules [Section 66-1866 (3)(a-b)] File a report with the Commission not later than 60 days after the application is filed [Section 66-1866 (3b)]		No provision to have an audit of neither the annual application that presents the proposed projects with the estimated costs nor the Annual Report that detail the Project costs incurred during the previous year.
7.	No other revenue requirement or ratemaking issue shall be examined in consideration of the ISR application [Section 66-1866 (3b)]		The Company included an overall revenue deficiency with its initial SSIR application as a justification as to why the SSIR is needed. The inclusion of the revenue deficiency diluted the examination of the SSIR.

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#	ISR	Proposed SSIR	Comments
8.	A hearing will be held presenting the report and the final order issued with 120 days of the application (may be extended by 30 days for good cause) [Section 66-1866 (3)(c)]	An interested party may request that the Commission convene a hearing within ninety (90) days of the date the Company files the Annual Report. The Company shall file the first Annual Report by April 1, 2015. [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 11, Section 1.2.B] Final order issued with 180 days of the application [Section 66-1808(4)]	A hearing is not mandatory and must be requested by an interested party. Under Section 66-1808(4), the final order must be issued within 180 days. This is much more reasonable than the 120 days in the ISR.
9.	Utility may apply for change in ISR no more than once in any 12-month period [Section 66-1866 (4)]	Each proposed revision in the System Safety and Integrity Rider Charge shall be accomplished by filing an application by November 1 of each year to take effect on the following January 1 (the "Annual Application"). [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 11, Section 1.2.A]  Annual changes to be effective January 1 of each year beginning with 2015 [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 11, Section 1.1]	The SSIR is an annual filing with changes effective January 1. The ISR is any 12-month period.

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#	ISR	Proposed SSIR	Comments
10.	<p>Appropriate pretax revenue shall consider the following factors:</p> <ul style="list-style-type: none"> <li>(a) Net original cost of eligible infrastructure system replacements, meaning original cost minus associated retirements of existing infrastructure</li> <li>(b) Accumulated deferred income taxes associated with the eligible infrastructure system replacements</li> <li>(c) Accumulated depreciation associated with the eligible infrastructure system replacements</li> <li>(d) State, federal, and local income tax or excise tax at the time of such determination As determined during the recent general rate proceeding of the utility:</li> <li>(e) Jurisdictional utility's actual regulatory capital structure</li> <li>(f) Actual costs rates for the utility's debt and preferred stock</li> <li>(g) Utilities cost of common equity</li> <li>(h) Depreciation rates applicable to the eligible infrastructure system replacements at the time of the most recent general rate proceeding of the utility</li> </ul> <p>[Section 66-1866 (5)(a-h)]</p>		See Section 11.

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#	ISR	Proposed SSIR	Comments
11.	<p>Appropriate pretax revenue means revenue necessary to produce net operating income equal to:</p> <p>(a) Jurisdictional utility’s weighted cost of capital multiplied by the net original cost of eligible infrastructure system replacements, including recognition of ADIT and accumulated depreciation associated with eligible infrastructure system replacements which are included in an ISR cost recovery charge</p> <p>(b) Recovery of state, federal, and local income or excise taxes applicable to such income</p> <p>(c) Recovery of depreciation expenses[Section 66-1802 (2)(a-c)]</p>	<p>“Eligible System Safety and Integrity Costs” shall mean</p> <p>(1) A return, at a percentage equal to the Company’s currently authorized weighted average cost of capital grossed up for taxes, on the projected increase in the jurisdictional component of the month ending net plant in-service balances associated with the Projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect, exclusive of all plant in-service included in the determination of the revenue requirements approved in the Company’s last general rate case;</p> <p>(2) The plant-related ownership costs associated with such incremental plant investment, including depreciation, accumulated deferred income taxes, and all taxes including income taxes and property taxes; and</p> <p>(3) The projected jurisdictional component of the operation and maintenance expenses related to the Projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect.[Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 12, Section 1.3.</p>	<p>(1) SSIR is calculated on a month ending basis covering 14 months for the initial application. Thereafter, the SSIR will be based on 12 months of month end calculations. The ISR is based on period-end balances.</p> <p>(2) SSIR includes property taxes, which are not included within the ISR</p> <p>(3) SSIR includes O&amp;M costs, which are not included within the ISR</p>
12.	<p>Cost recovery allocated among the jurisdictional utility’s classes of customers in the same manner as costs for the same type of facilities were allocated among classes of customers in the jurisdictional utility’s most recent general rate proceeding [Section 66-1866 (6)(a)]</p>		<p>The allocation of cost recovery is not defined in the SSIR.</p>

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#	ISR	Proposed SSIR	Comments
13.	Charge assessed to customers as a monthly fixed charge and not based on volumetric consumption [Section 66-1866 (6)(a)]	The Company shall collect Eligible System Safety and Integrity Costs projected for the period April 1, 2014 through December 31, 2014 through the System Safety and Integrity Rider Charge based on the revenue requirement of those Eligible System Safety and Integrity Costs over the period November 1, 2014, through December 31, 2015 divided by the number of customer bills for that 14-month period. {Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 11, Section 1.1]	The SSIR is a monthly fixed charge and not based on volumetric consumption.
14.	Month charge shall not increase more than 50 cents per residential customer over the base rates in effect at the time of the initial filing for any ISR cost recovery charge. Thereafter, each subsequent filing shall not increase the monthly charge by more than 50 cents per residential customer over that charge in existence at the time for the most recent application for an ISR [Section 66-1866 (6a)]		No limit on the amount of increase to residential customers.
15.	At end of each 12 month period that ISR is in effect, the utility shall reconcile the differences between the revenue resulting from the ISR and the appropriate pretax revenues as found by the Commission for that period and shall submit the reconciliation and any ISR rate schedule adjustment for recovery or refund of the difference, as appropriate, through adjustments of the ISR rate [Section 66-1866 (6)(b)]	<p>The Company shall submit a report each year by April 1 detailing the Project costs incurred during the previous year (the "Annual Report"). The Annual Report shall explain how the Project costs were managed and any deviations between budgeted and actual costs. An interested party may request that the Commission convene a hearing within ninety (90) days of the date the Company files the Annual Report. The Company shall file the first Annual Report by April 1, 2015. [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 11, Section 1.2.B]</p> <p>SSIR True-Up Amount" shall be equal to the difference, positive or negative, between the Eligible System Safety and Integrity Costs as projected for a particular calendar year and the actual Eligible System Safety and Integrity Costs</p>	SSIR is based on projected plant that requires and true up for differences between actual and projected costs

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		<p>incurred by the Company for that particular calendar year. [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 13, Section 1.3.D]</p> <p>SSIR ADJUSTMENT CALCULATION            The System Safety and Integrity Rider Charge shall be equal to the Eligible System Safety and Integrity Costs, plus or minus the SSIR True-Up Amount, plus or minus the Deferred SSIR Balance, multiplied by the customer class allocation basis authorized by the Commission to determine the class cost of service in the Company’s most recent general rate case, divided by the applicable number of bills for the particular customer class, as follows:            System Safety and Integrity Rider Charge = <math>((A \pm B \pm C) * D) / E</math>            Where:            A = Eligible System Safety and Integrity Costs            B = SSIR True-Up Amount            C = Deferred SSIR Balance            D = Customer class allocation basis authorized by the Commission to determine the class cost of service in the Company’s most recent general rate case            E = Applicable number of bills for the particular customer class            [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 15, Section 1.4]</p> <p>“Deferred SSIR Balance” shall be equal to the balance, positive or negative, of SSIR revenues at the end of a particular calendar year less the Eligible System Safety and Integrity Costs as projected by the Company for that particular calendar year.            [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 11, Section 1.3]</p>	

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#	ISR	Proposed SSIR	Comments
16.	ISR rates shall cease when new base rates and charges become effective following a Commission order establishing rates in a general rate proceeding [Section 66-1866 (7)(a)]	SSIR ADJUSTMENT WITH CHANGES IN BASE RATES. Whenever the Company implements changes in base rates as a result of a final Commission order in a general rate case setting new rates based on approved revenue requirements, the Company shall simultaneously adjust the SSIR to remove all costs that have been included in base rates. [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 15, Section 1.5]	
17.	In any subsequent general rate proceeding in which an ISR are being collected, the previously uncollected ISR charge revenue will be reconciled to ensure that the revenue matches as closely as possible to the appropriate pretax revenue as found by the Commission for that period [Section 66-1866 (7)(b)]		Not addressed in the SSIR.
18.	Should the Commission disallow in a general rate proceeding recovery of costs associated the eligible ISR previously included in the ISR charge, the Commission shall order the utility to make such rate adjustments as necessary to recognize and account for any over collection [Section 66-1866 (8)]		Not addressed in the SSIR
19.	Nothing in Section 66-1866 limits the authority of the Commission to review and consider ISR costs along with other costs during any general rate proceeding of any jurisdictional utility [Section 66-1866 (9)]		Not addressed in the SSIR.
20.	Section 66-1867 addresses ISR recovery charges when the last general rate filing was the subject of negotiations with affected cities.		Not applicable to SourceGas

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**Comparison of Infrastructure System Replacement Cost Recovery Charge (ISR) to**  
**Proposed System Safety and Integrity (SSIR) Rider**

#	ISR	Proposed SSIR	Comments
21.	<p>Eligible infrastructure system replacement means jurisdictional utility plant projects that:</p> <p>(a) Do not increase revenue by directly connecting to the infrastructure system replacement to new customers</p> <p>(b) Are in service and used and required to be used</p> <p>(c) Were not included in the jurisdictional utility’s rate base in the most recent general rate proceeding</p> <p>(d) May enhance the capacity of the system but are only eligible for ISR cost recovery to the extent the jurisdictional utility plant project constitutes a replacement of existing infrastructure [Section 66-1802 (6)(a-d)]</p>	<p>“Eligible System Safety and Integrity Costs” shall mean</p> <p>(1) A return, ... the Projects for the particular calendar year in which the System Safety and Integrity Rider Charge shall be in effect, exclusive of all plant in-service included in the determination of the revenue requirements approved in the Company’s last general rate case;</p> <p>The Company revised the tariff sheet on June 25, 2014, to include: The return and income taxes and plant related costs associated with improvements or upgrades to facilities, made at the discretion of the Company to extend service or for future growth that is not specifically required by a statute or regulation, shall be excluded from Eligible System Safety and Integrity Costs.</p>	<p>(a) SSIR does not exclude projects that increase revenue, but did adjusted the project costs for the differential between the small original pipe size and the larger pipe size thus removing the return, income taxes and plant related costs from the SSIR. Without a revenue true up beyond the SSIR rider recovery, the Company could over earn through increased gas sales.</p> <p>(b) The SSIR are projected projects and are not in service.</p> <p>(c) SSIR and ISR excludes plant in service included in rate base of the last general rate case</p> <p>(d) The SSIR includes projects that are not replacements.</p>
22.	<p>Jurisdictional utility plant projects means only the following:</p> <p>(a) Mains, valves, service lines, regulatory stations, vaults, and other pipeline system components installed to comply with state or federal safety requirements as replacements for existing facilities</p> <p>(b) Main relining projects, service line insertions projects, joint encapsulation projects, and other similar projects extending the useful life or enhancing the integrity of pipeline system components undertaken to comply with state of federal safety requirements</p> <p>(c) Facility relocation required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, Nebraska, a political subdivision of Nebraska, or another entity having the power of eminent domain, if the costs related to such relocations have not been reimbursed to the jurisdictional utility [Section 66-1802 (14)(a-c)]</p>	<p>“System Safety and Integrity Projects” (“Projects”) shall mean one or more of the following:</p> <p>(i) Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart O (Gas Transmission Pipeline Integrity Management), including Projects in accordance with the Company’s transmission integrity management program (“TIMP”) and Projects in accordance with State enforcement of Subpart O and the Company’s TIMP;</p> <p>(ii) Projects to comply with Code of Federal Regulations Title 49 (Transportation), Part 192 (Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards), Subpart P (Gas Distribution Pipeline Integrity Management), including Projects in accordance with the Company’s distribution integrity management program (“DIMP”) and Projects in accordance with State enforcement of Subpart P and the Company’s DIMP;</p>	<p>SSIR focus is on safety and integrity projects with compliance to TIMP and DIMP rather than infrastructure replacements</p> <p>SSIR does not specify the types of plant includible (mains, valves, etc.)</p> <p>SSIR facility relocations have a minimum dollar amount of \$20,000</p>

**BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION**  
**Docket No. NG-0078**  
**Comparison of Infrastructure System Replacement Cost Recovery Charge (ISR) to**  
**Proposed System Safety and Integrity (SSIR) Rider**

#	ISR	Proposed SSIR	Comments
		<p>(iii) Projects to comply with final rules and regulations of the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration that become effective on or after the filing date of the Application requesting approval of this SSIR; and</p> <p>(iv) Facility relocation projects with a per-Project total cost of \$20,000 or more, exclusive of all costs that have been, are being, or will be reimbursed otherwise, that are required due to construction or improvement of a highway, road, street, public way or other public work by or on behalf of the United States, the State of Nebraska, a political subdivision of the State of Nebraska or another entity having the power of eminent domain.</p> <p>[Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 13, Section 1.3.C.i-iv]</p> <p>Projects shall be analyzed based upon objective criteria, such as, but not limited to: specific regulatory requirements, threat assessment, corrosion control analysis, pipeline vintage, pipeline material, pipeline design and class location, pipeline configuration and segmentation, pipeline system constraints, pipeline replacement history, population density, pipeline maintenance and internal inspection history, pipeline piggability, existence and reliability of pipeline asset and testing records, pipeline leakage and other incident history, subject matter expert knowledge, Project timeframe, weather and climate constraints on the construction season, permitting constraints, probability of pipeline testing failures and dewatering constraints, service outage management, and pipeline source of supply and availability of alternate gas supply. As part of its analysis, the Company shall identify and describe the proposed Projects that are for high-risk gas infrastructure by providing its risk assessment</p>	

**BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION**  
**Docket No. NG-0078**  
**Comparison of Infrastructure System Replacement Cost Recovery Charge (ISR) to**  
**Proposed System Safety and Integrity (SSIR) Rider**

#	ISR	Proposed SSIR	Comments
		for each such Project including, if applicable, the probability of failure, the consequences of failure for the Project and how it prioritized the Project for which it seeks recovery. [Exhibit I to SSIR Application, Proposed Tariff, Sheet No. 14, Section 1.3.C]	

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-01	Reference Prefiled Direct Testimony of Jerrad Hammer, page 5, lines 18-20. Please provide the major cost drivers that are contributing to the revenue deficiency of \$4.5 million.	Attachment PA-1.xlsx
PA-02	Reference Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C. a) What calendar period does the Base Year in Column C cover? b) How were the amounts in the Base Year amounts derived?	
PA-03	Reference Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C. Please explain the following Total Base Year Adjustments in Column C. Provide all workpapers that supports the adjustment.	Attachment PA-3.xlsx
PA-04	Reference Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C. Please explain the following Total Pro Forma Adjustments in Column F. Provide all workpapers that supports the adjustment.	Attachment PA-4.xlsx
PA-05	Please confirm that SourceGas's response to NG-0072 Information Request No. PA-2, Attachments PA-2D2 includes the final Revenue Requirements approved by the Commission in NG-0067. Assuming the attachment is the approved Revenue Requirement model in NG-0067, please answer the following: a) Please confirm that Attachments PA-2D2, Docket No. NG-0067, Interlocutory Exhibit 1, Interlocutory Schedule C1, Column H labeled Interlocutory Test Year is the amounts approved by the Commission in NG-0067. b) Please confirm that Attachments PA-2D2, Docket No. NG-0067 Interlocutory Exhibit III, Interlocutory Schedule A, Column K labeled Interlocutory Test Year with a total operating expense of \$26,516,441 is the amounts of Operating Expenses approved by the Commission in NG-0067.	
PA-06	Reference Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule A and SourceGas's response to NG-0072 Information Request No. PA-2, Attachments PA-2D2, Docket No. NG-0067 Interlocutory Exhibit I, Interlocutory Schedule C1. Please confirm the amounts in the following table.	
PA-07	Please provide the policies and procedures and/or flow charts for the identification and categorization of System Safety and Integrity Rider projects.	Attachment PA-7.pdf
PA-08	Please provide the policies and procedures and/or flow charts for the development of the System Safety and Integrity Rider. Include sources for all components, how components are gathered and entered, and approval requirements (i.e., who provides approvals, for what items, and when are approvals needed in the process).	

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-09	<p>Reference Application dated May 1, 2014, Exhibit JSH-1-SSIR Model, Table 4:            For each work order/project (Internal Order Numbers)/Budget ID, please provide the following in a Microsoft Excel format:</p> <p>a) The individual work order or project approval, written project justification, including present value analysis, and/or internal rate of return calculations for projects other than annually budgeted work orders.</p> <p>b) Budget and any revised estimates for cost of construction (material labor), AFUDC, overheads, retirements, cost of removal, salvage and Contributions in aid of construction (CIAC).</p>	<p>Attachment PA-9a.pdf            Attachment PA-9b.xls            NEPA SourceGas SSIR Information Request Set 2 - Attachment 1 140521.xlsx</p>
PA-10	<p>Reference Application dated May 1, 2014, Exhibit JSH-1-SSIR Model, Table 4:            For each work order/project (Internal Order Numbers)/ Budget ID that have been placed in-service, please provide the following in a Microsoft Excel format:</p> <p>a) Supporting detail for assets (units and dollars by FERC account) added to utility plant from the Asset Accounting system.</p> <p>b) Supporting detail for retirements, cost of removal and salvage, if applicable, charged or credited to plant (units and dollars) for each replacement work order.</p> <p>c) The individual work order or project estimated an actual in-service dates with explanations for delays &gt; 60 days.</p> <p>d) The individual work order or project budget vs. actual costs, with explanations for any variances +/- 15%.</p>	
PA-11	<p>Nebraska Statute 66-1802 defines one of the criteria for eligible infrastructure system replacement as jurisdictional utility plant projects that were not included in the jurisdictional utility's rate base in its most recent general rate proceeding. The Company's last rate case was NG-0067, Order entered May 22, 2012 with rates effective June 1, 2012.</p> <p>a) Please provide a list of projects included in rate base either as Utility Plant or allowed CWIP. Please provide the Internal Order number, amount placed in service and the Capitalization date (In-service date).</p>	<p>Attachment PA-11.xlsx</p>

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-12	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17. Please confirm that the following projects comply with the definition of an eligible project in accordance with Nebraska State Natural Gas Regulation Act § 66-1802 (a) and (d): (a) Does not increase revenue by directly connecting the infrastructure system replacement to new customers; (b) May enhance the capacity of the system but are only eligible for infrastructure system replacement cost recovery to the extent the jurisdictional utility plant project constitutes a replacement of existing infrastructure</p> <ul style="list-style-type: none"> <li>a) Bayard, Nebraska - Blocks 42/43 and 72/73 (014-201)</li> <li>b) Oshkosh, Nebraska - Blocks 14-19 (014-250)</li> <li>c) Sidney, Nebraska – Illinois Street (014-585)</li> <li>d) Oshkosh, Nebraska – County Road 62 (014-298)</li> <li>e) St. Paul to Dannebrog (014-064)</li> <li>f) Danbury Lateral (014-181)</li> <li>g) Gothenburg, Nebraska – Phase 1 (1008586)</li> <li>h) Gothenburg, Nebraska – Phase 2 (014-574)</li> <li>i) Ragan, Nebraska - #1 (014-597)</li> <li>j) Ragan, Nebraska - #2 (014-598)</li> <li>k) Albion, Nebraska – Creighton Lateral (014-815)</li> <li>l) Oshkosh, Nebraska (1008672)</li> </ul>	
PA-13	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17. Please confirm that the services for the following projects will be replaced, relocated and assets will be retired.</p> <ul style="list-style-type: none"> <li>a) Bayard, Nebraska - Blocks 42/43 and 72/73 (014-201)</li> <li>b) Oshkosh, Nebraska - Blocks 14-19 (014-250)</li> <li>c) Mitchell, Nebraska – 3 Blocks (014-390)</li> <li>d) Wood River, Nebraska – Services Replacement (014-490)</li> </ul>	
PA-14	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 20: Danbury Lateral (014-181). What is the incremental cost of the 4” pipe vs. replacing in kind?</p>	
PA-15	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 6: Mitchell, Nebraska – 3 Blocks (014-390). In regard to the statement, “SourceGas Distribution will move the customer meters from their location at the property lines to a location next to the structure served, thereby helping to eliminate the potential for damage to meter loops caused by vehicles or other machinery. ” Will the Company retire and replace the meters?</p>	
PA-16	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 6: Wood River, Nebraska – Services Replacement (014-490). Will the Company retire and replace the meters?</p>	

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-17	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17: NEPA SourceGas SSIR Information Request Set 2 - Attachment-1 140521, Tab “SSIR PROJECT QUESTION – on pipe.” Please confirm that the data we provided is correct. Please provide the requested information below by filling (areas highlighted in blue) in the attachment.</p> <ul style="list-style-type: none"> <li>a) MAOP of current pipe</li> <li>b) MAOP of pipe to be installed</li> <li>c) Number of customer the pipe serves</li> <li>d) Diameter of pipe being replaced (inches)</li> <li>e) Diameter of pipe to be installed (inches)</li> <li>f) Length of pipe being replaced (feet)</li> <li>g) Length of pipe to be installed (feet)</li> </ul>	
PA-18	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17: NEPA SouceGas SSIR Information Request Set 2 - Attachment-1 140521, Tab “SSIR PROJECT QUESTION – on pipe.” For each applicable project listed in the attachment please provide an explanation for the following:</p> <ul style="list-style-type: none"> <li>a) Will the feet of removed pipe be less than the feet added? If so, why?</li> <li>b) Will the relocation of pipe result in retirement of assets?</li> <li>c) Will the diameter of removed pipe be less than the diameter of pipe added? If so, why?</li> </ul>	
PA-19	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 10, Barricades. How many barricades are being installed for each of the following projects?</p> <ul style="list-style-type: none"> <li>a) Sutton (014-001)</li> <li>b) Holdrege (014-599)</li> <li>c) Sidney (014-613)</li> <li>d) McCook (014-072)</li> </ul>	

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-20	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 11, Cathodic Protection and Corrosion Prevention. For the following projects:</p> <p>a) Was a cost benefit analysis performed that included a comparison of the O&amp;M cost savings resulting from providing cathodic protection vs. replacement and new anode ground beds vs. replacement?</p> <p>b) How did the Company determine that it was more beneficial to the customers to apply cathodic protection rather than replace the assets in terms of O&amp;M savings?</p> <p>c) If the Company has historically done this type of work can O&amp;M savings be identified from the last rate case? Is so please provide that information. How will the customer receive the benefit of reduced O&amp;M costs outside of a rate case?</p> <ul style="list-style-type: none"> <li>• Mitchell, Nebraska – Install Anode Bed (014-374)</li> <li>• Kearney, Nebraska – Casing Remediation (014-489)</li> <li>• Farnum, Nebraska – Install Anode Bed (014-376)</li> <li>• Litchfield, Nebraska – Install Anode Bed (014-491)</li> <li>• Overton, Nebraska – Install Anode Bed (014-569)</li> <li>• Arapahoe #1 and #2 – Install Anode Beds (014-570 &amp; 014-571)</li> <li>• Sutton, Nebraska – Install Anode Beds (041-006)</li> </ul>	
PA-21	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 11, Cathodic Protection and Corrosion Prevention. Please provide the length of pipe for which the Company has determined will be protected by the new anode ground beds to maintain effective cathodic protection for the following projects.</p> <p>a) Mitchell, Nebraska – Install Anode Bed (014-374)</p> <p>b) Farnum, Nebraska – Install Anode Bed (014-376)</p> <p>c) Litchfield, Nebraska – Install Anode Bed (014-491)</p> <p>d) Overton, Nebraska – Install Anode Bed (014-569)</p> <p>e) Sutton, Nebraska – Install Anode Beds (041-006)</p>	
PA-22	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17. Please provide a more detailed narrative of the definition for “Town Border Station.” Also please provide an explanation of the difference between a “Town Boarder Station” and a “City Gate.”</p>	
PA-23	<p>Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17. For the list of projects below, please provide the following information: (a) Expected operating pressure; (b) Ultimate MAOP as designed; and (c) Maximum operating pressure proposed</p> <p>a) Danbury Lateral (014-181)</p> <p>b) Ragan, Nebraska - #1 (014-597)</p> <p>c) Ragan, Nebraska - #2 (014-598)</p>	

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-24	Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17. Is there an O&M offset for any unrecovered 3rd party damages that will be reduced or eliminated for the following projects? If so, how will the customer receive the benefit outside of a rate case? a) St. Paul to Dannebrog (014-064) b) McCook South (014-118)	
PA-25	Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 22. Please provide an explanation of what the Company is referring to when they state “daily operational decisions.”	
PA-26	Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 23, MAOP Verification. Please provide the following information: a) Has the company done any hydro-testing in the last 5 years? If yes, were potential O&M savings calculated versus the O&M savings associated with replacing assets? If so, please provide that comparison. b) What is the expected capital cost to replace the pipe for each MAOP Verification Project? c) What is the diameter of pipe being replaced for each MAOP Verification Project	
PA-27	Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 23, MAOP Verification. Please provide the cost benefit analysis, for all MAOP Verification Projects, which helped to determine that the Company should hydro-test rather than replace the pipe.	
PA-28	Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 6, Wood River, Nebraska – Service Replacement (014-490) and Exhibit CAB-17 Attachment 1 Line 5. Please provide clarification on whether the Wood River project is a replacement or a lateral.	
PA-29	Reference to SourceGas’s Application dated May 1, 2014 (Docket No. NG-0078), Exhibit CAB-17, page 15 and 16, and Exhibit CAB-17 Attachment 1, lines 31 and 33. Please provide clarification on the following information a) Project name on CAB-17 page 15 = “Scottsbluff, Nebraska-21st Avenue” (Estimated Capital Cost \$9,886) vs. the project description of “Scottsbluff- main replacement” on CAB-17 Attachment 1, Line 31 (Estimated Capital Cost \$9,886) b) Project name on CAB-17 page 16 = “Scottsbluff, Nebraska – North Platte River” (Estimated Capital Cost \$111,212) vs. the project description of “Scottsbluff- 21st Ave Spa” on CAB-17 Attachment 1, Line 33 (Estimated Capital Cost \$111,212)	

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-30	<p>Follow up to Information Request PA-1 and Exhibit JSH-2, Table 2, Schedule A. The following requests are based on the following table.</p> <p>a) Please explain in detail why the Base Year O&amp;M costs increased by \$1,964,036 (17.88%) over the amount approved in NG-0067. What changes were made to the Company's operations that resulted in the increase?</p> <p>b) Please explain in detail why Base Year A&amp;G expenses decreased by \$1,516,797 (-17.43%) from the amount approved in NG-0067. What changes were made to the Company's operations that caused the decrease?</p>	
PA-31	<p>Follow up to Information Request PA-4, Attachment PA-4, PF-04, Labor, Benefits, and Payroll Tax Expenses, pro forma for New Labor.</p> <p>a) Please confirm that the Company has included a pro forma adjustment for New Labor of \$1,058,534 [New Labor wages of \$765,024, New Labor benefits of \$232,761, and New Labor payroll taxes of \$60,748]. If the information is incorrect, please provide the correct information and explain any discrepancy.</p> <p>b) Please confirm that the Company intends to hire 59 new employees during the period of 1/1/2014 through 12/31/14 with total corporate salaries of \$3,661,765 and an NE-allocated total salaries of \$765,025? If the information is incorrect, please provide the correct information and explain any discrepancy.</p> <p>c) Please explain in detail what changed since the last base rate case (NG-0067) that required the addition of this New Labor.</p> <p>d) Please explain in detail what additional tasks will be done by the New Labor that were not previously being performed and the benefits of those new tasks to the ratepayers of Nebraska.</p> <p>e) If the New Labor will be performing tasks previously performed by others, where has the Company recognized the cost savings for eliminating the original positions or contract expenses responsible for that task?</p>	
PA-32	<p>CONFIDENTIAL ATTACHMENTS Follow up to Information Request PA-4, Attachment PA-4, PF-04, Labor, Benefits, and Payroll Tax Expenses, pro forma for New Labor. Please provide the titles/descriptions of the positions listed (example NE-035) on the Detailed Data-New Employees workpaper.</p>	CONFIDENTIAL Attachment PA-32.xlsx
PA-33	<p>Follow up to Information Request PA-4, Attachment PA-4, PF-04, Labor, Benefits, and Payroll Tax Expenses, pro forma for New Labor. Please explain in detail how the salaries were allocated to the "Expense Portion to NE." If a cost allocation analysis was used, please provide a copy</p>	
PA-34	<p>Follow up to Information Request PA-4, Attachment PA-4, PF-04, Labor, Benefits, and Payroll Tax Expenses. Please provide the FTE (full-time equivalent) headcount as of 12/31/2013 and the FTE headcount assumed as of 12/31/2014.</p>	

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-35	CONFIDENTIAL ATTACHMENTS Follow up to Information Request PA-4, Attachment PA-4, PF-04, Detailed Data-Base Year Benefits: a) Please explain Short Term Bonus-Gro and provide the performance parameters that are measured that result in the bonus payout. b) Please explain Short Term Bonus-Fin and provide the performance parameters that are measured that result in the bonus payout.	CONFIDENTIAL Attachment PA-35.xlsx
PA-36	Follow up to Information Request PA-4, Attachment PA-4, PF-05 Additional Rent: Please explain in detail why the Milsap rent expense increased from \$55,948 to \$102,866.	
PA-37	Follow up to Information Request PA-4, Attachment PA-4, PF-05 Clear Creek Rent Expense. Please explain why the “2013 Actual Expenses” of \$542,763 are not already included in the 2013 Base Year Expenses used in the Revenue Deficiency calculation. Why has the Company included additional rent of \$86,173, if these dollars are in the Base Year?	
PA-38	The following requests are based on the following table. a) Please confirm the amounts in the table. If any amounts are incorrect, please explain why the information is incorrect and provide the correct information. b) Please explain the type of projects included in the additional Utility Plant in Service of \$3,158,858 (beyond what is included in the ISR and SSIR) that is assumed to be in service by the end of the Test Year 12/31/14.	Attachment PA-38.xlsx
PA-39	Reference Exhibit JSH-2, Table 2, Schedule D and Response to NG-0072 Attachment PA-2D1-SourceGase NE Cost of Service – Interlocutory, Tab III.C-Deprec (labeled Rebuttal Exhibit III, Rebuttal Schedule C). Please explain the different depreciation rates used for General Plant in the last base rate case and the change between the Base Year and Test Year in NG-0078 as shown in the following table.	Attachment PA-39.xlsx
PA-40	Please provide a better quality PDF of Attachment PA-9a..	Attachment PA-9a.xlsx
PA-41	Follow up to Information Request PA-9a and PA-9b. Please provide a linkage between the Internal Order Number and the Budget ID for the SSIR projects.	Attachment PA-41.xlsx
PA-42	Project Danbury Lateral (014-181), Reference Company response to Information Requests PA-12f, PA-14 and PA-23a. a) Please confirm that the maximum safe operating pressure is 795 psi. b) Please explain the difference in that the expected pressure is between 450-500 psi (PA-23a) and the distribution segment is operating at 40-50 psi (PA-12f). c) Please confirm that the increase in pipe size will not result in an increase in customers or throughput.	

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**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-43	<p>Project St. Paul to Danneborg (014-064). Reference Company response to information requests PA12e and PA17, att a. The Company response to PA12e indicates that 2” pipe is being replaced with 2” pipe and the Company response to PA-17, att a, indicates that 2” pipe is being replaced with 2 3/8” pipe.</p> <p>a) Is PA12e or PA17, att a correct?</p> <p>b) If the pipe size was increased please confirm that no new customers or additional throughput will be realized and therefore the incremental cost should not be betterment.</p>	
PA-44	<p>CONFIDENTIAL ATTACHMENT Project Centerline Services (014-867). Reference Docket No. NG-0078, Exhibit CAB-17, p22-23. Please provide the following:</p> <p>a) A summary of the contractor bids to include scope of work, timeline and cost.</p> <p>b) The work plan for the project and estimated percentage of completion as of the most current month available.</p> <p>d) Has the impact (on class location units, HCAs and/or patrolling locations) of the inaccuracy due to pipeline centerline shift been established?</p> <p>c) A summary of other options considered in lieu of a GPS centerline survey to establish pipeline locations.</p>	<p>Attachement PA-44A - GPS Centerline RFQ Draft 6.9.14-Final.docx</p> <p>Attachment PA-44C - SourceGas System Map.pdf</p> <p>CONFIDENTIAL Attachment PA-44B-Centerline Survey Bid List.xlsx</p>
PA-45	<p>Reference Exhibit JSH-1-SSIR Model.xlsx, Tab WP-O&amp;M Costs: The Company has included \$65,312 Total State (\$49,457 Jurisdictional) O&amp;M expense described as “Testing approximately 12,750 feet of pipe located in a Class 3 area in McCook of which approximately 1,200 feet is located in a high consequence area. Expected to be incurred in July 2014.” Please explain why this is incremental O&amp;M expenses rather than normal and routine. Doesn’t the Company routinely test pipe? What makes this testing unique, requiring recovery beyond the O&amp;M expense previously authorized by the Commission in the last base rate case?</p>	
PA-46	<p>Follow up to Information Request PA-31c: The Company stated that New Labor is required due to a number of new regulations imposed by, among others, PHMSA and Congressional requirements. Please provide a list of the new regulations imposed upon the Company since the last base rate case, when the new regulation was (or will be) affective, and the governmental body that imposed the new regulation. Please explain what new actions are required by these new regulations that were not previously required.</p>	
PA-47	<p>Follow up to Information Request PA-31c: For any regulations that were in place at the time of the last base rate case, please provide an explanation of why incremental New Labor is required to address these regulations.</p>	

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**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-48	CONFIDENTIAL ATTACHMENT Follow up to Information Request PA-32-33: Please provide the formulas and data used to calculate the following rates: (a) Direct Capitalization Rate, (b) Procurement Factor, (c) Average for Position, (d) Three-Factor Allocator, (e) Regulated Direct Labor Factor, (f) Average for Department, (g) Dispatch Allocation Factor, and 9H0 Customer Care Allocation Factor	Confidential Attachment PA-48a.xlsx Confidential Attachment PA-48b.xlsx Confidential Attachment PA-48d.xlsx Confidential Attachment PA-48h.xlsx
PA-49	CONFIDENTIAL ATTACHMENT Follow up to Information Request PA-32: Please fill in the actual numbers used for each position in the columns labeled "Capital Percentage Calculation Method" and "Expense Allocation Method" that were used to determine how much of the Annual Salary is allocated "Expense Portion to NE".	Confidential Attachment PA-49.pdf
PA-50	CONFIDENTIAL ATTACHMENT Follow up to Information Request PA-32: Please indicate for each position whether the position has been filled. If the position has been filled, please provide the start date of the new employee. If the position has not been filled, please provide the status of the open position.	Confidential Attachment PA-50.pdf
PA-51	CONFIDENTIAL ATTACHMENT Follow up to Information Request PA-32: Regarding the following New Labor positions: (1) Vice President-Human Resources, (2) Vice President-Regulatory, (3) Senior Director-Tax, (4) Associate General Counsel, (5) Deputy General Counsel-Corporate Law, (6) Senior Director - FP&A, and (7) Analyst positions in Treasury and Risk. a) What are the responsibilities for each position? b) For each new position listed above, what new regulation was imposed on the Company that requires the creation of these positions? c) Where any of these responsibilities previously performed by other persons? d) If other persons had performed the responsibility, please explain the need for the new position?	Confidential Attachment PA-51a.pdf
PA-52	Follow up to Information Request PA-34: The Company stated that as of 12/31/13 the budgeted head count was 1,059 of which 1,037 positions were filled. Has the Company filled these 22 positions? What is the current head count? Provide how many of current head count filled vacant positions and how many are New Labor.	
PA-53	Reference Exhibit JSH-1-SSIR Model, 4. SSIR Calculation Inputs: Please provide the source documentation and work papers for the values used in the calculation of the estimated property tax rate of 0.83%.	
PA-54	Reference Exhibit JSH-1 SSIR Model, WP-ADIT: Please confirm the calculations for ADIT. It appears that \$682,240 of plant put in service in May 2014 has accumulated tax depreciation calculated from January 2014 resulting in an overstatement of tax depreciation by four months. It appears that tax depreciation for each month of incremental plant put into service is also overstated by the formula used. If a correction is required, please provide the revised ADIT balances.	

**Blue Ridge Consulting Services, Inc.**  
**SourceGas Nebraska**

**Information Request List (Responses are provided electronically.)**

DR #	Request	Attachment/Notes
PA-55	PA-55. Reference Exhibit JSH-1 SSIR Model, WP-ADIT: Please confirm the calculations for ADIT. It appears that the ADIT balance is calculated based upon the difference in Book Net Plant and Tax Net Plant instead of the difference between Book Accumulated Depreciation and Tax Accumulated Depreciation. If a correction is required, please provide the revised ADIT balances.	
PA-56	Reference Exhibit JSH-1 SSIR Model, WP-ADIT: Please confirm the calculation for tax depreciation used to determine ADIT. It appears that the MACRS tax depreciation rate for January 2015 changed from 3.75% (Year 1) to 7.219% (Year 2) when the assets have not been in service for 12 months. If a correction is required, please provide the revised tax depreciation and the revised ADIT balances.	
PA-57	Reference Exhibit JSH-1 SSIR Model, 1. SSIR Rates: Please provide the source of the “Annual # of bills – NG-0067”.	

SourceGas Responses to Information Requests PA-1 through PA-57 [Electronic Non-Confidential]

Electronic Files Available on Compact Disc (CD)

SourceGas CONFIDENTIAL Responses to Information Requests PA-32, PA-35, PA-44, PA-48, PA-49,  
PA-50, and PA-51 [Electronic CONFIDENTIAL]

**Electronic Files Available on Confidential Compact Disc (CD)**

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
FIRST SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** May 27, 2014  
**DATE RESPONSE DUE:** June 6, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 6, 2014  
**SUBJECT:** Base Year Calendar and Calculations

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**INFORMATION REQUEST PA-2:**

Reference Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C.

- a) What calendar period does the Base Year in Column C cover?
- b) How were the amounts in the Base Year amounts derived?

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

- a) The Base Year represents calendar year 2013.
- b) The amounts represent SourceGas Distribution- Nebraska's actual costs for calendar 2013 as reported on the Company's books and records.

**ATTACHMENTS:**

None

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
FIRST SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** May 27, 2014  
**DATE RESPONSE DUE:** June 6, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 6, 2014  
**SUBJECT:** Workpapers to Support Adjustments

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**INFORMATION REQUEST PA-3:**

Reference Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C. Please explain the following Total Base Year Adjustments in Column C. Provide all workpapers that supports the adjustment.

	<u>Line</u>	<u>FERC</u>	<u>FERC Account Description</u>	<u>Total Base Year Adjustments</u>
a)	7	859	Transmission: Other Expense	(27,606)
b)	19	880	Distribution: Other Expense	28,106
c)	35	912	Customer Accounts: Demonstration & Selling Expense	82,182
d)	36	913	Customer Accounts: Advertising Expense	(86,269)
e)	39	921	A&G: Office Supplies & Expenses	24,717
f)	40	923	A&G: Outside Services Employed	(22,941)
g)	45	930.2	A&G: Miscellaneous General Expenses	20,464

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

Please refer to Attachment PA-3.

**ATTACHMENTS:**

Attachment PA-3

**SOURCEGAS DISTRIBUTION LLC  
 SYSTEM SAFETY AND INTEGRITY RIDER  
 DOCKET NO. NG-0078  
 RESPONSE TO PUBLIC ADVOCATE'S  
 THIRD SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** June 13, 2014  
**DATE RESPONSE DUE:** June 23, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 23, 2014  
**SUBJECT:** Projects Included in Utility Plant in Service

**INFORMATION REQUEST NO. PA-38:**

The following requests are based on the following table.

Changes in Utility Plant in Service by Docket

Docket	As of Date	Jurisdictional Utility Plant in Service	Source
NG-0067	3/31/11	\$156,982,692	Interlocutory Exhibit II, Schedule A
NG00078 Base Year	12/31/13	\$182,733,755	Exhibit JSH-2, Table 2, Schedule B
Incremental Since Last Base Rate Case		<u>\$25,751,063</u>	
NG00078 Base Year	12/31/13	\$182,733,755	Exhibit JSH-2, Table 2, Schedule B
NG-0072.01 Incremental 2nd ISR	4/30/14	\$3,230,387	Exhibit C, Schedule 3
NG-0078 SSIR Incremental	12/31/14	\$8,812,447	Exhibit JSH-1, Table 3
UPIS with ISRs and SSIR		\$194,776,589	
NG-0078 Revenue Deficiency	12/31/14	\$197,935,447	Exhibit JSH-2, Table 2, Schedule B
Additional UPIS at the End of Test Year		<u>\$3,158,858</u>	
NG-0072 Incremental Initial ISR	2/28/13	\$4,762,165	Exhibit C, Schedule 3

- a) Please confirm the amounts in the table. If any amounts are incorrect, please explain why the information is incorrect and provide the correct information.
- b) Please explain the type of projects included in the additional Utility Plant in Service of \$3,158,858 (beyond what is included in the ISR and SSIR) that is assumed to be in service by the end of the Test Year 12/31/14.

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

- a) Confirmed.

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
THIRD SET OF INFORMATION REQUESTS**

- b) As shown on Exhibit JSH-2 Table 2, Schedule B, Line 2, the change in Utility Plant in Service is \$25,143,302. Please see Attachment PA-38, which shows the \$25M change in UPIS by category. The \$9,941,610 change in CWIP is included in the \$25M change in UPIS.

**ATTACHMENT:**

Attachment PA-38

Line No.	Category	Reference	Total Nebraska	Jurisdictional % 79.89%	Total Jurisdictional
<b>Nebraska Direct</b>					
1	3rd Party Billing		\$ 7,863		\$ 6,282
2	Extra Incentive Allowance		18,209		14,547
3	Facilities		1,243,583		993,521
4	Highway Relocation		308,922		246,804
5	Mains		3,068,697		2,451,638
6	Measurement		2,441,209		1,950,327
7	Plant Improvement		1,370,803		1,095,160
8	Routines		2,026,251		1,618,809
9	ROW/Encroachments		5,000		3,995
10	T&W Equipment		1,438,169		1,148,979
11	Vehicles		2,344,929		1,873,407
12	<b>Grand Total</b>	Sum Lines 1-11	\$ 14,273,636		\$ 11,403,467
13	Retirements		(3,870,753)		(2,596,649)
14	<b>2014 Nebraska Direct Additions</b>	Line 12 + 13	\$ 10,402,883		\$ 8,806,818
<b>Pipeline Integrity</b>					
15	Pipeline Integrity (LB658)		\$ 4,067,256		\$ 3,230,387
17	Pipeline Integrity (2014 SSIR)		11,627,216		8,812,447
18	Pipeline Integrity (2015 SSIR)		1,826,925		1,459,563
16	Total Pipeline Integrity	Sum Lines 17-16	\$ 17,521,397		\$ 13,502,397
19					
<b>Corporate Allocation</b>					
20	Customer Information System		\$ 57,000		\$ 45,538
21	Facilities		74,829		59,783
22	Information Technology		1,493,082		1,192,851
23	Software		2,143,487		1,712,471
24	Total	Sum Lines 21-24	\$ 3,768,399		\$ 3,010,642
25	Meter Shop transfer		290,062		231,735
26	Retirements		(511,055)		(408,291)
27	<b>2014 Nebraska Corporate Additions</b>	Sum Lines 25-27	\$ 3,547,405		\$ 2,834,087
28					
29					
30	<b>Total Nebraska 2014 Additions</b>	Exh. JSH-2, Table 2, Sch. B, Line 12	\$ 13,950,288		<b>\$ 25,143,302</b>
31					
32	<b>Total Nebraska 2014 Additions</b>				\$ 25,143,302
33	Change in CWIP (included in the Total Nebraska Additions)	Exh. JSH-2, Table 2, Sch. B, Line 13			(9,941,610)
34	Docket No. NG-0072.1 (LB658)				(3,230,387)
35	Docket No. NG-0078 (SSIR)				(8,812,447)
36	<b>Total 2014 Net Gross Plant In Service</b>	Sum Lines 32-35			<b>\$ 3,158,858</b>

**SOURCEGAS DISTRIBUTION LLC  
 SYSTEM SAFETY AND INTEGRITY RIDER  
 DOCKET NO. NG-0078  
 RESPONSE TO PUBLIC ADVOCATE'S  
 THIRD SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** June 13, 2014  
**DATE RESPONSE DUE:** June 23, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 23, 2014  
**SUBJECT:** Base Year Cost and Expense

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**INFORMATION REQUEST NO. PA-30:**

Follow up to Information Request PA-1 and Exhibit JSH-2, Table 2, Schedule A. The following requests are based on the following table.

**Comparison of Expenses Approved in NG-0067 to  
 Expenses Included in Base Year NG-0078 Revenue Deficiency - Jurisdictional**

Description	Approved In NG-0067 3/31/11	NG-0078 Base Year 12/31/13	Difference	% Change
Return	5,348,593	6,229,413	880,820	16.47%
O&M Expense	10,984,586	12,948,622	1,964,036	17.88%
A&G Expense	8,699,950	7,183,153	(1,516,797)	-17.43%
Other Taxes	2,094,233	1,929,356	(164,877)	-7.87%
Depreciation	6,476,885	6,845,589	368,704	5.69%
Provision of Income Tax	2,204,966	2,815,178	610,212	27.67%
Total Revenue Requirement	35,809,213	37,951,310	2,142,097	5.98%
Other Revenues	(2,020,218)	(1,892,181)	128,037	-6.34%
Net Cost of Service	33,788,995	36,059,130	2,270,135	6.72%
	PA-1	JSH-2 Table 2 Schedule A		

- a) Please explain in detail why the Base Year O&M costs increased by \$1,964,036 (17.88%) over the amount approved in NG-0067. What changes were made to the Company's operations that resulted in the increase?
- b) Please explain in detail why Base Year A&G expenses decreased by \$1,516,797 (-17.43%) from the amount approved in NG-0067. What changes were made to the Company's operations that caused the decrease?

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
THIRD SET OF INFORMATION REQUESTS**

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

- a.) The changes that have been made since the approval of the Base Year O&M amount of \$10,984,586 in NG-0067 which are contributing to the shift of expenses from A&G to O&M are primarily related to the coding of labor for certain cost centers. Nine corporate cost centers were changed to Operations Support cost centers since the 2011 rate case. These include Gas Control, Gas Supply & Shipper Services, Technical Services, Engineering, Environmental Health, Safety and Training, Project Management, Engineering, GIS, and Load Growth. This shift accounts for just over \$1 million moving from A&G to O&M based on the labor figures from the 2011 rate case. Additionally, a new cost center for Integrity Management was added. This was originally estimated in the approved NG-0067 case at approximately \$57,000 of labor and now accounts for approximately \$350,000 of labor. Any other differences between the approved amount in NG-0067 and this filing are not due to changes in operations.
- b.) In addition to the shift from A&G to O&M mentioned above, the other main factor causing the reduction in A&G expenses from the NG-0067 approved amount of \$8,699,950 to the current filing amount of \$7,183,153 is an increase in the Direct Capital Rate. The rate at the time of the 2011 rate case was 7.15%. The rate for 2013 which is used in this filing is 18.89%. This accounts for a reduction in A&G expense of approximately \$125,000. Any other differences between the approved amount in NG-0067 and this filing are not due to changes in operations.

**ATTACHMENTS:**

None

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
THIRD SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** June 13, 2014  
**DATE RESPONSE DUE:** June 23, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 23, 2014  
**SUBJECT:** Pro Forma for New Labor

---

**INFORMATION REQUEST NO. PA-31:**

Follow up to Information Request PA-4, Attachment PA-4, PF-04, Labor, Benefits, and Payroll Tax Expenses, pro forma for New Labor.

- a) Please confirm that the Company has included a pro forma adjustment for New Labor of \$1,058,534 [New Labor wages of \$765,024, New Labor benefits of \$232,761, and New Labor payroll taxes of \$60,748]. If the information is incorrect, please provide the correct information and explain any discrepancy.
- b) Please confirm that the Company intends to hire 59 new employees during the period of 1/1/2014 through 12/31/14 with total corporate salaries of \$3,661,765 and an NE-allocated total salaries of \$765,025? If the information is incorrect, please provide the correct information and explain any discrepancy.
- c) Please explain in detail what changed since the last base rate case (NG-0067) that required the addition of this New Labor.
- d) Please explain in detail what additional tasks will be done by the New Labor that were not previously being performed and the benefits of those new tasks to the ratepayers of Nebraska.
- e) If the New Labor will be performing tasks previously performed by others, where has the Company recognized the cost savings for eliminating the original positions or contract expenses responsible for that task?

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

- a. The Company has included a pro forma adjustment for New Labor of \$1,058,534 as shown in Attachment PA-4.xlsx. The labor portion of that amount is \$765,025, benefits are \$232,761 and payroll taxes are \$60,748.
- b. The Company intends to hire a total of 84 new positions during the period of 1/1/2014 through 12/31/2014. Only 59 of those positions impact the expenses in Nebraska. The total salaries of \$3,661,765 are not all corporate salaries. Nebraska technicians account for \$462,189 and Operations Support staff accounts for \$835,508 of the total. The total amount directly attributable, assigned or allocated to Nebraska of \$765,025 is correct.
- c. The New Labor is required due to a number of new regulations imposed by, among others, PHMSA and Congressional requirements, the increased capital investment that the Company is

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
THIRD SET OF INFORMATION REQUESTS**

making, both in the field and in additional hardware and software, some of which is needed to support the new regulations and additional capital investments, and support staff needed to provide sufficient coverage to enable the Company to respond more timely to safety issues and continue to maintain and improve on response times to customer requests as well as emergencies.

- d. The tasks that will be performed by these new positions include, among other things, updating educational materials based on the new regulations and increasing public awareness activities; performing construction inspection, welding, operations and maintenance of the system; enhancing cybersecurity; providing additional on-call services; building and enhancing software systems for increased safety and service levels; creating and managing a new learning and development team that will assist in the roll-out and training of new systems, changes to systems, and training of new requirements; and establishing and running a fleet management program.
- e. The only tasks the New Labor will be performing that were previously performed are related to the Call Center employees who are being converted from contractors to full time employees. Attachment PA-4.xlsx has an adjustment that accounts for the savings realized by converting these positions from contractor to permanent.

**ATTACHMENTS:**

None

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
SIXTH SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** July 08, 2014  
**DATE RESPONSE DUE:** July 18, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** July 18, 2014  
**SUBJECT:** Allocation of "Expense Portion to NE"

---

**INFORMATION REQUEST PA-49:**

Follow up to Information Request PA-32: Please fill in the actual numbers used for each position in the columns labeled "Capital Percentage Calculation Method" and "Expense Allocation Method" that were used to determine how much of the Annual Salary is allocated "Expense Portion to NE".

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

The actual percentages used for each position have been added to the original data submitted in response to Information Request PA-32. During this process it was identified that the percentages used were the preliminary 2014 percentages in some instances. Additional columns have been added to the data to show the final 2014 percentages and the re-calculated Expense to NE amount. This data is show in Confidential Attachment PA-49.

Confidential Attachment PA-49 is being submitted pursuant to the Commission's Protective Order, entered in Docket No. NG-0078 on June 9, 2014.

**ATTACHMENTS:**

Confidential Attachment PA-49

CONFIDENTIAL

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**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
THIRD SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** June 13, 2014  
**DATE RESPONSE DUE:** June 23, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 23, 2014  
**SUBJECT:** Bonus Payout Parameters

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**INFORMATION REQUEST NO. PA-35:**

Follow up to Information Request PA-4, Attachment PA-4, PF-04, Detailed Data-Base Year Benefits:

- a) Please explain Short Term Bonus-Gro and provide the performance parameters that are measured that result in the bonus payout.
- b) Please explain Short Term Bonus-Fin and provide the performance parameters that are measured that result in the bonus payout.

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

The Short Term Bonus-Gro(wth) and Short Term Bonus-Fin(ancial) portions of the SourceGas LLC 2013 Short Term Incentive Program are explained, including the performance parameters required for payout, in the letters that are delivered to SourceGas employees. Attached as Confidential Attachment PA-35.pdf is a copy of a representative letter.

Confidential Attachment PA-35.pdf is being submitted pursuant to the Commission's Protective Order, entered in Docket No. NG-0078 on June 9, 2014.

**ATTACHMENT:**

Confidential Attachment PA-35.pdf



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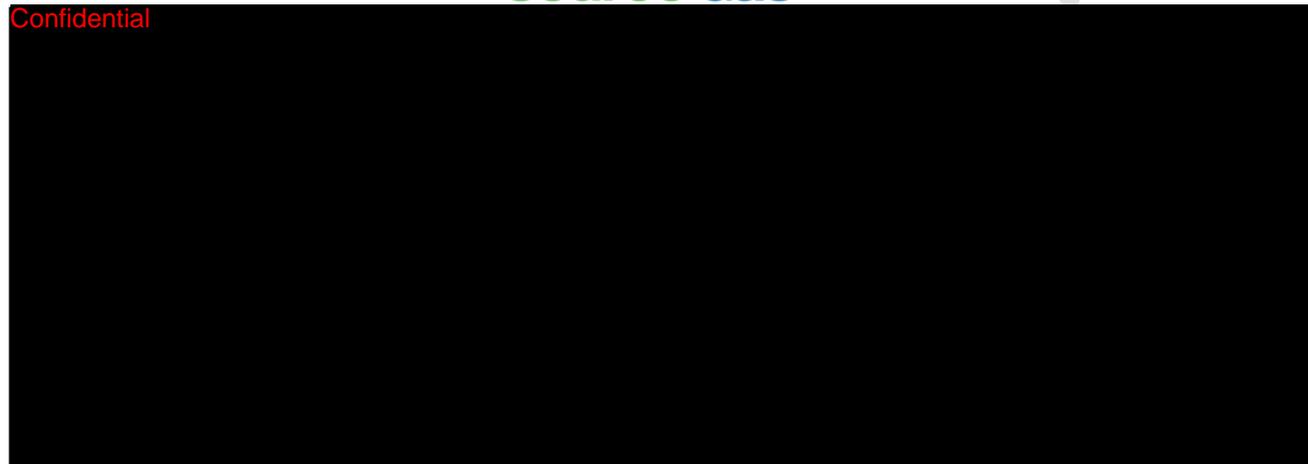
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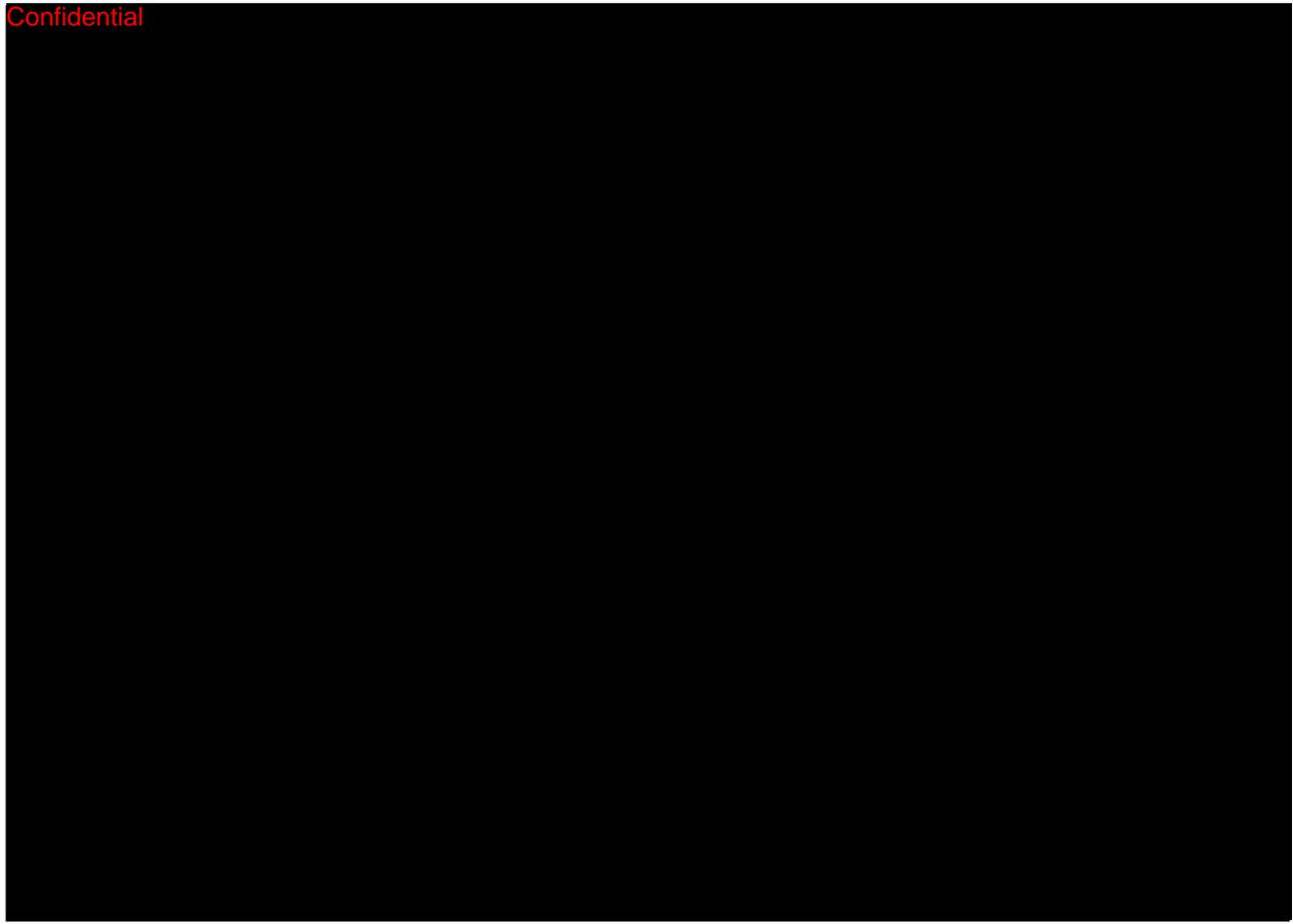


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**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
THIRD SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** June 13, 2014  
**DATE RESPONSE DUE:** June 23, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 23, 2014  
**SUBJECT:** Milsap Rent Expense

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**INFORMATION REQUEST NO. PA-36:**

Follow up to Information Request PA-4, Attachment PA-4, PF-05 Additional Rent: Please explain in detail why the Milsap rent expense increased from \$55,948 to \$102,866.

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

The Milsap rent expense increased from \$55,948 to \$102,866 due to a change in the allocation method utilized -- from direct assignment to Arkansas to application of the 3-factor allocator for all jurisdictions. This change reflects the Company's determination that a portion of the building's square footage was being utilized for general corporate functions and that, accordingly, that portion of the Milsap building rent should be allocated to all jurisdictions instead of being directly coded to the Arkansas jurisdiction. The new allocation method more accurately reflects the association of costs with those jurisdictions that benefit from those costs.

**ATTACHMENT:**

None

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
FIRST SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** May 27, 2014  
**DATE RESPONSE DUE:** June 6, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Charles A. Bayles and Jerrad S. Hammer  
**DATE RESPONDED:** June 6, 2014  
**SUBJECT:** Exhibit JSH-1-SSIR Model, Table 4

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**INFORMATION REQUEST PA-9:**

Reference Application dated May 1, 2014, Exhibit JSH-1-SSIR Model, Table 4: For each work order/project (Internal Order Numbers)/Budget ID, please provide the following in a Microsoft Excel format:

- a) The individual work order or project approval, written project justification, including present value analysis, and/or internal rate of return calculations for projects other than annually budgeted work orders.
- b) Budget and any revised estimates for cost of construction (material labor), AFUDC, overheads, retirements, cost of removal, salvage and Contributions in aid of construction (CIAC).

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

- a) The project approval process begins with the creation and approval of the capital and O&M budget. After budget approval, individual work orders are created for specific projects and a revised cost estimate is created for specific cost categories within a project. At this time, 25 of the 41 projects on Exhibit JSH-1-SSIR Model, Table 4 have work orders created. For these 25 projects, please see Attachment PA-9a for the Project Scope, Work Order Approvals, and any revised cost estimates. The revised estimates only include direct costs and do not include overhead. Also, please see Exhibit CAB-17 for a more detailed written project justification on each project. No present value analysis or internal rate of return calculations were performed for these projects as they are all related to system safety and integrity initiatives. None of the projects were undertaken as load growth initiatives.
- b) The current forecast has not materially changed from the budget; therefore, the Company has not yet revised Exhibit JSH-1-SSIR Model. Please see Attachment PA-9b for the amount of AFUDC and overheads (burden) that was budgeted by project. The Company did not forecast any amounts for retirements, cost of removal, or salvage in the total cost of the projects. These

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
FIRST SET OF INFORMATION REQUESTS**

amounts historically have not been material enough to forecast, but will be included in actualized information when the Company files the annual report and performs the reconciliation of revenue requirements to revenues collected.

**ATTACHMENTS:**

Attachment PA-9a  
Attachment PA-9b



PROJECT TITLE:	Arapahoe, NE main reroute		
COMPANY NAME:	SourceGas LLC	COMPANY NO.:	1017
REQUESTED BY:	S. Debban	PREPARED BY:	G. Harms
ESTIMATE NO.:	001	ORIGINAL EST. DATE:	9/14/12
REVISION NO.:		REVISION DATE:	1/29/13
PROJECT MANAGER:	Aaron Owens	AFUDC:	2.00%
Contingency	10%	OVERHEAD:	0.00%

**SCOPE:** Reroute approx. 13,000' of 2" steel main around Arapahoe, NE. Install approx. 1200' of 2" PE in the Arapahoe Dist. system to connect 3 customers that will be off of the abandoned line.

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	Maximum	Design	MAOP
	0 MMcfd	0 MMcfd	800 psig	800 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS	\$	70,753
COMPANY COST	\$	2,200
OUTSIDE SERVICES	\$	156,798
ROW, DAMAGES & PERMIT FEES	\$	48,500
MEASUREMENT & MISC	\$	2,000
SUBTOTAL	\$	280,251
Contingency	\$	28,025
SUBTOTAL	\$	308,276
CAPITALIZED OVERHEAD	\$	-
SUBTOTAL	\$	308,276
Misc. Fees (over \$30k & 60 days- AFUDC-4%)	\$	6,166
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>314,442</b>

Data on Linked Workflows

Workflows for Object: 00001008578

Title	Creation Date	Creation Time	Status	Task
Internal Order - 1008578 02/07/2013	02/07/2013	13:54:05	Completed	Main WF - Internal Order Request
Internal Order - 1008578 02/07/2013	02/12/2013	09:07:05	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1008578 02/07/2013

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USBLOCHE1	Completed	Initiator's name obtained	02/07/2013 13:54:05	02/07/2013 13:54:05	Workflow System
AA Approval of Internal Order 1008578	Logically Deleted		02/07/2013 13:54:05	02/07/2013 13:54:05	



PROJECT TITLE:	TOG replacement N-1760		
COMPANY NAME:	SourceGas LLC	COMPANY NO.:	1017
REQUESTED BY:	S. Debban	PREPARED BY:	Harms
ESTIMATE NO.:	001	ORIGINAL EST. DATE:	12/13/12
REVISION NO.:		REVISION DATE:	1/29/13
DIVISION MANAGER:	Aaron Owens	AFUDC:	2.00%
Contingency	10%	OVERHEAD:	0.00%

**SCOPE:** Install approx. 23,500' of 4" steel & 29,500' of 2" steel to replace TOG pipe.

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	Maximum	Design	MAOP
		0 MMcf	0 psig	0 psig
		0 MMcf	0 psig	0 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS	\$	360,338
COMPANY COST	\$	9,375
OUTSIDE SERVICES	\$	796,466
ROW, DAMAGES & PERMIT FEES	\$	182,600
MEASUREMENT & MISC	\$	32,000
SUBTOTAL	\$	1,380,779
Contingency	\$	138,078
SUBTOTAL	\$	1,518,857
CAPITALIZED OVERHEAD	\$	-
SUBTOTAL	\$	1,518,857
Misc. Fees (over \$30k & 60 days - AFUDC-4%)	\$	30,377
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>1,549,234</b>

Data on Linked Workflows

Workflows for Object: 000001008586

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1008586 01/30/2013	01/30/2013	09:38:03	Completed	Main WF - Internal Order Request
Internal Order - 1008586 01/30/2013	02/01/2013	15:06:15	Completed	Main WF - Internal Order Request
Internal Order - 1008586 01/30/2013	02/04/2013	09:59:15	Completed	Main WF - Internal Order Request
Internal Order - 1008586 01/30/2013	02/06/2013	08:17:43	Completed	Main WF - Internal Order Request
Internal Order - 1008586 01/30/2013	02/07/2013	10:29:08	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1008586 01/30/2013

Steps in this process so far

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USBLOCHE1	Completed	Initiator's name obtained	01/30/2013 09:38:04	01/30/2013 09:38:04	Workflow System
AA Approval of Internal Order 1008586	Logically Deleted		01/30/2013 09:38:04	01/30/2013 09:38:04	



PROJECT TITLE: Oshkosh, NE 2" reroute	
COMPANY NAME: SourceGas LLC	COMPANY NO.: 1017
REQUESTED BY: B. Dimmitt	PREPARED BY: G. Harms
ESTIMATE NO.: 001	ORIGINAL EST. DATE: 7/26/12
REVISION NO.: 001	REVISION DATE: 4/24/13
PROJECT MANAGER: Bo Secrest	AFUDC: 2.00%
Contingency: 10%	OVERHEAD: 0.00%

SCOPE: Reroute approx. 49,900' 21,000' of 2" steel around Oshkosh, NE to eliminate a potential HCA. **UPDATE - 4/24/13 added 2,000' to estimate & 4 farm taps. This estimate will be with SourceGas labor. Estimating it will take 3 weeks for the crew to install.**

ASSET CAPABILITIES:	Volumes			Pressure	
	Minimum	Maximum		Design	MAOP
		0 MMcf		1000 psig	
		0 MMcf		450 psig	
			Normal Operating	0 psig	
			Delivery Pressure	0 psig	

**ESTIMATE SUMMARY**

MATERIALS	\$	112,304
COMPANY COST	\$	55,570
OUTSIDE SERVICES	\$	49,000
ROW, DAMAGES & PERMIT FEES	\$	70,000
MEASUREMENT & MISC	\$	1,852
SUBTOTAL	\$	288,726
Contingency	\$	28,873
SUBTOTAL	\$	317,599
CAPITALIZED OVERHEAD	\$	-
SUBTOTAL	\$	317,599
Misc. Fees (over \$30k & 60 days- AFUDC-4%)	\$	6,352
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>323,951</b>

Workflows for Object: 00001008672

Title	Creation Date	Creation Time	Status	Task
Internal Order - 1008672 02/12/2013	02/12/2013	17:11:05	Completed	Main WF - Internal Order Request
Internal Order - 1008672 02/12/2013	02/12/2013	08:51:05	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1008672 02/12/2013

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
<u>Get user name for USDIMBRE1</u>	Completed	Initiator's name obtained	02/12/2013 17:11:05	02/12/2013 17:11:05	Workflow System
<u>AA Approval of Internal Order 1008672</u>	Completed	IO approved by AA	02/12/2013 17:11:05	02/12/2013 17:11:27	Jan Railsback
<u>ENG Approval of Internal Order 1008672</u>	Completed	IO approved by Engineering	02/12/2013 17:11:27	02/14/2013 11:00:12	Ronnie Bitsie
<u>SUPV Approval of Internal Order 1008672</u>	Completed	IO approved by Supervisor	02/14/2013 11:00:12	02/14/2013 16:01:36	Doug Wilson
<u>BO Approval of Internal Order 1008672</u>	Completed	IO approved by Budget Owners	02/14/2013 16:01:36	02/15/2013 07:14:17	Jason Pickett
<u>SR VP Operations Approval of Internal Order 1008672</u>	Completed	IO approved by Sr VP Operations	02/15/2013 07:14:17	02/15/2013 07:21:10	Jason Pickett
<u>Release Internal Order 1008672</u>	Completed	Tried to Release Internal Order	02/15/2013 07:21:10	02/15/2013 07:21:11	Workflow System
<u>Internal Order 1008672 has been Released</u>	Completed	Email sent to initiator	02/15/2013 07:21:11	02/15/2013 07:21:11	Workflow System
<u>Internal Order 1008672 is approved and released</u>	Completed	Mail sent to VP	02/15/2013 07:21:11	02/15/2013 07:21:11	Workflow System
<u>Internal Order 1008672 is approved and released</u>	Completed	Mail sent to AA	02/15/2013 07:21:11	02/15/2013 07:21:12	Workflow System



PROJECT TITLE:	Blue Hill - Red Cloud		
COMPANY NAME:	SourceGas LLC	COMPANY NO.:	1017
REQUESTED BY:	C. Fryzek	PREPARED BY:	Harms
ESTIMATE NO.:	001	ORIGINAL EST. DATE:	11/12/12
REVISION NO.:		REVISION DATE:	
PROJECT MANAGER:	D. Owens	AFUDC:	2.00%
Contingency	10%	OVERHEAD:	0.00%

SCOPE: Replacement of the south 5 miles of the Blue Hill - Red Cloud 3" steel line. Line segment # 500-0110

ASSET CAPABILITIES:

		Volumes			Pressure
Minimum		0 MMcf	Design		1000 psig
Maximum		0 MMcf	MAOP		505 psig
			Normal Operating		0 psig
			Delivery Pressure		0 psig

ESTIMATE SUMMARY

MATERIALS	\$	205,035
COMPANY COST	\$	1,430
OUTSIDE SERVICES	\$	341,017
ROW, DAMAGES & PERMIT FEES	\$	40,763
MEASUREMENT & MISC	\$	10,000
SUBTOTAL	\$	598,245
Contingency	\$	59,824
SUBTOTAL	\$	658,069
CAPITALIZED OVERHEAD	\$	-
SUBTOTAL	\$	658,069
Misc. Fees (over \$30k & 60 days- AFUDC-4%)	\$	13,161
GROSS ESTIMATED COST	\$	671,230

Data on Linked Workflows

Workflows for Object: 000001008678

Title	Creation Da..	Creation ...	Status	Task
Internal Order - 1008678	02/19/2013	11:37:12	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1008678 02/19/2013

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USFRYZCHE1	Completed	Initiator's name obtained	02/19/2013 11:37:13	02/19/2013 11:37:13	Workflow System
AA Approval of Internal Order 1008678	Completed	IO approved by AA	02/19/2013 11:37:13	02/19/2013 15:20:37	Jan Railsback
ENG Approval of Internal Order 1008678	Completed	IO approved by Engineering	02/19/2013 15:20:37	02/19/2013 16:10:48	Ronnie Bitsie
SUPV Approval of Internal Order 1008678	Completed	IO approved by Supervisor	02/19/2013 16:10:48	02/20/2013 07:07:02	Dave Owens
BO Approval of Internal Order 1008678	Completed	IO approved by Budget Owners	02/20/2013 07:07:02	02/20/2013 08:34:01	Jason Pickett
SR VP Operations Approval of Internal Order 1008678	Completed	IO approved by Sr VP Operations	02/20/2013 08:34:01	02/20/2013 08:36:02	Jason Pickett
Release Internal Order 1008678	Completed	Tried to Release Internal Order	02/20/2013 08:36:02	02/20/2013 08:36:03	Workflow System
Internal Order 1008678 has been Released	Completed	Email sent to initiator	02/20/2013 08:36:03	02/20/2013 08:36:08	Workflow System
Internal Order 1008678 is approved and released	Completed	Mail sent to VP	02/20/2013 08:36:08	02/20/2013 08:36:08	Workflow System
Internal Order 1008678 is approved and released	Completed	Mail sent to AA	02/20/2013 08:36:08	02/20/2013 08:36:09	Workflow System

1010562 Scope of Work / Cost Estimate / Approval



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Surface Project List

Technician	Grounded Type (Downwell, Surface, Hot, Anode)	Depth of Hole	Hole Size or Trench Width	Installation Method (Vertical, Horizontal)	Replacement (R) New (N)	Number of Anodes	Type of Anode	Size of Anode	Carbon Backfill	Positive Cable Size #	Negative Cable Length	Negative Cable Size	Negative Cable Length	Grounded Facility Name	Location (Town or Sec., Township Range)	GPS Information (Latitude, Longitude, Elevation)
Garman	Surface	20'	12"	N	N	6	Graphite	4"x80"	200#	#2	300'	#2	200'	Nelson #2	NW 14 27.14N R5W	40.17824 -97.526570

City	County	State	Manager	Estimated Cost (Material)	Company Labor	Estimated Cost (AC) (Material, Labor, Overhead)	Specifier Yes/No	Specifier Type - AC, C, TBS, Solar	Specifier Cost	ROW and Damages	Amount	Additional Comments
Nelson	Nickols	RI	Doug Douglas	\$5,000	\$500	\$5,500	yes	C	\$1,600	\$750	\$9,300	Approved 1st app for surface bed

LE Data on Linked Workflows

Workflows for Object: 000001010562

Title	Creation Date	Creation Time	Status	Task
Internal Order - 1010562	02/07/2014	10:21:47	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010562 02/07/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USBRUNMAE1	Completed	Initiator's name obtained	02/07/2014 10:21:47	02/07/2014 10:21:48	Workflow System
AA Approval of Internal Order 1010562	Completed	IO approved by AA	02/07/2014 10:21:48	02/11/2014 17:05:00	Kirk Wachter
ENG Approval of Internal Order 1010562	Completed	IO approved by Engineering	02/11/2014 17:05:00	02/12/2014 12:38:47	Ronnie Bitsis
SUPV Approval of Internal Order 1010562	Completed	IO approved by Supervisor	02/12/2014 12:38:47	02/12/2014 14:54:45	Doug Douglas
BO Approval of Internal Order 1010562	Completed	IO approved by Budget Owners	02/12/2014 14:54:45	02/17/2014 14:06:09	Jason Pickett
Release Internal Order 1010562	Completed	Try to Release Internal Order	02/17/2014 14:06:09	02/17/2014 14:06:10	Workflow System
Internal Order 1010562 has been Released	Completed	Email sent to initiator	02/17/2014 14:06:10	02/17/2014 14:06:10	Workflow System
Internal Order 1010562 is approved and released	Completed	Mail sent to VP	02/17/2014 14:06:10	02/17/2014 14:06:11	Workflow System
Internal Order 1010562 is approved and released	Completed	Mail sent to AA	02/17/2014 14:06:11	02/17/2014 14:06:11	Workflow System



<b>PROJECT TITLE:</b> St. Paul to Dannebrog TOG replacement		<b>COMPANY NO.:</b> 1017
<b>COMPANY NAME:</b> SourceGas LLC		<b>PREPARED BY:</b> Harms
<b>REQUESTED BY:</b> S. Debban		<b>ORIGINAL EST. DATE:</b> 9/6/13
<b>ESTIMATE NO.:</b> 1		<b>REVISION DATE:</b>
<b>REVISION NO.:</b>		<b>AFUDC:</b> 2.00%
<b>DIVISION MANAGER:</b> Don Noecker		<b>OVERHEAD:</b> 0.00%
<b>CONTINGENCY:</b> 10%		
<b>TAX GROSS UP:</b> 0%		

**SCOPE:** Replace the TOG between St. Paul & Dannebrog. 2" steel, approx. 3 miles

<b>ASSET CAPABILITIES:</b>	<b>Volumes</b>		<b>Pressure</b>	
	Minimum	0 MMcf	Design	0 psig
	Maximum	0 MMcf	MAOP	0 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	117,984
COMPANY COST	\$	1,540
OUTSIDE SERVICES	\$	266,474
ROW, DAMAGES & PERMIT FEES	\$	37,940
Environmental	\$	10,000
General (Misc)	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	433,938
CONTINGENCY	\$	43,394
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	8,679
TOTAL	\$	486,011
TAX GROSS UP	\$	-
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>486,011</b>

Data on Linked Workflows

Workflows for Object: 000001010300

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1010300 01/10/2014	01/10/2014	13:15:54	Completed	Main WF - Internal Order Request
Internal Order - 1010300 01/10/2014	01/14/2014	14:27:59	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010300 01/10/2014

Steps in this process so far

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USWILLDAE1	Completed	Initiator's name obtained	01/10/2014 13:15:54	01/10/2014 13:15:54	Workflow System
AA Approval of Internal Order 1010300	Logically Deleted		01/10/2014 13:15:54	01/10/2014 13:15:54	



PROJECT TITLE:	McCook South feed TOG replacement		
COMPANY NAME:	SourceGas LLC		
REQUESTED BY:	S. Debban	COMPANY NO.:	1017
ESTIMATE NO.:	1	PREPARED BY:	Harms
REVISION NO.:		ORIGINAL EST. DATE:	9/6/13
DIVISION MANAGER:	Steve Haag	REVISION DATE:	
CONTINGENCY:	10%	AFUDC:	2.00%
		OVERHEAD:	0.00%
		TAX GROSS UP:	0%

SCOPE: Replace the McCook south feed TOG 6" pipe with 8" pipe. Approx. 3.2 miles. Pressure test to 1200 PSI

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	Maximum	Design	MAOP
	0 MMcf/d	0 MMcf/d	800 psig	800 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	294,080
COMPANY COST	\$	1,980
OUTSIDE SERVICES	\$	480,904
ROW, DAMAGES & PERMIT FEES	\$	25,868
Environmental	\$	10,000
General & MISC	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	812,832
CONTINGENCY	\$	81,283
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	16,257
TOTAL	\$	910,372
TAX GROSS UP	\$	-
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>910,372</b>

Workflow data for Object: 00001010499

Title	Creation Da...	Creation...	Status	Task
Internal Order - 1010499	02/02/2014	11:47:03	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010499 02/02/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USPOTTRIE1	Completed	Initiator's name obtained	02/02/2014 11:47:03	02/02/2014 11:47:10	Workflow System
AA Approval of Internal Order 1010499	Completed	IO approved by AA	02/02/2014 11:47:10	02/03/2014 11:06:20	Jan Railsback
ENG Approval of Internal Order 1010499	Completed	IO approved by Engineering	02/03/2014 11:06:20	02/03/2014 11:15:23	Ronnie Bitsie
SUPV Approval of Internal Order 1010499	Completed	IO approved by Supervisor	02/03/2014 11:15:23	02/03/2014 13:39:43	Steve Haag
BO Approval of Internal Order 1010499	Completed	IO approved by Budget Owners	02/03/2014 13:39:43	02/06/2014 12:19:40	Jason Pickett
SR VP Operations Approval of Internal Order 1010499	Completed	IO approved by Sr VP Operations	02/06/2014 12:19:40	02/11/2014 20:10:43	Doug Whitefoot
Release Internal Order 1010499	Completed	Tried to Release Internal Order	02/11/2014 20:10:43	02/11/2014 20:10:44	Workflow System
Internal Order 1010499 has been Released	Completed	Email sent to initiator	02/11/2014 20:10:44	02/11/2014 20:10:44	Workflow System
Internal Order 1010499 is approved and released	Completed	Mail sent to VP	02/11/2014 20:10:44	02/11/2014 20:10:44	Workflow System
Internal Order 1010499 is approved and released	Completed	Mail sent to AA	02/11/2014 20:10:44	02/11/2014 20:10:45	Workflow System



PROJECT TITLE:	Danbury Lateral TOG replacement		COMPANY NO.:	1017
COMPANY NAME:	SourceGas LLC		PREPARED BY:	Harms
REQUESTED BY:	S. Debban		ORIGINAL EST. DATE:	9/6/13
ESTIMATE NO.:	1		REVISION DATE:	9/13/13
REVISION NO.:			AFUDC:	2.00%
DIVISION MANAGER:	Steve Haag		OVERHEAD:	0.00%
CONTINGENCY:	10%		TAX GROSS UP:	0%

SCOPE: Danbury TOG replacement. Replace 2" & 11/4" TOG pipe with 4" PE3408. A new regulator set has already been installed. We can hold Danbury from the Midway field for tie-in. Approx. 3 miles. New ROW will need to be acquired, pipe currently lays in County ROW

ASSET CAPABILITIES:	Volumes		Design	Pressure
	Minimum	Maximum		
	0 MMcfd	0 MMcfd	MAOP	125 psig
			Normal Operating	100 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	57,453
COMPANY COST	\$	1,100
OUTSIDE SERVICES	\$	170,146
ROW, DAMAGES & PERMIT FEES	\$	58,942
Environmental	\$	10,000
General & MISC	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	297,641
CONTINGENCY	\$	29,764
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	5,953
TOTAL	\$	333,358
TAX GROSS UP	\$	-
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>333,358</b>

Data on Linked Workflows

Workflows for Object: 000001010500

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1010500 02/02/2014	02/02/2014	11:59:56	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010500 02/02/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USPOTRIE1	Completed	Initiator's name obtained	02/02/2014 11:59:57	02/02/2014 11:59:57	Workflow System
AA Approval of Internal Order 1010500	Completed	IO approved by AA	02/02/2014 11:59:57	02/03/2014 11:05:48	Jan Railsback
ENG Approval of Internal Order 1010500	Completed	IO approved by Engineering	02/03/2014 11:05:48	02/03/2014 11:15:04	Ronnie Bitsie
SUPV Approval of Internal Order 1010500	Completed	IO approved by Supervisor	02/03/2014 11:15:04	02/03/2014 13:39:57	Steve Haag
BO Approval of Internal Order 1010500	Completed	IO approved by Budget Owners	02/03/2014 13:39:57	02/06/2014 12:18:59	Jason Pickett
SR VP Operations Approval of Internal Order 1010500	Completed	IO approved by Sr VP Operations	02/06/2014 12:18:59	02/11/2014 20:11:28	Doug Whitefoot
Release Internal Order 1010500	Completed	Tried to Release Internal Order	02/11/2014 20:11:28	02/11/2014 20:11:28	Workflow System
Internal Order 1010500 has been Released	Completed	Email sent to initiator	02/11/2014 20:11:28	02/11/2014 20:11:29	Workflow System
Internal Order 1010500 is approved and released	Completed	Mail sent to VP	02/11/2014 20:11:29	02/11/2014 20:11:29	Workflow System
Internal Order 1010500 is approved and released	Completed	Mail sent to AA	02/11/2014 20:11:29	02/11/2014 20:11:29	Workflow System

1010767 Scope of Work / Cost Estimate / Approval

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PROJECT TITLE:	Oshkosh Bare Main bks 11_17		
COMPANY NAME:	SourceGas LLC		
REQUESTED BY:		COMPANY NO:	1017
ESTIMATE NO:		PREPARED BY:	Brian Dimmitt
REVISION NO:		ORIGINAL EST. DATE:	
DIVISION MANAGER:	Bo Secrest	REVISION DATE:	
CONTINGENCY:	10%	AFUDC:	2.00%
FLAT REIMBURSABLE:		OVERHEAD:	
		TAX GROSS UP:	
		PERCENTAGE REIMBURSABLE:	

SCOPE: Replace bare main in blocks 11 through 19 Oshkosh, NE with 2" PE pipe. Project will require installing 4200' of 2" PE main and approx. 1200' of 1" service stubs (26 meters) moving unprotected meterloops to premises.

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	Maximum	Design	MAOP
	0 MMcfd	0 MMcfd	0 psig	0 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	8,833.26
COMPANY COST	\$	1,985.50
OUTSIDE SERVICES	\$	27,749.70
ROW, DAMAGES & PERMIT FEES	\$	
Environmental	\$	2,310.00
General & MISC	\$	-
TANKER COSTS	\$	
SUBTOTAL	\$	40,878.46
CAPITALIZED OVERHEAD	\$	
AFUDC	\$	817.57
TOTAL	\$	41,696.02
TAX GROSS UP	\$	
GROSS ESTIMATED COST	\$	41,696.02
PERCENTAGE REIMBURSABLE	\$	-
FLAT REIMBURSABLE	\$	\$0.00
GROSS ESTIMATED COST MINUS REIMBURSABLE	\$	41,696.02

Internal Order - 1010767 02/24/2014

Workflows for Object: 000001010767

Title	Creation Da.	Creation ...	Status	Task
Internal Order - 1010767 02/24/2014	02/24/2014	14:03:18	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010767 02/24/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USDIMMBREI	Completed	Initiator's name obtained	02/24/2014 14:03:18	02/24/2014 14:03:18	Workflow System
AA Approval of Internal Order 1010767	Completed	IO approved by AA	02/24/2014 14:03:18	02/27/2014 17:39:13	Jan Railsback
ENG Approval of Internal Order 1010767	Completed	IO approved by Engineering	02/27/2014 17:39:13	02/28/2014 08:04:13	Ronnie Bitzle
SUFV Approval of Internal Order 1010767	Completed	IO approved by Supervisor	02/28/2014 08:04:13	02/28/2014 09:37:59	Bo Secrest
BO Approval of Internal Order 1010767	Completed	IO approved by Budget Owners	02/28/2014 09:37:59	02/28/2014 09:49:29	Jason Pickett
Release Internal Order 1010767	Completed	Tried to Release Internal Order	02/28/2014 09:49:29	02/28/2014 09:49:30	Workflow System
Internal Order 1010767 has been Released	Completed	Email sent to initiator	02/28/2014 09:49:30	02/28/2014 09:49:30	Workflow System
Internal Order 1010767 is approved and released	Completed	Mail sent to VP	02/28/2014 09:49:30	02/28/2014 09:49:30	Workflow System
Internal Order 1010767 is approved and released	Completed	Mail sent to AA	02/28/2014 09:49:30	02/28/2014 09:49:30	Workflow System



PROJECT TITLE:	Oshkosh County Rd 62 Transmission Lowering		
COMPANY NAME:	SourceGas LLC		
REQUESTED BY:		COMPANY NO.:	1017
ESTIMATE NO.:		PREPARED BY:	B. Dimmitt
REVISION NO.:		ORIGINAL EST. DATE:	4/17/14
DIVISION MANAGER:	Bo Secrest	REVISION DATE:	
CONTINGENCY:	10%	AFUDC:	0.00%
		PROJECT START DATE:	6/1/14
		PROJECT END DATE:	6/8/14
REIMBURSABLE PROJECT:	NO	BUDGET CODE:	Pipeline Integrity
FLAT REIMBURSABLE:		JURISDICTION:	SG LLC
PERCENTAGE REIMBURSABLE:		OVERHEAD:	11.38%
		TAX GROSS UP APPLICABLE:	NO
		TAX GROSS UP PERCENTAGE:	

SCOPE: SourceGas proposes to lower transmission pipe line going under County Road 62 near Oshkosh, NE. gas line is shallow in road ditches. SourceGas will directional bore a total of 280' of 3" ARO pipe, 145' northwest of C/L of CR 62 and 135' southeast of C/L of CR 62. SG will trench in an additional 495' of 3" pipe on both sides of bore pipe, 30' northwest side and 465' southeast side, to gain proper coverage of transmission line. We will retire one un-used rural meter set. We will tie in new line using two ANSI 600 three way tees or we will blow down existing line depending on UT readings.

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	Maximum	Design	MAOP
	0 MMcfd	0 MMcfd	0 psig	0 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & MEASUREMENT	\$	8,279.69
COMPANY COST	\$	-
OUTSIDE SERVICES	\$	14,449.88
ROW, DAMAGES & PERMIT	\$	495.00
ENVIRONMENTAL	\$	4,400.00
GENERAL COSTS	\$	-
SUBTOTAL	\$	27,624.56
CAPITALIZED OVERHEAD	\$	-
SUBTOTAL	\$	27,624.56
AFUDC	\$	-
TOTAL EST GROSS COST	\$	27,624.56
PERCENTAGE REIMBURSABLE		
LUMP SUM REIMBURSABLE		
REIMBURSABLE SUBTOTAL	\$	-
TAX GROSS UP		
TOTAL 3RD PARTY COST	\$	-

Workflows for Object: 00001011067

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1011067	04/17/2014	22:10:29	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1011067 04/17/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USDIMBRE1	Completed	Initiator's name obtained	04/17/2014 22:10:29	04/17/2014 22:10:31	Workflow System
AA Approval of Internal Order 1011067	Completed	IO approved by AA	04/17/2014 22:10:32	04/28/2014 13:56:42	Kirk Wachter
ENG Approval of Internal Order 1011067	Completed	IO approved by Engineering	04/28/2014 13:56:42	04/28/2014 14:44:33	Ronnie Bitsie
SUPV Approval of Internal Order 1011067	Completed	IO approved by Supervisor	04/28/2014 14:44:33	04/29/2014 07:26:44	Bo Secrest
BO Approval of Internal Order 1011067	Completed	IO approved by Budget Owners	04/29/2014 07:26:44	04/30/2014 07:12:32	Jason Fickett
Release Internal Order 1011067	Completed	Tried to Release Internal Order	04/30/2014 07:12:32	04/30/2014 07:12:33	Workflow System
Internal Order 1011067 has been Released	Completed	Email sent to initiator	04/30/2014 07:12:33	04/30/2014 07:12:33	Workflow System
Internal Order 1011067 is approved and released	Completed	Mail sent to VP	04/30/2014 07:12:33	04/30/2014 07:12:34	Workflow System
Internal Order 1011067 is approved and released	Completed	Mail sent to AA	04/30/2014 07:12:34	04/30/2014 07:12:34	Workflow System

1010539 Scope of Work / Cost Estimate / Approval



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State	Division	Legal Start	Legal End	Risk Ranking	County	Project Type
NE	SG00/32900 - McCook - Reg					SUSTAINING

Budget Code	Potential Recovery	Internal Order - Description	Approved IO#	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pipeline Integrity	Cathodic Protection	014-376 Total - Farnum Surface Gro	1010539	6,200	6,200									

February	March	April	May	June	July	August	September
-	-	-	6,200	-	-	-	-

October	November	December
-	-	-

Workflows for Object: 000001010539

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1010539 02/02/2014	04/15/2014	13:14:34	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010539 02/02/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USPOITRIE1	Completed	Initiator's name obtained	04/15/2014 13:14:34	04/15/2014 13:14:35	Workflow System
AA Approval of Internal Order 1010539	Completed	IO approved by AA	04/15/2014 13:14:35	04/16/2014 11:04:23	Jan Raileback
ENG Approval of Internal Order 1010539	Completed	IO approved by Engineering	04/16/2014 11:04:23	04/17/2014 10:12:18	Bonnie Bitsie
SUPV Approval of Internal Order 1010539	Completed	IO approved by Supervisor	04/17/2014 10:12:18	04/17/2014 11:30:10	Steve Haag
BO Approval of Internal Order 1010539	Completed	IO approved by Budget Owner	04/17/2014 11:30:10	04/21/2014 09:50:12	Jason Pickett
Release Internal Order 1010539	Completed	Tried to Release Internal Order	04/21/2014 09:50:12	04/21/2014 09:50:13	Workflow System
Internal Order 1010539 has been Released	Completed	Email sent to initiator	04/21/2014 09:50:13	04/21/2014 09:50:13	Workflow System
Internal Order 1010539 is approved and released	Completed	Mail sent to VP	04/21/2014 09:50:13	04/21/2014 09:50:13	Workflow System
Internal Order 1010539 is approved and released	Completed	Mail sent to AA	04/21/2014 09:50:13	04/21/2014 09:50:13	Workflow System



PROJECT TITLE:	Scottsbluff-Gering NP river span	COMPANY NO:	1017
COMPANY NAME:	SourceGas LLC	PREPARED BY:	Todd Deaver
REQUESTED BY:		ORIGINAL EST. DATE:	2/17/14
ESTIMATE NO.:	2	REVISION DATE:	2/26/14
REVISION NO.:	1	AFUDC:	2.00%
DIVISION MANAGER:	S Borders	OVERHEAD:	
CONTINGENCY:	5%	TAX GROSS UP:	
FLAT REIMBURSABLE:		PERCENTAGE REIMBURSABLE:	

**SCOPE:** This span is on a bridge, rests on concrete, is impossible to inspect and needs to be relocated or removed. RMLS (contractor) will install approximately 4320' of 4" PE2406 main along Stable Club road in Terrytown (Gering). Company crews will upgrade the existing Hazeldene district regulator station in order to eliminate the 10th st/Broadway span across the North Platte river. The new PE main will be fed from the Hazeldene reg. tied into the 2" Terry Blvd crossing and terminate at a 10th st 4" te in. The existing Terrytown regulator station will be relocated to the Hazeldene site to upgrade that station and a fireleg installed. 240' of 4" steel will be installed from the reg station south to replace the 2" Hazeldene ave feed, then transition to 4" PE2406. Approx 2750' of 6" bare 175# MAOP steel will be abandoned from the 1st Ave and 9th st isolation valve to the Terrytown regulator station (includes Broadway span).

**ASSET CAPABILITIES:**

	Volumes		Pressure	
	Minimum	Maximum	Design	MAOP
	0 MMcfd	0 MMcfd	0 psig	0 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	19,730.80
COMPANY COST	\$	18,186.00
OUTSIDE SERVICES	\$	48,232.80
ROW, DAMAGES & PERMIT FEES	\$	-
Environmental	\$	-
General & MISC	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	86,149.60
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	1,722.99
TOTAL	\$	87,872.59
TAX GROSS UP	\$	-
GROSS ESTIMATED COST	\$	87,872.59
PERCENTAGE REIMBURSABLE	\$	-
FLAT REIMBURSABLE	\$	\$0.00
GROSS ESTIMATED COST MINUS REIMBURSABLE	\$	87,872.59

Workflows for Object: 000001010809

Title	Creation Da	Creation	Status	Task
Internal Order - 1010809 02/27/2014	02/27/2014	15:13:54	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010809 02/27/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USDEAVTOD1	Completed	Initiator's name obtained	02/27/2014 15:13:54	02/27/2014 15:13:55	Workflow System
AA Approval of Internal Order 1010809	Completed	IO approved by AA	02/27/2014 15:13:55	02/28/2014 07:39:08	Jan Railsback
ENG Approval of Internal Order 1010809	Completed	IO approved by Engineering	02/28/2014 07:39:08	02/28/2014 10:28:26	Ronnie Bitsie
SUPV Approval of Internal Order 1010809	Completed	IO approved by Supervisor	02/28/2014 10:28:26	03/01/2014 09:54:39	Scott Borders
BO Approval of Internal Order 1010809	Completed	IO approved by Budget Owners	03/01/2014 09:54:40	03/03/2014 07:11:10	Jason Pickett
Release Internal Order 1010809	Completed	Tried to Release Internal Order	03/03/2014 07:11:10	03/03/2014 07:11:14	Workflow System
Internal Order 1010809 has been Released	Completed	Email sent to initiator	03/03/2014 07:11:14	03/03/2014 07:11:15	Workflow System
Internal Order 1010809 is approved and released	Completed	Mail sent to VP	03/03/2014 07:11:15	03/03/2014 07:11:17	Workflow System
Internal Order 1010809 is approved and released	Completed	Mail sent to AA	03/03/2014 07:11:17	03/03/2014 07:11:18	Workflow System



<b>PROJECT TITLE:</b> Bayard Blk 25 span removal and bore creek		<b>COMPANY NO:</b> 1017
<b>COMPANY NAME:</b> SourceGas LLC		<b>PREPARED BY:</b> Brian Dimmitt
<b>REQUESTED BY:</b>		<b>ORIGINAL EST. DATE:</b> 2/19/14
<b>ESTIMATE NO:</b>		<b>REVISION DATE:</b>
<b>REVISION NO:</b>		<b>AFUDC:</b>
<b>DIVISION MANAGER:</b> Bo Secrest		<b>OVERHEAD:</b>
<b>CONTINGENCY:</b> 10%		<b>TAX GROSS UP:</b>
<b>FLAT REIMBURSABLE:</b>		<b>PERCENTAGE REIMBURSABLE:</b>

**SCOPE:** Install 2" steel gas line by boring creek crossing block 25 in Bayard, NE. to eliminate span attached to bridge on west 8th Street. Project will require 250' of 2" .154W pipe, two TDW 3 way tees.

<b>ASSET CAPABILITIES:</b>	Volumes		Pressure	
	Minimum	0 MMcf/d	Design	0 psig
	Maximum	0 MMcf/d	MAOP	0 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	2,217.60
COMPANY COST	\$	1,485.00
OUTSIDE SERVICES	\$	10,232.75
ROW, DAMAGES & PERMIT FEES	\$	-
Environmental	\$	-
General & MISC	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	13,935.35
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	-
TOTAL	\$	13,935.35
TAX GROSS UP	\$	-
GROSS ESTIMATED COST	\$	13,935.35
PERCENTAGE REIMBURSABLE	\$	-
FLAT REIMBURSABLE	\$	\$0.00
GROSS ESTIMATED COST MINUS REIMBURSABLE	\$	13,935.35

Data on Linked Workflows

Workflows for Object: 000001010768

Title	Creation Da.	Creation	Status	Task
Internal Order - 1010768 02/24/2014	02/24/2014	14:31:31	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010768 02/24/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USDIMBRE1	Completed	Initiator's name obtained	02/24/2014 14:31:32	02/24/2014 14:31:32	Workflow System
AA Approval of Internal Order 1010768	Completed	IO approved by AA	02/24/2014 14:31:32	02/26/2014 11:37:24	Jan Railsback
ENG Approval of Internal Order 1010768	Completed	IO approved by Engineering	02/26/2014 11:37:24	02/26/2014 16:54:20	Andrew Fay
SUPV Approval of Internal Order 1010768	Completed	IO approved by Supervisor	02/26/2014 16:54:20	02/27/2014 17:51:17	Bo Secrest
BO Approval of Internal Order 1010768	Completed	IO approved by Budget Owners	02/27/2014 17:51:17	02/28/2014 09:44:45	Jason Pickett
Release Internal Order 1010768	Completed	Tried to Release Internal Order	02/28/2014 09:44:45	02/28/2014 09:44:46	Workflow System
Internal Order 1010768 has been Released	Completed	Email sent to initiator	02/28/2014 09:44:46	02/28/2014 09:44:47	Workflow System
Internal Order 1010768 is approved and released	Completed	Mail sent to VP	02/28/2014 09:44:47	02/28/2014 09:44:47	Workflow System
Internal Order 1010768 is approved and released	Completed	Mail sent to AA	02/28/2014 09:44:47	02/28/2014 09:44:47	Workflow System



PROJECT TITLE:	Blue Hill - Red Cloud Phase 3 / 4" pipe		
COMPANY NAME:	SourceGas LLC		
REQUESTED BY:	D. Owens	COMPANY NO.:	1017
ESTIMATE NO.:	1	PREPARED BY:	Hams
REVISION NO.:		ORIGINAL EST. DATE:	9/11/13
DIVISION MANAGER:	Brett Rooks	REVISION DATE:	
CONTINGENCY:	10%	AFUDC:	2.00%
TAX GROSS UP:	0%	OVERHEAD:	0.00%

SCOPE: Replace approx. 8.2 miles of the Blue Hill - Red Cloud lateral. This is the final phase

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	Maximum	Design	MAOP
		0 MMcf/d	0 psig	0 psig
		0 MMcf/d	Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	303,501
COMPANY COST	\$	2,200
OUTSIDE SERVICES	\$	650,130
ROW, DAMAGES & PERMIT FEES	\$	72,031
Environmental	\$	15,000
General (Misc)	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	1,042,862
CONTINGENCY	\$	104,286
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	20,857
TOTAL	\$	1,168,005
TAX GROSS UP	\$	-
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>1,168,005</b>

LE Data on Linked Workflows

Workflows for Object: 00001010799

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1010799 03/04/2014	03/04/2014	12:14:46	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010799 03/04/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USYOUNDAE2	Completed	Initiator's name obtained	03/04/2014 12:14:46	03/04/2014 12:14:46	Workflow System
AA Approval of Internal Order 1010799	Completed	IO approved by AA	03/04/2014 12:14:46	03/05/2014 16:33:29	Kirk Wachter
ENG Approval of Internal Order 1010799	Completed	IO approved by Engineering	03/05/2014 16:33:29	03/06/2014 07:29:21	Ronnie Bitsie
SUPV Approval of Internal Order 1010799	Completed	IO approved by Supervisor	03/06/2014 07:29:21	03/07/2014 11:50:15	Brett Rooks
BO Approval of Internal Order 1010799	Completed	IO approved by Budget Owners	03/07/2014 11:50:15	03/07/2014 15:06:33	Jason Pickett
SR VP Operations Approval of Internal Order 1010799	Completed	IO approved by Sr VP Operations	03/07/2014 15:06:33	03/12/2014 13:55:46	Doug Whitefoot
Release Internal Order 1010799	Completed	Tried to Release Internal Order	03/12/2014 13:55:46	03/12/2014 13:55:46	Workflow System
Internal Order 1010799 has been Released	Completed	Email sent to initiator	03/12/2014 13:55:46	03/12/2014 13:55:47	Workflow System
Internal Order 1010799 is approved and released	Completed	Mail sent to VP	03/12/2014 13:55:47	03/12/2014 13:55:47	Workflow System
Internal Order 1010799 is approved and released	Completed	Mail sent to AA	03/12/2014 13:55:47	03/12/2014 13:55:48	Workflow System



<b>PROJECT TITLE:</b>	Wood River underground Entrance Replacement	
<b>COMPANY NAME:</b>	SourceGas LLC	<b>COMPANY NO.:</b> 1017
<b>REQUESTED BY:</b>	Dave Owens	<b>PREPARED BY:</b> Chuck Fryzek
<b>ESTIMATE NO.:</b>		<b>ORIGINAL EST. DATE:</b> 9/10/13
<b>REVISION NO.:</b>		<b>REVISION DATE:</b>
<b>DIVISION MANAGER:</b>	Dave Owens/Brett Rooks	<b>AFUDC:</b>
<b>CONTINGENCY:</b>	10%	<b>OVERHEAD:</b>
<b>TAX GROSS UP:</b>		

**SCOPE:** Replace approximately 62 bare services with underground entrances in Wood River, Nebraska 90 foot average length used

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	Maximum	Design	MAOP
	0 MMcfd	0 MMcfd	0 psig	0 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	7,569
COMPANY COST	\$	8,525
OUTSIDE SERVICES	\$	49,762
ROW, DAMAGES & PERMIT FEES	\$	-
Environmental	\$	-
General (Misc)	\$	8,727
TANKER COSTS	\$	-
SUBTOTAL	\$	74,584
CONTINGENCY	\$	7,458
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	-
TOTAL	\$	82,042
TAX GROSS UP	\$	-
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>82,042</b>

data on linked workflows

Workflows for Object: 00001010798

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1010798	03/04/2014	09:45:42	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010798 03/04/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USYOUNDAE2	Completed	Initiator's name obtained	03/04/2014 09:45:42	03/04/2014 09:45:43	Workflow System
AA Approval of Internal Order 1010798	Completed	IO approved by AA	03/04/2014 09:45:43	03/05/2014 16:26:56	Kirk Wachter
ENG Approval of Internal Order 1010798	Completed	IO approved by Engineering	03/05/2014 16:26:56	03/06/2014 07:29:24	Ronnie Bitsie
SUPV Approval of Internal Order 1010798	Completed	IO approved by Supervisor	03/06/2014 07:29:25	03/07/2014 11:50:21	Brett Rooks
BO Approval of Internal Order 1010798	Completed	IO approved by Budget Owners	03/07/2014 11:50:21	03/07/2014 15:05:52	Jason Pickett
Release Internal Order 1010798	Completed	Tried to Release Internal Order	03/07/2014 15:05:52	03/07/2014 15:05:53	Workflow System
Internal Order 1010798 has been Released	Completed	Email sent to initiator	03/07/2014 15:05:53	03/07/2014 15:05:54	Workflow System
Internal Order 1010798 is approved and released	Completed	Mail sent to VP	03/07/2014 15:05:54	03/07/2014 15:05:55	Workflow System
Internal Order 1010798 is approved and released	Completed	Mail sent to AA	03/07/2014 15:05:55	03/07/2014 15:05:56	Workflow System



PROJECT TITLE:	Kearney Division Corrosion 014-491		COMPANY NO:	1017
COMPANY NAME:	SourceGas LLC		PREPARED BY:	Chuck Fryzek
REQUESTED BY:	Roy Sallach		ORIGINAL EST. DATE:	12/16/13
ESTIMATE NO:	3		REVISION DATE:	03/27/2014
REVISION NO:			AFUDC:	
DIVISION MANAGER:	Brett Rooks		OVERHEAD:	
CONTINGENCY:	10%			
TAX GROSS UP:				

SCOPE: Install Mag Anode Bed on Line Segment 240-2262. This estimate is below the initial of 2014 budgeted capital of \$24,650 for corrosion, as four of the six 2014 projects were completed at the end of 2013 and covered by outside sources. Revision #3 eliminated the 10 COUPON Test Stations for the Litchfield to Burwell transmission pipelines. This lowered the estimate from \$9,934.

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	Maximum	Design	Normal Operating
	0 MMcf	0 MMcf	0 psig	0 psig
			MAOP	0 psig
			Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	-
COMPANY COST	\$	440
OUTSIDE SERVICES	\$	-
ROW, DAMAGES & PERMIT FEES	\$	501
Environmental	\$	-
General (Misc)	\$	5,090
TANKER COSTS	\$	-
SUBTOTAL	\$	6,031
CONTINGENCY	\$	603
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	-
TOTAL	\$	6,634
TAX GROSS UP	\$	-
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>6,634</b>

Workflows for Object: 000001010951

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1010951 03/27/2014	05/21/2014	06:14:53	Completed	Main WF - Internal Order Request
Internal Order - 1010951 03/27/2014	05/22/2014	08:29:34	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010951 03/27/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USYOUNDAE2	Completed	Initiator's name obtained	05/21/2014 06:14:54	05/21/2014 06:14:55	Workflow System
AA Approval of Internal Order 1010951	Logically Deleted		05/21/2014 06:14:55	05/21/2014 06:14:55	

1010673 Scope of Work / Cost Estimate / Approval



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Surface Project List

Technician	Groundbed Type (Anodes, Mag. Anodes)	Depth of Hole	Hole Size or Trench Width	Installation with Vic Truck (Kennewick)	Replacement (R) New (N)	Number of Anodes	Type of Anode	Size of Anode	Carbon Backfill	Positive Cable Size #	Negative Cable Length	Negative Cable Size	Groundbed Facility Name	Location: Town or Sec, Township, Range	GPS Information: Lat/Long Start (S) or CP	GPS Information: Lat/Long Surface End (EP)
Herrington	Surface	10'	10"		N	4	Graphite	4"x8"	yes	0	100'	#8		Overton City Dist. System Bld. 18	Lat:40.74656	Long: -86.53628

County	State	Manager	Installation Cost (Bid Amount including Materials)	Company Labor	Electrical Cost (AC drop, permit, electrician)	Rectifier Year/No	Rectifier Type - AC, TEC, Solar	Rectifier Cost	ROW and Damages	IO Amount	Additional Comments
Overton, NE	Dawson	NE Ron Carey	\$5,375	\$500	\$800	No	A/C	\$0	\$0	\$6,475	Augered

Data on Linked Workflows

Workflows for Object: 000001010673

Title	Creation Da	Creation	Status	Task
Internal Order - 1010673 02/20/2014	02/20/2014	15:35:07	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010673 02/20/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Gec user name for USMALLBR1	Completed	Initiator's name obtained	02/20/2014 15:35:07	02/20/2014 15:35:07	Workflow System
AA Approval of Internal Order 1010673	Completed	IO approved by AA	02/20/2014 15:35:07	02/24/2014 09:52:10	Jan Railsback
ENG Approval of Internal Order 1010673	Completed	IO approved by Engineering	02/24/2014 09:52:10	02/24/2014 10:06:30	Ronnie Bitsie
SUPV Approval of Internal Order 1010673	Completed	IO approved by Supervisor	02/24/2014 10:06:30	02/24/2014 17:05:37	Carey Ron
BO Approval of Internal Order 1010673	Completed	IO approved by Budget Owners	02/24/2014 17:05:37	02/26/2014 14:58:22	Jason Pickett
Release Internal Order 1010673	Completed	Tried to Release Internal Order	02/26/2014 14:58:22	02/26/2014 14:58:23	Workflow System
Internal Order 1010673 has been Released	Completed	Email sent to initiator	02/26/2014 14:58:23	02/26/2014 14:58:24	Workflow System
Internal Order 1010673 is approved and released	Completed	Mail sent to VP	02/26/2014 14:58:24	02/26/2014 14:58:24	Workflow System
Internal Order 1010673 is approved and released	Completed	Mail sent to AA	02/26/2014 14:58:24	02/26/2014 14:58:24	Workflow System



2014

Surface Project List

Technician	Groundbed type (Mag, Anodes)	Depth of Hole	Hole Size or Trench Width	Installation with Vic Truck (Kintex)	Replacement (R) New (N)	Number of Anodes	Type of Anode	Size of Anode	Carbon Backfill	Positive Cable Size #	Positive Cable Length	Negative Cable Size	Negative Cable Length	Groundbed Facility Name	Location Town or Sec, Range, Range	GPS Information (Lat/Long Start) or CP	GPS Information (Lat/Long Surface End)
Herrington	Surface	10	0		R	10	Magnesium	#17	No	#8	100		10	Apache Anode Bed #1	Sec. 8-13N-R23W-Furness Co.	Lat: 40.23728854	Long: -99.94611359

County	State	Manager	Installation Cost (Bid Amount including Materials)	Company Labor	Electrician Cost (AC shop, permit, electrician)	Rectifier Voltage	Rectifier Type-AC, TEG, Solar	Rectifier Cost	ROW and Damages	IO Amount	Additional Comments
Rural Apache	Fumas	NE Ron Carey	\$5,320	\$100	\$0	No	N/A	\$0	\$500	\$5,920	Trenched

Workflows for Object: 00001010670

Title	Creation Date	Creation Time	Status	Task
Internal Order - 1010670	02/20/2014	14:43:12	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010670 02/20/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USMALLBRA1	Completed	Initiator's name obtained	02/20/2014 14:43:12	02/20/2014 14:43:13	Workflow System
AA Approval of Internal Order 1010670	Completed	IO approved by AA	02/20/2014 14:43:13	02/24/2014 10:20:27	Jan Railsback
ENG Approval of Internal Order 1010670	Completed	IO approved by Engineering	02/24/2014 10:20:27	02/24/2014 11:06:27	Ronnie Bitsie
SUPV Approval of Internal Order 1010670	Completed	IO approved by Supervisor	02/24/2014 11:06:27	02/24/2014 17:06:03	Carey Ron
BO Approval of Internal Order 1010670	Completed	IO approved by Budget Owners	02/24/2014 17:06:03	02/26/2014 14:57:46	Jason Pickett
Release Internal Order 1010670	Completed	Tried to Release Internal Order	02/26/2014 14:57:46	02/26/2014 14:57:47	Workflow System
Internal Order 1010670 has been Released	Completed	Email sent to initiator	02/26/2014 14:57:47	02/26/2014 14:57:47	Workflow System
Internal Order 1010670 is approved and released	Completed	Mail sent to VP	02/26/2014 14:57:47	02/26/2014 14:57:47	Workflow System
Internal Order 1010670 is approved and released	Completed	Mail sent to AA	02/26/2014 14:57:47	02/26/2014 14:57:47	Workflow System



2014

Surface Project List

Technician	Groundbed Type (Deepwell, Surface, Mag Anode)	Depth of Hole	Hole Size or Trench Width	Installation with Vic Truck (Kantex)	Replacement (R) New (N)	Number of Anodes	Type of Anode	Size of Anode	Carbon Backfill	Positive Cable Size #	Positive Cable Length	Negative Cable Size	Negative Cable Length	Groundbed Facility Name
Herrington	Surface						Magnesium	#17	No		100'			Arapahoe Anode Bed #2

Location-Town or Sec, Township, Range	GPS Information Lat/Long Start (S) or CP (CP)	GPS Information Lat/Long Surface End (EP)	County	State	Manager	Installation Cost (Bid Amount including Materials)	Company Labor	Electrical Cost (AC drop, permit, electrical)	Rectifier Year/No	Rectifier Type - AC, TEG, Solar	Rectifier Cost	ROW and Damages	ID Amount	Additional Comments	
Sec. 8-13N-R23W-Furnas Co.	Lat. 40.24888229	Long. -99.94	Rural Arapahoe	Furnas	NE	Ron Carey	\$5,090	\$100	\$0	No	N/A	\$0	\$500	\$5,690	Trenched

Data on Linked Workflows

Workflows for Object: 000001010672

Title	Creation Date	Creation Time	Status	Task
Internal Order - 1010672	02/20/2014	15:09:34	Completed	Main WF - Internal Order Request
Internal Order - 1010672	02/25/2014	14:44:58	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010672 02/20/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USMALLBRA1	Completed	Initiator's name obtained	02/20/2014 15:09:34	02/20/2014 15:09:34	Workflow System
AA Approval of Internal Order 1010672	Logically Deleted		02/20/2014 15:09:34	02/20/2014 15:09:34	



PROJECT TITLE:	Gothenburg N-1760 TOG replacement		COMPANY NO:	1017
COMPANY NAME:	SourceGas LLC		PREPARED BY:	Harms
REQUESTED BY:	S. Debban		ORIGINAL EST. DATE:	9/6/13
ESTIMATE NO:	1		REVISION DATE:	
REVISION NO:			AFUDC:	2.00%
DIVISION MANAGER:	Ron Carey		OVERHEAD:	0.00%
CONTINGENCY:	10%			
TAX GROSS UP:	0%			

SCOPE: Finish replacement of Gothenburg N-1760 TOG. Approx. 14.8 miles

ASSET CAPABILITIES:	Minimum	Volumes	0 MMcfd	Design	0 psig
	Maximum		0 MMcfd	MAOP	0 psig
				Normal Operating	0 psig
				Delivery Pressure	0 psig

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	477,760
COMPANY COST	\$	6,600
OUTSIDE SERVICES	\$	1,039,335
ROW, DAMAGES & PERMIT FEES	\$	145,859
Environmental	\$	15,000
General (Misc)	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	1,684,554
CONTINGENCY	\$	168,455
AFUDC	\$	33,691
TOTAL	\$	1,886,701
TAX GROSS UP	\$	-
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>1,886,701</b>

Workflows for Object: 000001010430

Title	Creation Da.	Creation	Status	Task
Internal Order - 1010430 01/28/2014	01/28/2014	14:34:47	Completed	Main WF - Internal Order Request
Internal Order - 1010430 01/28/2014	01/30/2014	12:03:43	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010430 01/28/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USMALLBRA1	Completed	Initiator's name obtained	01/28/2014 14:34:47	01/28/2014 14:34:48	Workflow System
AA Approval of Internal Order 1010430	Logically Deleted		01/28/2014 14:34:48	01/28/2014 14:34:48	



<b>PROJECT TITLE:</b> Sidney, NE main replacement - Illinois & Hickory	
<b>COMPANY NAME:</b> SourceGas LLC	<b>COMPANY NO.:</b> 1017
<b>REQUESTED BY:</b> D. Fornander	<b>PREPARED BY:</b> Harms
<b>ESTIMATE NO.:</b> 001	<b>ORIGINAL EST. DATE:</b> 4/29/13
<b>REVISION NO.:</b>	<b>REVISION DATE:</b>
<b>DIVISION MANAGER:</b> Al Wilkinson	<b>AFUDC:</b> 2.00%
<b>Contingency:</b> 20%	<b>OVERHEAD:</b> 0.00%

**SCOPE:** Replace the gas main & services in blocks # 232, 276, 292, 331, & 339 in Sidney, NE due to shallow main, poor coating condition, saddle taps & damaged sections. All main & services will be replaced with PE2406. The new line will be pressured tested to 120 PSIG. There will be approx. 1,613' of 2" PE 2406 main to install & 42 1" PE 2406 services to install. All mains & services will be bored in due to concrete alleys

ASSET CAPABILITIES:	Volumes		Design	Pressure	
	Minimum	Maximum		MAOP	Normal Operating
		0 MMcf			80 psig
		0 MMcf			0 psig
					0 psig
					0 psig

**ESTIMATE SUMMARY**

MATERIALS	\$	6,413
COMPANY COST	\$	5,940
OUTSIDE SERVICES	\$	108,847
ROW, DAMAGES & PERMIT FEES	\$	-
MEASUREMENT & MISC	\$	6,300
<b>SUBTOTAL</b>	\$	127,500
Contingency	\$	25,500
<b>SUBTOTAL</b>	\$	153,000
CAPITALIZED OVERHEAD	\$	-
<b>SUBTOTAL</b>	\$	153,000
Misc. Fees (over \$30k & 60 days- AFUDC-4%)	\$	3,060
<b>GROSS ESTIMATED COST</b>	\$	<u>156,060</u>

Workflows for Object: 00001010408

Title	Creation Date	Creation Time	Status	Task
Internal Order - 1010408	01/24/2014	11:38:16	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010408 01/24/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
<a href="#">Get user name for USFORNDAE1</a>	Completed	Initiator's name obtained	01/24/2014 11:38:16	01/24/2014 11:38:16	Workflow System
<a href="#">AA Approval of Internal Order 1010408</a>	Completed	IO approved by AA	01/24/2014 11:38:16	01/29/2014 15:59:08	Jan Railsback
<a href="#">ENG Approval of Internal Order 1010408</a>	Completed	IO approved by Engineering	01/29/2014 15:59:09	01/30/2014 07:30:32	Ronnie Bitsie
<a href="#">SUPV Approval of Internal Order 1010408</a>	Completed	IO approved by Supervisor	01/30/2014 07:30:32	01/30/2014 08:44:51	Al Wilkinson
<a href="#">BO Approval of Internal Order 1010408</a>	Completed	IO approved by Budget Owners	01/30/2014 08:44:51	02/03/2014 13:33:48	Jason Pickett
<a href="#">Release Internal Order 1010408</a>	Completed	Tried to Release Internal Order	02/03/2014 13:33:48	02/03/2014 13:33:48	Workflow System
<a href="#">Internal Order 1010408 has been Released</a>	Completed	Email sent to initiator	02/03/2014 13:33:48	02/03/2014 13:33:49	Workflow System
<a href="#">Internal Order 1010408 is approved and released</a>	Completed	Mail sent to VP	02/03/2014 13:33:49	02/03/2014 13:33:49	Workflow System
<a href="#">Internal Order 1010408 is approved and released</a>	Completed	Mail sent to AA	02/03/2014 13:33:49	02/03/2014 13:33:49	Workflow System



PROJECT TITLE:	Souix Road Ordinance line replacement		
COMPANY NAME:	SourceGas LLC	COMPANY NO.:	1017
REQUESTED BY:	D. Fomander	PREPARED BY:	G. Harms
ESTIMATE NO.:	001	ORIGINAL EST. DATE:	8/15/12
REVISION NO.:		REVISION DATE:	
PROJECT MANAGER:	Al Wilkinson	AFUDC:	2.00%
Contingency:	10%	OVERHEAD:	0.00%

SCOPE: Install approx. 5.75 miles of 4" steel pipe to replace the Souix Road Ordinance line.

ASSET CAPABILITIES:	Volumes		Design	Pressure	
	Minimum	Maximum		MAOP	Normal Operating
		0 MMcfd			0 psig
		0 MMcfd			0 psig
			Normal Operating		0 psig
			Delivery Pressure		0 psig

**ESTIMATE SUMMARY**

MATERIALS	\$	203,831
COMPANY COST	\$	1,320
OUTSIDE SERVICES	\$	361,370
ROW, DAMAGES & PERMIT FEES	\$	64,208
MEASUREMENT & MISC	\$	25,200
<b>SUBTOTAL</b>	\$	<b>655,929</b>
Contingency	\$	65,593
<b>SUBTOTAL</b>	\$	<b>721,522</b>
CAPITALIZED OVERHEAD	\$	-
<b>SUBTOTAL</b>	\$	<b>721,522</b>
Misc. Fees (over \$30k & 60 days- AFUDC-4%)	\$	14,430
<b>GROSS ESTIMATED COST</b>	\$	<b>735,952</b>

Workflows for Object: 000001010404

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1010404 01/23/2014	01/23/2014	17:23:37	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010404 01/23/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
<u>Get user name for USFORNDAE1</u>	Completed	Initiator's name obtained	01/23/2014 17:23:37	01/23/2014 17:23:37	Workflow System
<u>AA Approval of Internal Order 1010404</u>	Completed	IO approved by AA	01/23/2014 17:23:37	01/29/2014 15:59:45	Jan Railsback
<u>ENG Approval of Internal Order 1010404</u>	Completed	IO approved by Engineering	01/29/2014 15:59:45	01/30/2014 07:30:36	Ronnie Bitsie
<u>SUPV Approval of Internal Order 1010404</u>	Completed	IO approved by Supervisor	01/30/2014 07:30:36	01/30/2014 08:44:32	Al Wilkinson
<u>BO Approval of Internal Order 1010404</u>	Completed	IO approved by Budget Owners	01/30/2014 08:44:32	02/03/2014 13:34:22	Jason Pickett
<u>SR VP Operations Approval of Internal Order 1010404</u>	Completed	IO approved by Sr VP Operations	02/03/2014 13:34:22	02/04/2014 08:29:47	Doug Whitefoot
<u>Release Internal Order 1010404</u>	Completed	Tried to Release Internal Order	02/04/2014 08:29:47	02/04/2014 08:29:49	Workflow System
<u>Internal Order 1010404 has been Released</u>	Completed	Email sent to initiator	02/04/2014 08:29:49	02/04/2014 08:29:49	Workflow System
<u>Internal Order 1010404 is approved and released</u>	Completed	Mail sent to VP	02/04/2014 08:29:49	02/04/2014 08:29:49	Workflow System
<u>Internal Order 1010404 is approved and released</u>	Completed	Mail sent to AA	02/04/2014 08:29:49	02/04/2014 08:29:50	Workflow System



PROJECT TITLE:	TOG replacement - 1 mile section		COMPANY NO:	1017
COMPANY NAME:	SourceGas LLC		PREPARED BY:	Harms
REQUESTED BY:	R. Carey		ORIGINAL EST. DATE:	9/16/13
ESTIMATE NO:	1		REVISION DATE:	
REVISION NO:			AFUDC:	0.00%
DIVISION MANAGER:	Ron Carey		OVERHEAD:	0.00%
CONTINGENCY:	10%			
TAX GROSS UP:	0%			

SCOPE: Replace 1 mile of TOG pipe in the Holdrege Division

ASSET CAPABILITIES:

		Volumes		Pressure
Minimum		0 MMcfd	Design	100 psig
Maximum		0 MMcfd	MACP	100 psig
			Normal Operating	0 psig
			Delivery Pressure	0 psig

ESTIMATE SUMMARY

MATERIALS & Measurement	\$	12,537
COMPANY COST	\$	5,170
OUTSIDE SERVICES	\$	6,719
ROW, DAMAGES & PERMIT FEES	\$	-
Environmental	\$	-
General (Misc)	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	24,426
CONTINGENCY	\$	2,443
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	-
TOTAL	\$	26,868
TAX GROSS UP	\$	-
GROSS ESTIMATED COST	\$	26,868

LEP Data on Linked Workflows

Workflows for Object: 000001010888

Title	Creation Da.	Creation	Status	Task
Internal Order - 1010888	03/13/2014	06:35:12	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010888 03/13/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USMALLBRA1	Completed	Initiator's name obtained	03/13/2014 06:35:12	03/13/2014 06:35:13	Workflow System
AA Approval of Internal Order 1010888	Completed	IO approved by AA	03/13/2014 06:35:13	03/17/2014 09:56:20	Jan Railsback
ENG Approval of Internal Order 1010888	Completed	IO approved by Engineering	03/17/2014 09:56:20	03/17/2014 10:14:29	Ronnie Bitsie
SUPV Approval of Internal Order 1010888	Completed	IO approved by Supervisor	03/17/2014 10:14:29	03/17/2014 10:35:06	Carey Ron
BO Approval of Internal Order 1010888	Completed	IO approved by Budget Owners	03/17/2014 10:35:06	03/17/2014 16:07:51	Jason Pickett
Release Internal Order 1010888	Completed	Tried to Release Internal Order	03/17/2014 16:07:51	03/17/2014 16:07:52	Workflow System
Internal Order 1010888 has been Released	Completed	Email sent to initiator	03/17/2014 16:07:52	03/17/2014 16:07:52	Workflow System
Internal Order 1010888 is approved and released	Completed	Mail sent to VP	03/17/2014 16:07:52	03/17/2014 16:07:52	Workflow System
Internal Order 1010888 is approved and released	Completed	Mail sent to AA	03/17/2014 16:07:52	03/17/2014 16:07:52	Workflow System



PROJECT TITLE:	TOG replacement - 4000' section		COMPANY NO:	1017
COMPANY NAME:	SourceGas LLC		PREPARED BY:	Harms
REQUESTED BY:	R. Carey		ORIGINAL EST. DATE:	9/16/13
ESTIMATE NO:	1		REVISION DATE:	
REVISION NO:			AFUDC:	0.00%
DIVISION MANAGER:	Ron Carey		OVERHEAD:	0.00%
CONTINGENCY:	10%			
TAX GROSS UP:	0%			

SCOPE: Replace 4000' of TOG pipe in the Holdrege Division

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	0 MMcfd	Design	100 psig
Maximum	0 MMcfd	MAOP	100 psig	
		Normal Operating	0 psig	
		Delivery Pressure	0 psig	

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	9,117
COMPANY COST	\$	4,950
OUTSIDE SERVICES	\$	-
ROW, DAMAGES & PERMIT FEES	\$	-
Environmental	\$	-
General (Misc)	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	14,067
CONTINGENCY	\$	1,407
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	-
TOTAL	\$	15,473
TAX GROSS UP	\$	-
GROSS ESTIMATED COST	\$	15,473

Data on Linked Workflows

Workflows for Object: 000001010843

Title	Creation Da...	Creation ...	Status	Task
Internal Order - 1010843	03/06/2014	13:51:10	Completed	Main WF - Internal Order Request
Internal Order - 1010843	03/06/2014	13:58:30	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010843 03/06/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USMALLBRA1	Completed	Initiator's name obtained	03/06/2014 13:51:10	03/06/2014 13:51:10	Workflow System
AA Approval of Internal Order 1010843	Logically Deleted		03/06/2014 13:51:10	03/06/2014 13:51:10	



PROJECT TITLE:	Lindsey lateral replacement	COMPANY NO:	1017
COMPANY NAME:	SourceGas LLC	PREPARED BY:	Harms
REQUESTED BY:		ORIGINAL EST. DATE:	11/5/13
ESTIMATE NO:	1	REVISION DATE:	
REVISION NO:		AFUDC:	2.00%
DIVISION MANAGER:	Don Noecker	OVERHEAD:	0.00%
CONTINGENCY:	10%		
TAX GROSS UP:	0%		

SCOPE: Replace 700' of 2" pipe on the Lindsey lateral.

ASSET CAPABILITIES:	Volumes		Pressure	
	Minimum	0 MMcfd	Design	0 psig
Maximum	0 MMcfd	MAOP	0 psig	
		Normal Operating	0 psig	
		Delivery Pressure	0 psig	

**ESTIMATE SUMMARY**

MATERIALS & Measurement	\$	4,255
COMPANY COST	\$	4,950
OUTSIDE SERVICES	\$	5,600
ROW, DAMAGES & PERMIT FEES	\$	525
Environmental	\$	-
General (Misc)	\$	-
TANKER COSTS	\$	-
SUBTOTAL	\$	15,330
CONTINGENCY	\$	1,533
CAPITALIZED OVERHEAD	\$	-
AFUDC	\$	307
TOTAL	\$	17,169
TAX GROSS UP	\$	-
<b>GROSS ESTIMATED COST</b>	<b>\$</b>	<b>17,169</b>

LE: Data on Linked Workflows

Workflows for Object: 000001010495

Title	Creation Da.	Creation	Status	Task
Internal Order - 1010495 01/30/2014	01/30/2014	13:25:44	Completed	Main WF - Internal Order Request
Internal Order - 1010495 01/30/2014	01/31/2014	14:49:04	Completed	Main WF - Internal Order Request
Internal Order - 1010495 01/30/2014	01/31/2014	14:49:20	Completed	Main WF - Internal Order Request

Current data for started workflow: Internal Order - 1010495 01/30/2014

Step name	Status	Result	Creation Date/Time	End Date/Time	Agent
Get user name for USWILLDAE1	Completed	Initiator's name obtained	01/30/2014 13:25:44	01/30/2014 13:25:44	Workflow System
AA Approval of Internal Order 1010495	Completed	IO approved by AA	01/30/2014 13:25:44	01/31/2014 06:31:32	Jan Railsback
ENG Approval of Internal Order 1010495	Completed	IO approved by Engineering	01/31/2014 06:31:32	01/31/2014 07:37:03	Ronnie Bitsie
SUPV Approval of Internal Order 1010495	Completed	IO approved by Supervisor	01/31/2014 07:37:03	01/31/2014 08:18:06	Don Noecker
BO Approval of Internal Order 1010495	Logically Deleted		01/31/2014 08:18:06	01/31/2014 08:18:06	

SourceGas- Nebraska  
 Total SSIR Capital Expenditure

Docket NG-0078  
 Attachment PA-9b  
 Page 1 of 1

Line	Internal Order or Budget ID	Description	FERC	Capital Expenditure	AFUDC & Burden	Total
1	014-201	Bayard - Blocks 42&43/72&73	37600	\$ 60,000	\$ 14,141	\$ 74,141
2	014-250	Oshkosh - Blocks 14-19	37600	30,000	7,071	37,071
3	014-390	Mitchell - main replacement	37600	30,000	7,071	37,071
4	014-403	Scottsbluff- main replacement	37600	15,000	3,535	18,535
5	014-490	Wood River - Service lateral	37600	82,042	19,336	101,378
6	014-585	Sidney- Illinois Street	37600	157,000	37,003	194,003
7	014-586	Sidney- Rural Distribution #1	37600	736,000	173,467	909,467
8	1008578	Reroute Arapahoe 240-0020 Sec B	37402	90,520	10,606	101,126
9	1008578	Reroute Arapahoe 240-0020 Sec B	37600	243,496	47,770	291,266
10	014-298	Oshkosh - County Rd 62 -T	37600	18,000	4,242	22,242
11	1008678	Red Cloud to Blue Hill Replacement-2 _/1	37401	18,735	4,242	22,978
12	1008678	Red Cloud to Blue Hill Replacement-2 _/1	37402	16,242	0	16,242
13	1008678	Red Cloud to Blue Hill Replacement-2 _/1	37600	477,083	85,074	562,157
14	1008678	Red Cloud to Blue Hill Replacement-2 _/1	37800	8,045	0	8,045
15	1008678	Red Cloud to Blue Hill Replacement-2 _/1	38000	2,449	0	2,449
16	1008678	Red Cloud to Blue Hill Replacement-2 _/1	38200	4,259	0	4,259
17	014-487	Red Cloud to Blue Hill Replacement-3 _/2	37600	1,108,475	261,255	1,369,729
18	014-001	Sutton - Barricades	38100	50,000	11,784	61,784
19	014-599	Holdrege Meter Baricades	38100	20,000	4,714	24,714
20	014-613	METER GUARDS & BARRICADES	38100	6,000	1,414	7,414
21	014-072	McCook Meter Barricades and Guards	38100	90,920	21,429	112,349
22	014-374	Mitchell - surface ground	37600	7,000	1,650	8,650
23	014-489	Kearney Division old casings	37600	28,000	6,599	34,599
24	014-376	Farnum Surface Ground bed	37600	6,200	1,461	7,661
25	014-491	Litchfield- Install Anode Bed	37600	24,650	5,810	30,460
26	014-569	Overton #1- Install Anode Bed Bed	37600	6,200	1,461	7,661
27	014-570	Arapahoe #1 Mag Anode Bed	37600	4,600	1,084	5,684
28	014-571	Arapahoe #2 Mag Anode Bed	37600	4,600	1,084	5,684
29	014-006	Sutton - Cathodics	37600	12,500	2,946	15,446
30	013-143	Country Club Road - canal	37600	5,500	1,296	6,796
31	014-409	Scottsbluff- Span replacement	37600	8,000	1,886	9,886
32	014-420	Gering - North 10th street	37600	6,000	1,414	7,414
33	014-424	Scottsbluff- 21st Ave Spa	37600	90,000	21,212	111,212
34	014-432	Bayard - Block 25 - Span replacement	37600	8,000	1,886	9,886
35	014-375	Brule regulator Setting	37600	10,000	2,357	12,357
36	014-615	Loomis TBS Replacement	37600	60,000	14,141	74,141
37	014-616	Arapahoe TBS Replacement	37600	60,000	14,141	74,141
38	014-064	St. Paul to Dannebrog TOG	37600	384,434	90,607	475,041
39	014-118	McCook South TOG replacement _/3	37600	575,668	135,678	711,346
40	014-181	Danbury Lateral TOG Repl	37600	333,358	78,569	411,927
41	1008586	TOG Replacement - NW Gothenberg _/4	37402	233	0	233
42	1008586	TOG Replacement - NW Gothenberg _/4	37600	1,053,010	119,014	1,172,024
43	1008586	TOG Replacement - NW Gothenberg _/4	38000	26,838	0	26,838
44	1008586	TOG Replacement - NW Gothenberg _/4	38100	410	0	410
45	1008586	TOG Replacement - NW Gothenberg _/4	38300	11,446	0	11,446
46	014-574	TOG - Gothenburg Northwest	37600	1,895,000	446,630	2,341,630
47	014-597	TOG - 4701727 NW of Ragan	37600	27,000	6,364	33,364
48	014-598	TOG - 4701809 NW of Ragan	37600	15,500	3,653	19,153
49	014-867	Centerline Survey	37600	936,000	220,605	1,156,605
50	014-815	Nebraska MAOP- Lindsay Project	37600	13,893	3,274	17,167
51	014-815	Nebraska MAOP- Edgar Lateral	37600	29,413	6,932	36,345
52	014-815	Nebraska MAOP- Creighton Lateral_5/	37600	162,493	38,298	200,791
53	014-815	Nebraska MAOP- Grant Lateral	37600	31,093	7,328	38,421
54	1008672	Oshkosh HCA Reroute. Oshkosh, NE.	37402	457,502	101,704	559,206
55	1008672	Oshkosh HCA Reroute. Oshkosh, NE.	37800	15,172	0	15,172
56				\$ 9,573,978	\$ 2,053,239	\$ 11,627,216

SourceGas- Nebraska  
 Comparison of Original and Revised Project Cost Estimates

Docket No. NG-0078  
 Exhibit DHM-15

Sorted Line #	Line #	Internal Order or Budget ID	Description	FERC	Attachment 9b		Attachment 9a		Variance
					Original Capital w/o AFUDC/Burden	Revised Capital w/o AFUDC/Burden			
<b>Project Costs Estimates Updated</b>									
1		1008578	1008578	Reroute Arapahoe 240-0020 Sec B	various	\$ 334,015	\$ 308,276	\$ (25,739)	
2	8	1008578	1008578	Reroute Arapahoe 240-0020 Sec B	37402	\$ 90,520	\$ -	\$ (90,520)	
3	9	1008578	1008578	Reroute Arapahoe 240-0020 Sec B	37600	\$ 243,496	\$ -	\$ (243,496)	
4		1008586	1008586	TOG Replacement - NW Gothenberg_/4	various	\$ 1,091,937	\$ 1,518,857	\$ 426,920	
5	41	1008586	1008586	TOG Replacement - NW Gothenberg_/4	37402	\$ 233	\$ -	\$ (233)	
6	42	1008586	1008586	TOG Replacement - NW Gothenberg_/4	37600	\$ 1,053,010	\$ -	\$ (1,053,010)	
7	43	1008586	1008586	TOG Replacement - NW Gothenberg_/4	38000	\$ 26,838	\$ -	\$ (26,838)	
8	44	1008586	1008586	TOG Replacement - NW Gothenberg_/4	38100	\$ 410	\$ -	\$ (410)	
9	45	1008586	1008586	TOG Replacement - NW Gothenberg_/4	38300	\$ 11,446	\$ -	\$ (11,446)	
10		1008672	1008672	Oshkosh HCA Reroute. Oshkosh, NE.	various	\$ 472,674	\$ 308,599	\$ (164,075)	
11	54	1008672	1008672	Oshkosh HCA Reroute. Oshkosh, NE.	37402	\$ 457,502	\$ -	\$ (457,502)	
12	55	1008672	1008672	Oshkosh HCA Reroute. Oshkosh, NE.	37800	\$ 15,172	\$ -	\$ (15,172)	
13		1008678	1008678	Red Cloud to Blue Hill Replacement-2_/1	various	\$ 526,814	\$ 658,069	\$ 131,255	
14	11	1008678	1008678	Red Cloud to Blue Hill Replacement-2_/1	37401	\$ 18,735	\$ -	\$ (18,735)	
15	12	1008678	1008678	Red Cloud to Blue Hill Replacement-2_/1	37402	\$ 16,242	\$ -	\$ (16,242)	
16	13	1008678	1008678	Red Cloud to Blue Hill Replacement-2_/1	37600	\$ 477,083	\$ -	\$ (477,083)	
17	14	1008678	1008678	Red Cloud to Blue Hill Replacement-2_/1	37800	\$ 8,045	\$ -	\$ (8,045)	
18	15	1008678	1008678	Red Cloud to Blue Hill Replacement-2_/1	38000	\$ 2,449	\$ -	\$ (2,449)	
19	16	1008678	1008678	Red Cloud to Blue Hill Replacement-2_/1	38200	\$ 4,259	\$ -	\$ (4,259)	
20	29	014-006	1010562	Sutton - Cathodics	37600	\$ 12,500	\$ 9,370	\$ (3,130)	
21	38	014-064	1010300	St. Paul to Dannebrog TOG	37600	\$ 384,434	\$ 477,332	\$ 92,898	
22	39	014-118	1010499	McCook South TOG replacement_/3	37600	\$ 575,668	\$ 894,115	\$ 318,447	
23	40	014-181	1010500	Danbury Lateral TOG Repl	37600	\$ 333,358	\$ 327,405	\$ (5,953)	
24	2	014-250	1010767	Oshkosh - Blocks 14-19	37600	\$ 30,000	\$ 40,870	\$ 10,870	
25	10	014-298	1011067	Oshkosh - County Rd 62 -T	37600	\$ 18,000	\$ 27,625	\$ 9,625	
26	24	014-376	1010539	Farnum Surface Ground bed	37600	\$ 6,200	\$ 6,200	\$ 0	
27	33	014-424	1010809	Scottsbluff- 21st Ave Spa	37600	\$ 90,000	\$ 86,150	\$ (3,850)	
28	34	014-432	1010768	Bayard - Block 25 - Span replacement	37600	\$ 8,000	\$ 13,935	\$ 5,935	
29	17	014-487	1010799	Red Cloud to Blue Hill Replacement-3_/2	37600	\$ 1,108,475	\$ 1,147,148	\$ 38,673	
30	5	014-490	1010798	Wood River - Service lateral	37600	\$ 82,042	\$ 82,041	\$ (1)	
31	25	014-491	1010951	Litchfield- Install Anode Bed	37600	\$ 24,650	\$ 6,634	\$ (18,016)	
32	26	014-569	1010673	Overton #1- Install Anode Bed Bed	37600	\$ 6,200	\$ 6,475	\$ 275	
33	27	014-570	1010670	Arapahoe #1 Mag Anode Bed	37600	\$ 4,600	\$ 5,920	\$ 1,320	

Sorted Line #	Line #	Internal Order or Budget ID	Description	FERC	Capital w/o AFUDC/Burden	Capital w/o AFUDC/Burden	Variance
34	28	014-571	1010672 Arapahoe #2 Mag Anode Bed	37600	\$ 4,600	\$ 5,690	\$ 1,090
35	46	014-574	1010430 TOG - Gothenburg Northwest	37600	\$ 1,895,000	\$ 1,853,009	\$ (41,991)
36	6	014-585	1010408 Sidney- Illinois Street	37600	\$ 157,000	\$ 153,000	\$ (4,000)
37	7	014-586	1010404 Sidney- Rural Distribution #1	37600	\$ 736,000	\$ 721,522	\$ (14,478)
38	47	014-597	1010888 TOG - 4701727 NW of Ragan	37600	\$ 27,000	\$ 26,869	\$ (131)
39	48	014-598	1010843 TOG - 4701809 NW of Ragan	37600	\$ 15,500	\$ 15,474	\$ (26)
40		014-815	1010495 Nebraska MAOP	various	\$ 236,891	\$ 16,863	\$ (220,028)
41	50	014-815	1010495 Nebraska MAOP- Lindsay Project	37600	\$ 13,893	\$ -	\$ (13,893)
42	51	014-815	1010495 Nebraska MAOP- Edgar Lateral	37600	\$ 29,413	\$ -	\$ (29,413)
43	52	014-815	1010495 Nebraska MAOP- Creighton Lateral_5/	37600	\$ 162,493	\$ -	\$ (162,493)
44	53	014-815	1010495 Nebraska MAOP- Grant Lateral	37600	\$ 31,093	\$ -	\$ (31,093)
56					\$ 8,181,558	\$ 8,717,448	\$ 535,890

**Project with Costs Not Updated**

45	30	013-143	To be assigned Country Club Road - canal	37600	\$ 5,500	\$ -	\$ (5,500)
46	18	014-001	To be assigned Sutton - Barricades	38100	\$ 50,000	\$ -	\$ (50,000)
47	21	014-072	To be assigned McCook Meter Barricades and Guards	38100	\$ 90,920	\$ -	\$ (90,920)
48	1	014-201	To be assigned Bayard - Blocks 42&43/72&73	37600	\$ 60,000	\$ -	\$ (60,000)
49	22	014-374	To be assigned Mitchell - surface ground	37600	\$ 7,000	\$ -	\$ (7,000)
50	35	014-375	To be assigned Brule regulator Setting	37600	\$ 10,000	\$ -	\$ (10,000)
51	3	014-390	To be assigned Mitchell - main replacement	37600	\$ 30,000	\$ -	\$ (30,000)
52	4	014-403	To be assigned Scottsbluff- main replacement	37600	\$ 15,000	\$ -	\$ (15,000)
53	31	014-409	To be assigned Scottsbluff- Span replacement	37600	\$ 8,000	\$ -	\$ (8,000)
54	32	014-420	To be assigned Gering - North 10th street	37600	\$ 6,000	\$ -	\$ (6,000)
55	23	014-489	To be assigned Kearney Division old casings	37600	\$ 28,000	\$ -	\$ (28,000)
56	19	014-599	To be assigned Holdrege Meter Baricades	38100	\$ 20,000	\$ -	\$ (20,000)
57	20	014-613	To be assigned METER GUARDS & BARRACADES	38100	\$ 6,000	\$ -	\$ (6,000)
58	36	014-615	To be assigned Loomis TBS Replacement	37600	\$ 60,000	\$ -	\$ (60,000)
59	37	014-616	To be assigned Arapahoe TBS Replacement	37600	\$ 60,000	\$ -	\$ (60,000)
60	49	014-867	To be assigned Centerline Survey	37600	\$ 936,000	\$ -	\$ (936,000)

Source: SourceGas Response to Information Request 9, Attachments a and b

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
SIXTH SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** July 8, 2014  
**DATE RESPONSE DUE:** July 18, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Charles A. Bayles  
**DATE RESPONDED:** July 18, 2014  
**SUBJECT:** MAOP Verification – McCook, Nebraska – McCook Lateral

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**INFORMATION REQUEST PA-45:**

Reference Exhibit JSH-1-SSIR Model.xlsx, Tab WP-O&M Costs: The Company has included \$65,312 Total State (\$49,457 Jurisdictional) O&M expense described as “Testing approximately 12,750 feet of pipe located in a Class 3 area in McCook of which approximately 1,200 feet is located in a high consequence area. Expected to be incurred in July 2014.” Please explain why this is incremental O&M expenses rather than normal and routine. Doesn’t the Company routinely test pipe? What makes this testing unique, requiring recovery beyond the O&M expense previously authorized by the Commission in the last base rate case?

**RESPONSE:**

Subject to SourceGas Distribution LLC’s General Objections, SourceGas Distribution responds as follows:

The Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (the “Act”) requires transmission pipeline operators to confirm established maximum allowable operating pressures (“MAOP”) assigned to pipeline segments. Specifically, Section 23 of the Act mandates that operators conduct a verification of records related to transmission lines in Class 3 and Class 4 locations and Class 1 and Class 2 HCAs. SourceGas operates 1,207 miles of transmission pipeline in Nebraska, of which 23.17 miles are located in Class 3 areas and 1.29 miles are located in HCAs. The required record confirmation identified 0.96 miles of pipe in Class 3 locations, of which 0.42 miles of pipe are located in HCAs, for which records are not traceable, verifiable and complete as required by PHMSA.

This testing under this Project is not normal and routine, and is rather unique, because the McCook Lateral is one of the few SourceGas Distribution pipelines in Nebraska located in a Class 3 HCA. Accordingly, the Company has evaluated this Project as a high risk gas infrastructure project under its proposed SSIR Tariff. SourceGas Distribution is hydro-testing this pipeline to comply with the Pipeline Safety Act. As the testing is being conducted pursuant to an express federal pipeline safety mandate, it is appropriate to recover the associated cost through the SSIR Tariff.

**ATTACHMENTS:**

None

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
FIRST SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** May 27, 2014  
**DATE RESPONSE DUE:** June 6, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 6, 2014  
**SUBJECT:** Cost Drivers Contributing to Deficiency

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**INFORMATION REQUEST PA-1:**

Reference Prefiled Direct Testimony of Jerrad Hammer, page 5, lines 18-20. Please provide the major cost drivers that are contributing to the revenue deficiency of \$4.5 million.

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

Please see Attachment PA-1.

**ATTACHMENTS:**

Attachment PA-1

SourceGas Distribution LLC - Nebraska  
 Discover Response PA-1- Cost Drivers

Docket No. NG-0078  
 Attachment PA-1  
 Page 1 of 1

	[A]	[B]	[C]	[D]	[E]	[F]
Line No.	Description	NG-0067 Jurisdictional	NG-0078 Jurisdictional	Change	NG-0067 Reference	NG-0078 Reference
1	Test Year					
2	Return	\$ 5,348,593	\$ 6,944,766	\$ 1,596,173	Attachment PA-2D2, Exhibit 1, Schedule B1	Exhibit JSH-2, Table 2, Schedule B
3	O&M Expense	10,984,586	13,611,413	2,626,827	Attachment PA-2D2, Exhibit 1, Schedule C2	Exhibit JSH-2, Table 2, Schedule C
4	A&G Expense	8,699,950	7,867,114	(832,836)	Attachment PA-2D2, Exhibit 1, Schedule C2	Exhibit JSH-2, Table 2, Schedule C
6	Other Taxes	2,094,233	2,102,606	8,372	Attachment PA-2D2, Exhibit 1, Schedule C2	Exhibit JSH-2, Table 2, Schedule C
5	Depreciation	6,476,885	7,777,205	1,300,320	Attachment PA-2D2, Exhibit 1, Schedule C2	Exhibit JSH-2, Table 2, Schedule D
7	Provision for Income Tax	2,204,966	3,138,458	933,492	Attachment PA-2D2, Exhibit 1, Schedule C2	Exhibit JSH-2, Table 2, Schedule E
6	Total Revenue Requirement <u>/1</u>	\$ 35,809,213	\$ 41,441,561	\$ 5,632,349	Sum Lines 1-7	Sum Lines 1-7
7	Other Revenues	(2,020,218)	(2,311,311)	(291,093)	Attachment PA-2D2, Exhibit 1, Schedule C2	Exhibit JSH-2, Table 6, Schedule D
8	Net Cost of Service	\$ 33,788,995	\$ 39,130,250	\$ 5,341,255	Line 6 + Line 7	Line 6 + Line 7
9						
10	Pro-Forma Jurisdictional Revenue	\$ 33,788,995	\$ 34,662,948	873,953	Attachment PA-2D2, Exhibit 1, Schedule C2	Exhibit JSH-2 Table 5, Schedule C
11						
12		<u>\$ (0)</u>	<u>\$ (4,467,302)</u>	<u>\$ (4,467,302)</u>	Line 10 + Line 8	Line 10 + Line 8

/1 The calculated revenue requirement and revenue deficiencies do not include any potential increase in ROE from the current Commission authorized level of 9.60% and exclude all potential rate case expenses. In the Company's last General Rate Case, Docket No. NG-0067, the Company spent \$800,450 on rate case expense, which was approved for amortization over three years for an annual revenue requirement and revenue deficiency impact of \$266,817. In addition, the Company charged Jurisdictional customers approximately \$560,000 of Public Advocate related expenses and Commission consultant expenses through the State Regulatory Assessment surcharge.

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
FIRST SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** May 27, 2014  
**DATE RESPONSE DUE:** June 6, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 6, 2014  
**SUBJECT:** Workpapers to Support Total Pro Forma Adjustments

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**INFORMATION REQUEST PA-4:**

Reference Prefiled Direct Testimony of Jerrad Hammer, Exhibit JSH-2, Table 2, Schedule C. Please explain the following Total Pro Forma Adjustments in Column F. Provide all workpapers that supports the adjustment.

	<u>Line #</u>	<u>FERC Account</u>	<u>FERC Account Description</u>	<u>Total Pro Forma Adjustments</u>
a)	11	870	Distribution: Operation Supervision & Engineering	211,236
b)	12	871	Distribution: Distribution Load Dispatching	15,484
c)	13	874	Distribution: Mains & Services Expense	356,530
d)	14	875	Distribution: Measuring & Reg Station-General	10,988
e)	17	878	Distribution: Meter & House Regulator Expense	15,110
f)	18	879	Distribution: Customer Installation Expense	12,509
g)	19	880	Distribution: Other Expense	35,090
h)	26	893	Distribution: Maint of Meters & House Regulators	30,537
i)	30	903	Customer Accounts: Customer Records & Collection	70,653
j)	32	905	Customer Accounts: Misc Customer Accounts Expense	18,558
k)	38	920	A&G: Administrative & General Salaries	460,233
l)	39	921	A&G: Other Supplies & Expenses	41,095
m)	42	926	A&G: Employee Pensions & Benefits	251,131
n)	46	931	A&G: Rents	64,601

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

Please refer to Attachment PA-4.

**ATTACHMENTS:**

Attachment PA-4

SourceGas Distribution LLC - Nebraska  
 Discovery Response PA-4 - Pro Forma Adjustments  
 PF-04 Labor, Benefit, and Payroll Tax Expenses  
 Summary Data

Docket NG-0078  
 Attachment PA-4  
 Page 8 of 39

Base Year Labor		
FERC	Base Year Amount	2014 Increase (3%)
870	1,457,552.21	43,726.57
871	384,276.79	11,528.30
874	2,750,391.17	82,511.74
875	351,043.63	10,531.31
876	2,877.21	86.32
877	2,198.30	65.95
878	483,665.27	14,509.96
879	400,264.30	12,007.93
880	1,059,132.24	31,773.97
885	30,261.68	907.85
887	3,757.70	112.73
892	109,115.14	3,273.45
893	978,062.14	29,341.86
894	1,356.56	40.70
901	6,367.40	191.02
902	250,210.00	7,506.30
903	830,642.89	24,919.29
905	3,663.67	109.91
908	638.36	19.15
911	1,388.34	41.65
912	125,010.96	3,750.33
913	15,907.85	477.24
920	2,384,551.55	71,536.55
922		
<b>Total</b>	<b>11,632,335.36</b>	<b>348,970.06</b>

Base Year Benefits		
FERC	Base Year Amount	Percent of Labor
870	105,554.19	7.24%
871	26,668.35	6.94%
874	109,838.31	3.99%
875	15,211.66	4.33%
876	114.29	3.97%
877	91.84	4.18%
878	19,989.94	4.13%
879	16,707.77	4.17%
880	45,291.61	4.28%
885	1,457.89	4.82%
887	152.60	4.06%
892	4,368.14	4.00%
893	39,847.35	4.07%
894	24.16	1.78%
901	91.00	1.43%
902	10,377.67	4.15%
903	48,658.14	5.86%
905	190.68	5.20%
908	34.61	5.42%
911	135.85	9.79%
912	13,256.70	10.60%
913	1,477.65	9.29%
920	202,704.28	12.69%
922	(35,539.75)	-1.49%
926	2,622,309.20	22.54%
<b>Total</b>	<b>3,349,014.13</b>	

Base Year Payroll Taxes		
FERC	Base Year Amount	Percent of Labor
408.1	923,680.66	7.94%

Total Pro Forma Adjustment Amount							
FERC	Base Labor			New Labor			Total Amount
	Wages	Benefits	Payroll Taxes	Wages	Benefits	Payroll Taxes	
870	43,726.57	3,166.63		153,244.94	11,097.82		211,235.95
871	11,528.30	800.05		2,950.78	204.78		15,483.92
874	82,511.74	3,295.15		260,327.04	10,396.30		356,530.22
875	10,531.31	456.35					10,987.66
876	86.32	3.43					89.75
877	65.95	2.76					68.70
878	14,509.96	599.70					15,109.66
879	12,007.93	501.23					12,509.16
880	31,773.97	1,358.75					33,132.72
885	907.85	43.74					951.59
887	112.73	4.58					117.31
892	3,273.45	131.04					3,404.50
893	29,341.86	1,195.42					30,537.28
894	40.70	0.72					41.42
901	191.02	2.73					193.75
902	7,506.30	311.33					7,817.63
903	24,919.29	1,459.74		7,909.75	463.34		34,752.13
905	109.91	5.72					115.63
908	19.15	1.04					20.19
911	41.65	4.08					45.73
912	3,750.33	397.70		3,738.13	396.41		8,282.57
913	477.24	44.33					521.57
920	71,536.55	9,081.13		336,854.03	42,761.57		460,232.27
922	(1,066.19)				(5,020.53)		(6,086.72)
926		78,669.28			172,461.61		251,130.88
408.1			27,710.42			60,747.78	88,458.20
<b>Totals</b>	<b>348,970.06</b>	<b>100,470.42</b>	<b>27,710.42</b>	<b>765,024.68</b>	<b>232,761.29</b>	<b>60,747.78</b>	<b>1,535,684.65</b>

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
FIRST SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** May 27, 2014  
**DATE RESPONSE DUE:** June 6, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 6, 2014  
**SUBJECT:** Exhibit JSH-1-SSIR Model, Table 4: Supporting Detail

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**INFORMATION REQUEST PA-10:**

Reference Application dated May 1, 2014, Exhibit JSH-1-SSIR Model, Table 4: For each work order/project (Internal Order Numbers)/ Budget ID that have been placed in-service, please provide the following in a Microsoft Excel format:

- a) Supporting detail for assets (units and dollars by FERC account) added to utility plant from the Asset Accounting system.
- b) Supporting detail for retirements, cost of removal and salvage, if applicable, charged or credited to plant (units and dollars) for each replacement work order.
- c) The individual work order or project estimated an actual in-service dates with explanations for delays > 60 days.
- d) The individual work order or project budget vs. actual costs, with explanations for any variances +/- 15%.

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

As of the date of this response, none of the projects listed on Exhibit JSH-1, Table 4, have been placed in service. SourceGas Distribution periodically will update this response with information about any projects that have been placed in service.

**ATTACHMENTS:**

None

**SOURCEGAS DISTRIBUTION LLC  
SYSTEM SAFETY AND INTEGRITY RIDER  
DOCKET NO. NG-0078  
RESPONSE TO PUBLIC ADVOCATE'S  
THIRD SET OF INFORMATION REQUESTS**

**DATE OF REQUEST:** June 13, 2014  
**DATE RESPONSE DUE:** June 23, 2014  
**REQUESTOR:** Nebraska Public Advocate  
**ANSWERED BY:** Jerrad S. Hammer  
**DATE RESPONDED:** June 23, 2014  
**SUBJECT:** Full-Time Equivalent Headcount

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**INFORMATION REQUEST NO. PA-34:**

Follow up to Information Request PA-4, Attachment PA-4, PF-04, Labor, Benefits, and Payroll Tax Expenses. Please provide the FTE (full-time equivalent) headcount as of 12/31/2013 and the FTE headcount assumed as of 12/31/2014.

**RESPONSE:**

Subject to SourceGas Distribution LLC's General Objections, SourceGas Distribution responds as follows:

The total budgeted headcount for SourceGas LLC as of 12/31/2013 was 1,059 of which 1,037 positions were filled as of that date. The total budgeted headcount for SourceGas LLC projected for 12/31/2014 is 1,143.

**ATTACHMENTS:**

None