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November 10, 2014

Mr. Steve Meradith
Executive Director
Nebraska Public Service Commission
1200 "N" Street, Suite 300
Lincoln, NE 68508

Re: *In the Matter of the Application of SourceGas Distribution LLC, Golden, Colorado, for an Order Authorizing It to Put Into Effect a System Safety and Integrity Rider Tariff and System Safety and Integrity Rider Charge,*
Docket No. NG-0078

Dear Mr. Meradith:

SourceGas Distribution LLC ("SourceGas Distribution" or the "Company"), pursuant to the Order Approving Application, In Part and the Order Modifying Order Approving Application, In Part, entered by the Nebraska Public Service Commission in the above-referenced docket respectively on October 28, 2014 and November 4, 2014 (collectively, the "Commission Orders"), hereby files its System Safety and Integrity Rider ("SSIR") Application for recovery of 2015 Eligible System Safety and Integrity Costs through the Safety and Integrity Charge as set forth on attached Twenty-First Revised Sheet No. 7 (canceling Twentieth Revised Sheet No. 7), effective February 1, 2015.

By this Application, SourceGas Distribution is proposing to adjust the Customer Charges applicable to all customers served under Rate Schedule CGS (Choice Gas Service) and Rate Schedule ACGS-NSS (Agricultural Choice Gas Service – Non-Seasonal Service). The change in the rates submitted with this Application reflects an increase in the overall Customer Charges applicable to the referenced rate schedules to cover the incremental annual revenue requirement impact of 2015 Eligible System Safety and Integrity Costs incurred by SourceGas Distribution with respect to SSIR Projects, as those terms are defined and applied on Tariff Sheet Nos. 11-15 (the "SSIR Tariff"). If approved by the Commission, the Safety and Integrity Charge shall increase monthly Customer Charges as follows: for the Residential Customer class by \$0.28 per month; for the Small Commercial Customer class by \$0.59 per month; and for the Large Commercial Customer class by \$3.80 per month.

This filing includes the following exhibits:

Exhibit 1 – Clean version of Twenty-First Revised Sheet No. 7

Exhibit 2 – Redlined version of Twenty-First Revised Sheet No. 7

Exhibit 3 – Narrative describing 2015 SSIR Projects

Exhibit 4 – Calculation of the Safety and Integrity Charge

I. Calculation of Safety and Integrity Charge

The calculation of the Safety and Integrity Charge is shown on the tables that comprise Exhibit 4. A summary of the information shown on each table follows.

Table 1 – This table shows the derivation of the SSIR revenue requirement and Safety and Integrity Charge for the residential and small and large commercial customer classes. The rates are determined by dividing each customer class's portion of the jurisdictional revenue requirement attributable to 2014 and 2015 SSIR Projects by the estimated annual number of bills used in SourceGas Distribution's most recently approved rate case in Docket No. NG-0067. The rate change caused by the proposed Safety and Integrity Charge is then divided by the current average monthly bill for each customer class to show the average monthly bill increase from the proposed 2015 Safety and Integrity Charge.

Tables 2A and 2B – These tables show the calculation of the statewide SSIR revenue requirement (Table 2A) and the jurisdictional SSIR revenue requirement (Table 2B) resulting from the 2014 and 2015 SSIR Projects. The statewide SSIR revenue requirement is \$1,420,289 for 2014 Projects and \$440,508 for 2015 Projects. The jurisdictional revenue requirement is \$1,077,234 for 2014 Projects and \$337,513 for 2015 Projects. By this filing, SourceGas Distribution is seeking to recover the jurisdictional revenue deficiency from its residential and small and large commercial customer classes.

The jurisdictional SSIR revenue requirement includes (i) a return, at a percentage equal to the Company's currently authorized weighted average cost of capital including an authorized return on equity of 9.60% grossed up for taxes, on the projected increase in the jurisdictional component of the month ending net plant in-service balances associated with the 2014 and 2015 Projects, exclusive of all plant in-service included in the determination of the revenue requirements approved in the Company's last general rate case; (ii) the plant-related ownership costs associated with such incremental plant investment, including depreciation, accumulated deferred income taxes (ADIT), and all taxes including income taxes and property taxes; and (iii) the projected jurisdictional operation and maintenance (O&M) expenses related to the Projects for 2015.

Table 3 – This table lists the 2014 SSIR Projects (Page 1 of 2) and the 2015 SSIR Projects (Page 2 of 2) included in the 2015 Safety and Integrity Charge, including actual or projected in-service date, total Project cost, estimated betterment credit, if any, and net Project cost to be included in the SSIR revenue requirement calculation. The estimated total Project cost for 2014 SSIR Projects net of all betterment credits is \$10,041,416. The estimated total Project cost for 2015 SSIR Projects net of all betterment credits is \$13,983,439.

Table 4 – This table assigns the 2014 and 2015 SSIR Projects into FERC Accounts and further separates the costs to the jurisdictional customer classes. The "jurisdictional" component of the revenue requirement, as shown on this table, was determined using the cost allocation principles

adopted by the Commission in SourceGas Distribution's most recent general rate case, Docket No. NG-0067.

Table 5 -- This table shows the calculation inputs such as depreciation and tax rates and allocation percentages used for calculating the SSIR revenue requirement.

II. Proration of Rate Change

The State Natural Gas Regulation Act does not require changes in rates to be implemented on a proration basis. However, the Commission previously has indicated a preference that changes in rates should be implemented using a proration method, where applicable fixed and volumetric charges during the billing period are pro-rated to reflect the number of days and the amount of usage applicable to the new and superseded rates.

While reserving all rights, SourceGas Distribution intends to implement the February 1, 2015 changes in rates prospectively using a proration approach. This action will require a waiver of the relevant terms of SourceGas Distribution's Nebraska Gas Tariff; specifically, Section 6.2 of Rate Schedule CGS (Choice Gas Service), Section 6.2 of Rate Schedule ACGS - NSS (Agricultural Choice Gas Service – Non-Seasonal Service) and Section 10.1 of the General Terms and Conditions of Service. Accordingly, pursuant to the terms of Section 39, Waiver, of the General Terms and Conditions of Service of its Nebraska Gas Tariff, appearing on Second Revised Sheet No. 93, SourceGas Distribution will waive the referenced tariff provisions so as to implement the February 1, 2015 change in rates following a proration approach. As required by Section 39 of the Tariff, implementation of the rate change on a proration basis will be accomplished in a manner that is not unduly discriminatory to individual customers or classes of customers.

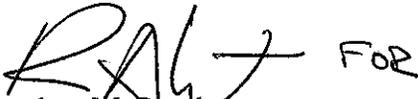
III. Notice and Other Matters

Notice of the proposed revisions contained in Twenty-First Revised Sheet No. 7 is being given to the Commission and the public by this tariff filing. Exhibits 1 through 4 and this transmittal letter are also being provided electronically on the enclosed compact disc.

In filing the enclosed Twenty-First Revised Sheet No. 7, SourceGas Distribution does not waive any rights or remedies to which it may be entitled with respect to the above matter, and expressly reserves any and all rights to seek rehearing of or prosecute an appeal from the Commission Orders, in whole or in part.

Please contact me at (303) 243-3496 if you have any questions or need additional information.

Very truly yours,


Stephen M. Bruckner
Counsel for SourceGas Distribution

Mr. Steve Meradith
November 10, 2014
Page 4

Enclosures

cc: Ms. Angela Melton, Natural Gas Director
Mr. William Austin, Public Advocate
Ms. Chris Dibbern, NMPP
Mr. Eric Nelsen, SourceGas Distribution
Mr. Jerrad Hammer, SourceGas Distribution
Ms. Susan Rubner, SourceGas Distribution

1224250.2

SourceGas Distribution LLC
 Nebraska Gas Tariff
 Nebraska Tariff No. 1

Twenty-first Revised Sheet No. 7
 Cancels Twentieth Revised Sheet No. 7

SCHEDULE OF RATES AND OTHER CHARGES

Rate Schedules CGS and ACGS-NSS

<u>Type of Charge</u>	<u>Non-Gas Base Rate Component</u>	<u>Gas Cost</u>			<u>Total Gas Cost</u>	<u>Total Rate</u>
		<u>Base Rate Component</u>	<u>Surcharge Rate Component</u>	<u>3/</u>		
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/,4/	14.70					15.00
Pipeline Replacement Charge	0.84					0.84
Safety and Integrity Charge	0.78					1.06
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>						
First 20	0.4675	0.0000	0.0121	0.0121		0.4796
Over 20	0.1338	0.0000	0.0121	0.0121		0.1459
SMALL COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/,4/	22.75					23.05
Pipeline Replacement Charge	1.80					1.80
Safety and Integrity Charge	1.67					2.26
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>						
First 40	0.4675	0.0000	0.0121	0.0121		0.4796
Over 40	0.1338	0.0000	0.0121	0.0121		0.1459
LARGE COMMERCIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/,4/	56.15					56.45
Pipeline Replacement Charge	11.38					11.38
Safety and Integrity Charge	11.75					15.55
<u>Distribution and Commodity Charges, Based on Usage 2/:</u>						
First 80	0.4675	0.0000	0.0121	0.0121		0.4796
Over 80	0.1338	0.0000	0.0121	0.0121		0.1459
1/	Total Customer Charge is \$/month and includes a charge for the HEAT program of \$0.30.					
2/	Distribution and Commodity Charges are \$/Per Therm.					
3/	Rate Component Includes:					
	1. Contract P-0802 Charge of \$0.0121 per Therm.					
4/	In addition to the Customer Charge, an Extra Construction Allowance Charge of \$20.00, \$30.00, \$40.00, or \$50.00 per month will be added to a Customer's bill for premises that avail themselves of the Extra Construction Allowance for the duration of the repayment period and will appear as a separate line item on the Customer's bill.					

SourceGas Distribution LLC
 Nebraska Gas Tariff
 Nebraska Tariff No. 1

~~Twentieth~~-Twenty-first Revised Sheet No. 7
 Cancels ~~Nineteenth~~-Twentieth Revised Sheet No. 7

SCHEDULE OF RATES AND OTHER CHARGES

Rate Schedules CGS and ACGS-NSS

Type of Charge	Non-Gas Base Rate Component	Gas Cost			Total Gas Cost	Total Rate
		Base Rate Component	Surcharge Rate Component 3/			
RESIDENTIAL SERVICE - Minimum Monthly Charge is Equal to the Customer Charge						
Customer Charge 1/,4/	14.70					15.00
Pipeline Replacement Charge	0.84					0.84
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Over 80	0.1338	0.0000	0.0121	0.0121		0.1459
1/	Total Customer Charge is \$/month and includes a charge for the HEAT program of \$0.30.					
2/	Distribution and Commodity Charges are \$/Per Therm.					
3/	Rate Component Includes:					
	1. Contract P-0802 Charge of \$0.0121 per Therm.					
4/	In addition to the Customer Charge, an Extra Construction Allowance Charge of \$20.00, \$30.00, \$40.00, or \$50.00 per month will be added to a Customer's bill for premises that avail themselves of the Extra Construction Allowance for the duration of the repayment period and will appear as a separate line item on the Customer's bill.					

Issued by: Michael Noone, President and CEO
 Issued on: November 7, 2014

Effective on: ~~January~~-February 1, 2015

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NEBRASKA

IN THE MATTER OF THE APPLICATION OF)
SOURCEGAS DISTRIBUTION LLC, GOLDEN,)
COLORADO, SEEKING AN ORDER AUTHORIZING IT) DOCKET NO. NG-0078
TO PUT INTO EFFECT A SYSTEM SAFETY AND)
INTEGRITY RIDER TARIFF AND A SYSTEM SAFETY)
AND INTEGRITY RIDER CHARGE)

**2015 PROJECTS
REFLECTED IN THE
SYSTEM SAFETY AND INTEGRITY RIDER
FOR SOURCEGAS DISTRIBUTION LLC
IN NEBRASKA**



November 10, 2014

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NEBRASKA

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**2015 PROJECTS REFLECTED IN THE
SYSTEM SAFETY AND INTEGRITY RIDER
FOR SOURCEGAS DISTRIBUTION LLC IN NEBRASKA**

Filed November 10, 2014

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BEFORE THE PUBLIC SERVICE COMMISSION
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**2015 PROJECTS REFLECTED IN THE
SYSTEM SAFETY AND INTEGRITY RIDER
FOR SOURCEGAS DISTRIBUTION LLC IN NEBRASKA**

I. INTRODUCTION

As set forth on proposed First Revised Sheet Nos. 11-15 of the Nebraska Gas Tariff No. 1 (the “Tariff”) of SourceGas Distribution LLC (“SourceGas Distribution” or the “Company”), Residential Service, Small Commercial Service and Large Commercial Service under Rate Schedules CGS (Choice Gas Service) and ACGS-NSS (Agricultural Choice Gas Service – Non-Seasonal Service) are subject to a System Safety and Integrity Rider (“SSIR”) designed to collect Eligible System Safety and Integrity Costs. The Nebraska Public Service Commission (the “Commission”) approved the SSIR Tariff, with an effective date of November 1, 2014, by its Order Approving Application, In Part, entered in this docket on October 28, 2014, and its Order Modifying Order Approving Application, in Part, entered in this docket on November 4, 2014.

Under the Commission-approved SSIR Tariff, the Company is authorized to collect the revenue requirement of Eligible System Safety and Integrity Costs projected for the period January 1, 2015 through December 31, 2015 through the Safety and Integrity Charge (the “SSIR Charge”) over the period February 1, 2015, through January 31, 2016. The SSIR Charge to be applied to each Rate Schedule is as set forth on the Schedule of Rates and Other Charges, Sheet No. 7 of the Tariff.

As approved by the Commission, the Company is authorized to file this SSIR application for 2015 costs on or before November 10, 2014 with an implementation date of February 1, 2015. The SSIR Tariff requires that this application include pertinent information and supporting data related to eligible SSIR costs, including, at a minimum, SSIR Project descriptions and scopes, SSIR Project costs, and in-service dates.

The SSIR Tariff defines Eligible System Safety and Integrity Costs to mean:

- 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 SSIR 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;
- 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
 - 3) The projected jurisdictional component of the operation and maintenance expenses related to the Projects for the particular year in which the SSIR Charge shall be in effect.

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.

As set forth in the SSIR Tariff, SSIR Projects (also referenced in this filing as "Projects") mean:

- i. Projects to comply with Code of Federal Regulations ("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;
- ii. 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;
- iii. Projects to comply with final rules and regulations of the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration ("PHMSA") that become effective on or after the filing date of the application requesting approval of the SSIR; and
- 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.

As shown in Exhibit 4, Table 3, Page 2 of 2 to this application, SourceGas Distribution has identified 58 individually numbered Capital SSIR Projects and no Operations and Maintenance Expense SSIR Projects for the instant filing. In total, SourceGas Distribution's projected capital expenditures for 2015 SSIR Projects total \$13,983,439.

All but one of the 58 Projects will be completed in 2015; because Project No. 58 (Centerline Survey) will be completed in 2016, no costs associated with that Project are included in the Eligible System Safety and Integrity Costs to be recovered in 2015.

Additionally, the Company each year encounters the need to conduct facility relocation projects in connection with municipal infrastructure projects. Municipalities typically do not finalize their plans for infrastructure projects for a particular calendar year, however, until late in the previous calendar year or early in the calendar year in which those projects will be conducted. Consequently, although the Company is aware of several potential municipal infrastructure projects in 2015 (*see* Section II.M below) that may require the Company to conduct facility relocation projects the costs of which are Eligible System Safety and Integrity Costs for recovery through the SSIR Tariff, those Projects are not sufficiently definitive at this time for the Company to request recovery of Eligible System Safety and Integrity Costs through this filing. *See* Project No. 56 (Nebraska Highway Relocation Program) on Exhibit 4, Table 3, Page 2 of 2 to this application. Therefore, as part of its quarterly surveillance reports, the Company will provide updates of its facility relocation projects in connection with municipal infrastructure projects and, through its November 1, 2015 annual filing, will seek to recover the Eligible System Safety and Integrity Costs associated with those projects.

As required by the SSIR Tariff, SourceGas Distribution analyzed these SSIR Projects 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 SourceGas Distribution's analysis, the SSIR Tariff requires the Company to identify and describe the proposed SSIR Projects that are for high-risk gas infrastructure by providing its risk assessment for each such SSIR Project including, if applicable, the probability of failure, the consequences of failure for the SSIR Project and how the Company prioritized the SSIR Project

for which it seeks recovery. There are no SSIR Projects included within this filing that fall into this category because none of the 58 SSIR Projects is being done within a high consequence area (“HCA”).¹

II. 2015 SSIR PROJECTS

A. Replacement of Bare Steel Distribution Main

1. Background

SourceGas Distribution operates approximately 4,763 miles of distribution system in Nebraska, of which approximately 719 miles are bare steel distribution main with various dates of installation ranging from the 1930s to approximately 1960. Although age alone does not determine the integrity of a pipeline system, some older pipeline facilities that are constructed of certain materials, including bare steel, may have degraded over time. Even though these bare steel distribution mains are cathodically protected,² it becomes increasingly difficult to maintain effective corrosion protection because of the age of the system. Compared with coated steel pipelines, bare steel pipelines corrode at a higher rate because there is no coating to serve as a barrier between the steel and the soil. Also, many pipeline segments may not meet today’s pipeline construction standards, and some have been exposed to additional threats, such as excavation damage. In addition, there are some early vintage steel pipelines in certain areas that may pose risks because of incomplete records or inadequate construction practices. Based upon known data, including installation records and construction methods, leakage history, cathodic protection data, damage history and population density, SourceGas Distribution’s DIMP identifies bare steel segments that are higher risk.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

SourceGas Distribution identified bare steel distribution main pipeline segments requiring remediation under CFR Title 49, Part 192, Subpart P, DIMP. Section 192.1007 requires a pipeline operator to identify threats, evaluate and risk rank, and identify and implement measures to address risks.

¹ A HCA, in general, is a populated building or outdoor area located within the Potential Impact Radius of a transmission pipeline meeting the occupancy requirements as defined in Section 192.903. Pipeline nominal diameter and maximum allowable operating pressure (MAOP) are the two key attributes that define the Potential Impact Radius of each transmission pipeline segment.

² Cathodic protection is an electrochemical process used to mitigate corrosion of buried steel structures, such as natural gas pipelines made from steel.

b) Objective Criteria Analyzed

As required by Section 192.1007, objective criteria that SourceGas Distribution analyzed for Bare Steel Main Distribution Replacement Projects are: pipeline vintage; pipeline material; pipeline design; population density; the existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; and subject matter expert knowledge.

3. Project Description

SourceGas Distribution has identified seven specific bare steel distribution main replacement projects scheduled to be completed in 2015. Typically for distribution line replacement projects, polyethylene pipe is used for both the distribution mains and associated service lines unless the system is required to operate above 100 pounds per square inch gauge (“psig”). If the system is required to operate above 100 psig, then steel pipe with fusion bonded epoxy coating is utilized. The total capital expenditure for these seven SSIR Projects in 2015 is estimated to be \$981,564.

4. Specific Projects

a) Ogallala, Nebraska – Ogallala Isolated Replacement

This SSIR Project involves the change out of isolated sections of bare steel pipe and partially coated pipe comprising a portion of the distribution system serving the town of Ogallala, Nebraska. This section of the Ogallala distribution system is a two-inch pipe that is believed to have been installed in the early to mid-1960s and consists primarily of steel pipe that is isolated from cathodic protection. It is very difficult to not only protect cathodically but also to monitor effective cathodic protection of the pipeline because the areas with poor coating shield the pipe and yield inconsistent readings. The isolated sections of steel pipe pose a higher safety risk due to the difficulty of maintaining effective cathodic protection at acceptable levels. The estimated total capital cost of this Project is \$482,885. The anticipated in-service date is December 31, 2015.

b) Sutton – Deshler Bare Steel Replacement

This SSIR Project involves the change out of approximately 825 feet of four-inch steel pipe and approximately 50 feet of two-inch bare pipe. These segments will be replaced with four-inch and two-inch steel pipe with fusion bonded epoxy coating. Once this Project is complete, there will be no remaining bare main in Deshler, Nebraska. By changing out this bare main pipe, it will make it easier to maintain effective cathodic protection at acceptable levels on the town system. The bare pipe that is being replaced is believed to have been installed in the mid-1960s. The estimated total capital cost of this Project is \$99,445. The anticipated in-service date is September 30, 2015.

c) Sidney – Golf Course Main Replacement

This SSIR Project will involve the change out, by abandonment in place, of approximately 1,950 feet of one and one-quarter inch Grease Cote bare steel pipe comprising a portion of the distribution system serving the town of Sidney, Nebraska. This bare steel distribution system was installed in the early 1970s and consisted of Grease Cote bare steel pipe of an unknown grade. Grease Cote steel pipe poses a higher safety risk due to the difficulty of maintaining effective cathodic protection at acceptable levels, and in fact has contributed to the difficulties of maintaining the mandatory cathodic levels of protection on this section of town. This existing main is the primary service for the Sidney Golf Course, Country Club, and a few residential meters in the vicinity. SourceGas Distribution plans to reroute replacement pipe, within the city easement along Summit Drive, and serve all existing customers with approximately 2,285 feet of two-inch polyethylene (“PE”) pipe. The estimated total capital cost of this SSIR Project is \$124,867. The anticipated in-service date is November 30, 2015.

d) Scottsbluff, Nebraska – Block 65

Block 65 in Scottsbluff has poor condition two-inch steel main with dis-bonded coating. The customer service lines in this block have been previously replaced and are good condition coated steel. The distribution main is pulling down the cathodic readings below an acceptable level and is also dragging down the readings in the adjoining block. The work plan is to horizontal directionally drill (“HDD”) to replace the existing crossing of west 26th Street, and open trench to replace the steel main in block 65 with approximately 380 feet of two-inch PE2406. Excess flow valves (“EFV”) will be installed and six existing services replaced with PE2406, moving meters to the home where possible. The one and one-quarter inch main that feeds the apartments and mobile homes in the block will be tied into the new main downstream of a new fire gate. This SSIR Project is a continuation from a 2014 SSIR Project. The estimated total capital cost of this Project is \$18,291. The anticipated in-service date is November 30, 2015.

e) Mitchell, Nebraska – Block 81 Main Changeout

This SSIR Project will replace 440 feet of two-inch steel pipe distribution main. The existing pipe has dis-bonded coating that defeat attempts to bring the cathodic protection up to minimum standards. The pipe to soil readings on this old segment of main fluctuate with soil conditions but routinely fall below the minimum acceptable level of -0.850 millivolt. This is a dead-end segment, so the main will be replaced with two-inch PE2406 and there are nine customer services on this segment that will need to be replaced with PE as well. Most of the meters are located in the alley and will be moved adjacent to the house consistent with the Company’s plan to remove as many meters as possible from alleys to prevent third-party damages. The estimated total capital cost of this SSIR Project is \$24,388. The anticipated in-service date is October 31, 2015.

f) **Scottsbluff, Nebraska – Blocks 64, 81, 96 Bare Main Replacement**

This SSIR Project will replace 1,130 feet of two-inch steel main. The existing main has disbonded coating and compression fittings that defeat attempts to bring the cathodic protection up to minimum standards. The pipe to soil readings on this old segment of main fluctuate with soil conditions but routinely fall below the minimum acceptable level of -0.850 millivolt. This is a dead-end segment so the main will be replaced with two-inch PE2406 and there are 20 customer services on this segment that will need to be replaced with PE as well. Most of the meters are in the alley and will be moved to the house wherever possible to help better protect them from third-party damage or outside forces damage. The estimated total capital cost of this SSIR Project is \$48,776. The anticipated in-service date is November 30, 2015.

g) **Bayard, Nebraska – Blocks 42, 43, 72, 73 Bare Main Replacement**

SourceGas Distribution plans to replace approximately 1,500 feet of two-inch bare steel main and 26 customer services in blocks 42, 43, 72 and 73 in the town of Bayard, Nebraska that was installed circa 1967. SourceGas Distribution will replace the segments with two-inch PE pipe for the distribution main and one-inch PE pipe for the customer services. This SSIR Project is a continuation from a 2014 SSIR Project. The estimated total capital cost of this 2015 SSIR Project is \$182,911, which reflects the Company's use of a third-party contractor to complete this Project rather than the internal resources contemplated in the 2014 SSIR Project. The anticipated in-service date is September 30, 2015.

B. Replacement of Transmission Pipeline

1. Background

SourceGas Distribution operates approximately 1,207 miles of transmission system in Nebraska, of which up to 429 miles are believed to have been installed prior to 1960 and certain segments are believed to have been installed as early as the 1930s. Although age alone does not determine the integrity of a pipeline system, some older pipeline facilities that are constructed of certain materials and with certain coatings may have degraded over time. Even though these transmission lines are cathodically protected, it becomes increasingly difficult to maintain effective corrosion protection because of the age of the system. Based upon known data, including installation records and construction methods, leakage history, cathodic protection data, damage history and population density, SourceGas Distribution's TIMP identifies transmission pipeline segments that are higher risk.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

SourceGas Distribution identified transmission pipeline segments displaying safety threats requiring remediation under CFR Title 49, Part 192, Subpart O, TAMP. Section 192.917 requires a pipeline operator to evaluate and remediate pipeline segments where corrosion has been identified that could adversely affect the integrity of the line.

b) Objective Criteria Analyzed

The other objective criteria that SourceGas Distribution analyzed for this Project are: corrosion control analysis; pipeline material; pipeline configuration and segmentation; pipeline piggability; pipeline leakage and other incident history; subject matter expert knowledge; Project timeframe; weather and climate constraints on the construction season; permitting constraints; service outage management; and pipeline source of supply and availability of alternate gas supply.

3. Project Description

SourceGas Distribution has identified two specific transmission replacement projects scheduled to be completed in 2015. The total capital expenditure for these two SSIR Projects is estimated to be \$1,723,334.

4. Specific Projects

a) Arapahoe, Nebraska – Arapahoe to Holbrook

This SSIR Project includes the replacement of approximately 28,000 feet of two-inch steel painted and wrapped transmission pipeline, operating at 450 psig, extending between the Arapahoe town border station (“TBS”)³ and the Holbrook TBS, which needs replacement due to coating deterioration that is resulting in difficulty maintaining proper cathodic protection on this critical line. All 28,000 feet will be replaced with same diameter two-inch steel fusion bond epoxy coated pipe. This SSIR Project also includes the replacement of approximately 13,000 feet of three-inch bare steel distribution pipe operating at 450 psig, with smaller diameter two-inch PE pipe, which will operate at less than 100 psig. This will greatly improve the safety and integrity of this section of line. The estimated total capital cost of this SSIR Project is \$835,294, with an anticipated in-service date of November 30, 2015.

³ A town border station is the location where gas is measured as a change of custody transfer from a transmission entity to a distribution entity.

b) **Sutton, Nebraska – Deshler to Chester Lateral Mainline Replacement**

This SSIR Project involves the change out of approximately 42,250 feet of two-inch coated steel and bare main with four-inch PE pipe. SourceGas Distribution is increasing the pipeline size to four-inch PE due to the high cost of replacing this pipeline with two-inch steel pipe. A four-inch PE pipe on 98 psig will flow approximately the same volume as the two-inch steel pipe on 500 psig. This pipeline supplies natural gas to the town of Chester, Nebraska, and rural agriculture customers. The condition of the coating of this section of two-inch steel main is poor and maintaining effective cathodic protection at acceptable levels has been difficult. Installing four-inch PE will eliminate the cathodic issue. The total capital cost of this SSIR Project is estimated at \$888,040, with a scheduled in-service date of December 31, 2015.

C. **Barricades**

1. **Background**

These SSIR Projects involve the installation of barricades to protect meter, regulator and valve settings from outside force damage. This threat is largely caused by meter loops being at the customer's property line, in an alley or adjacent to the street. In addition, the widening of streets and highways, increased utilization of agricultural land, and increased traffic from both mechanized farm equipment and motor vehicles have rendered many meters more vulnerable to outside force damage. Often times, these meters are bumped by vehicles backing out of garages or hit alongside a street that result in a bent meter or leak to the meter loop. Alongside meter loops, regulator and valve sets also are susceptible to outside force damage both in city limits and rural areas. The occurrence of such damage has increased over the years, and Company records show that the greatest risk to its distribution system is outside force damage, much of which is a result of meters being hit by vehicles and farm equipment.

2. **SSIR Project Classification**

a) **Classification Under SSIR Tariff**

SourceGas Distribution identified these facilities requiring remediation under CFR Title 49, Part 192, Subpart P, DIMP. Section 192.1007 requires a pipeline operator to identify threats, evaluate and risk rank, and identify and implement measures to address risks.

b) **Objective Criteria Analyzed**

Specific data and reporting mechanisms developed under SourceGas Distribution's DIMP clearly has indicated that outside force damage, particularly to above ground meters, is a frequent occurrence. In 2014, SourceGas Distribution experienced 278 instances of outside force damage to date to its distribution system in Nebraska, with 163 of these instances being related to hit meters. CFR Title 49, Part 192, Section 192.353 requires a pipeline operator to protect meters

from corrosion and other damage, including, if installed outside a building, vehicular damage that may be anticipated.

3. Project Description

Barricades are structures typically fabricated from pipe material and resemble a fence or cage-like structure around the meter. For most meter applications, SourceGas Distribution installs prefabricated meter barricades manufactured with two-inch pipe. Larger meters, regulator stations or valve settings may require custom fabrication to properly fit and protect the asset. The locations requiring the installation of a barricade are determined by field personnel working in conjunction with the Company's integrity management members to determine which facilities are at high risk. Factors in this determination include, but are not limited to, previous damage history, proximity to roadways, field observations and system operating pressures. SourceGas Distribution plans to install approximately 245 barricades in 2015. The total capital expenditure for barricade installations in 2015 is estimated to be \$264,307. All barricade SSIR Projects listed are expected to be completed by December 31, 2015.

4. Specific Projects

- a) **Sutton** – \$60,970
- b) **Holdrege** – \$24,388
- c) **Kearney** – \$28,961
- d) **Albion** – \$79,261
- e) **Scottsbluff** – \$29,266
- f) **McCook** – \$41,460

D. Cathodic Protection and Corrosion Prevention

1. Background

Cathodic Protection infrastructure is to be applied to all steel pipelines according to PHMSA regulations published in 49 CFR Section 192.451. SourceGas Distribution meets this requirement by utilizing galvanic anode applications as well as Impressed Current Cathodic Protection. Cathodic protection is an electrochemical process used to protect steel structures in contact with soil. The soil is the electrolyte portion of the corrosion cell with the pipeline as the cathode of the electrical circuit. The intent in the application of cathodic protection is to convert the oxygen in the soil to a hydroxyl ion thus causing the environment surrounding the pipeline to become more alkaline. Steel tends to passivate in alkaline environments which result in very low corrosion rates. Magnesium anodes are installed in situations where a small amount of electrical

current is needed to achieve adequate cathodic protection levels. Cathodic protection rectifiers with graphite anodes, as an Impressed Current Cathodic Protection system, are installed when a larger amount of electrical current is needed to achieve adequate cathodic protection levels. SourceGas Distribution's steel pipeline system varies from bare Top of Ground ("TOG") to buried lines with various types of coatings in a variety of conditions. The electrical current requirement for each type of installation, whether bare or coated, covers a wide range. The cathodic protection levels are measured periodically as required along the pipeline. The periodic surveys will readily indicate deficiencies in the cathodic protection system. These deficiencies can be indicative of active corrosion, dis-bonded coating, anode degradation or shorted pipeline casings.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

Projects requiring cathodic protection remediation under CFR Title 49, Part 192, may be subject to either Subpart O (TIMP) or Subpart P (DIMP) depending on whether the pipe segment is classified as transmission or distribution pipe. For transmission segments, Section 192.917 requires a pipeline operator to evaluate and remediate pipeline segments where corrosion has been identified that could adversely affect the integrity of the line. Remediation of distribution segments is specified in Section 192.1007, which requires a pipeline operator to identify threats, evaluate and risk rank, and identify and implement measures to address risks.

b) Objective Criteria Analyzed

In addition to Sections 192.917 and 192.1007, SourceGas Distribution analyzed this SSIR Project in accordance with the regulatory requirements in Section 192.463, which requires operators to maintain a level of effective cathodic protection and Section 192.467, which requires that each pipeline must be electrically isolated from metallic casings.

The other objective criteria that SourceGas Distribution analyzed for this SSIR Project are: corrosion control analysis; pipeline vintage; pipeline material; the existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject matter expert knowledge; and Project timeframe.

3. Project Description

Five cathodic protection SSIR Projects have been identified by SourceGas Distribution that require the replacement or installation of anode ground beds.

The total capital expenditure for these five SSIR Projects in 2015 is estimated to be \$76,335. All five cathodic protection SSIR Projects are expected to be completed by September 30, 2015.

4. Specific Projects

a) **Holdrege, Nebraska – Install Anode Beds at Four Locations on Project Line 480-1739**

Cathodic protection surveys have indicated that the natural gas distribution system designated as line segment 480-1739 is at risk of falling below cathodic protection compliance levels. SourceGas Distribution's corrosion technicians have determined that four anode ground beds are needed to correct the system. This SSIR Project is scheduled to be in service by September 30, 2015, at an estimated capital cost of \$31,705.

b) **Holdrege, Nebraska – Install Anode Beds at Two Locations on Project Line 480-2365**

Cathodic protection surveys have indicated that the natural gas distribution system designated as line segment 480-2365 is at risk of falling below cathodic protection compliance levels. SourceGas Distribution's corrosion technicians have determined that two anode ground beds are needed to correct the system. This SSIR Project is scheduled to be in service by September 30, 2015, at an estimated cost of \$15,852.

c) **Sutton, Nebraska – Install Anode Bed on Project Line 390-8020**

Cathodic protection surveys have indicated that the natural gas distribution system designated as line segment 390-8020 is at risk of falling below cathodic protection compliance levels. SourceGas Distribution's corrosion technicians have determined that an anode ground bed is needed to correct the system. This Project is scheduled to be in service by September 30, 2015, at an estimated cost of \$7,194.

d) **Sutton, Nebraska – Install Anode Bed on Project Line 390-3308**

Cathodic protection surveys have indicated that the natural gas distribution system designated as line segment 390-3308 is at risk of falling below cathodic protection compliance levels. SourceGas Distribution's corrosion technicians have determined that an anode ground bed is needed to correct the system. This SSIR Project is scheduled to be in service by September 30, 2015, at an estimated capital cost of \$7,194.

e) **Sutton, Nebraska – Install Anode Beds at Two Locations on Project Line 390-8004**

Cathodic protection surveys have indicated that the natural gas distribution system designated as line segment 390-8004 is at risk of falling below cathodic protection compliance levels. SourceGas Distribution's corrosion technicians have determined that two anode ground beds are needed to correct the system. This SSIR Project is scheduled to be in service by September 30, 2015, at an estimated cost of \$14,390.

E. Span Replacements

1. Background

Span projects involve the replacement of existing spans in the SourceGas Distribution system. Spans originally were incorporated throughout the distribution system over the years to reduce pipeline installation costs at a time when directional drilling methods did not exist or were not as advanced as they are today. Spans were originally installed to cross highways, rivers, bridges and irrigation ditches. In 2008, SourceGas Distribution performed a detailed study to analyze the condition of spans in Nebraska and found the need to develop a multi-year program to repair and replace spans. This program is updated periodically based upon information provided by field operations, corrosion technicians, and the engineering and integrity management departments.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

The span replacement Projects identified are covered under CFR Title 49, Part 192, and may be subject to either Subpart O (TIMP) or Subpart P (DIMP) depending on whether the pipe segment is classified as transmission or distribution pipe. For transmission segments, Section 192.917 requires a pipeline operator to evaluate and remediate threats to pipeline segments including where corrosion has been identified or potential outside force damage could occur that could adversely affect the integrity of the line. Remediation of distribution segments is specified in Section 192.1007, which requires a pipeline operator to identify threats, evaluate and risk rank, and identify and implement measures to address risks.

b) Objective Criteria Analyzed

In addition to Sections 192.917 and 192.1007, SourceGas Distribution analyzed this SSIR Project in accordance with the regulatory requirements in Section 192.161, which specifies support requirements for exposed pipeline segments, and Section 192.479, which requires operators to maintain coatings and corrosion control on pipe segments exposed to the atmosphere.

The other objective criteria that SourceGas Distribution analyzed for this SSIR Project are: corrosion control analysis; pipeline vintage; pipeline material; the existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject matter expert knowledge; and Project timeframe.

3. Project Description

To address the threats, spans may be repaired, lowered in place or replaced. The preferred approach, because of typical pipe and coating degradation, is to replace the span entirely. Repairing the span may involve re-coating or painting, installing of additional supports or

brackets or otherwise repairing any deficiency and safeguarding the pipe segment. In instances where a pipe span is already in close proximity to the ground, it may be possible to excavate beneath the pipe span and lower the span in place. Lowering the span in place usually involves re-coating the segment and following detailed safety procedures because the line, although at reduced pressure, may still be in service.

For 2015, SourceGas Distribution has identified and scheduled replacements of five spans at a total estimated capital cost of \$337,955. All five span Projects are expected to be completed by the end of 2015.

4. Specific Projects

a) St. Edward, Nebraska – Span Replacements

Two spans need removal and replacement by an underground bore in St. Edward, Nebraska. The span at Washington and 2nd Street is a two-inch steel main operating at town pressure that was originally installed using a field bend to go above a concrete drainage culvert, which exposed the pipe above ground for approximately five feet. The second span is located at the intersection of 12th Street and Highway 39 and is a two-inch steel line operating at town pressure over a drainage ditch that has gradually washed out over the years leaving a span by which the pipeline is exposed for approximately ten feet over the ditch. Both spans will be replaced with new two-inch steel and will be bored to a safe distance below the drainage ditch and culvert. Both of the spans are part of line segment 410-9080, are located within town limits, and are at risk for outside force damage. In addition, because of flowing water, inspections at certain times of the year are difficult to perform. The State Fire Marshal has recommended to SourceGas Distribution that these spans be removed. The total capital cost of this SSIR Project is estimated at \$27,545, with a scheduled in-service date of July 31, 2015.

b) Gordon, Nebraska – Block 54 Span Replacement

SourceGas Distribution plans to eliminate a four-inch steel gas main spanning a dry creek on West 4th Street in the City of Gordon, Nebraska. A contractor will bore in approximately 390 feet of four-inch steel pipe to eliminate the aerial span. The total capital cost of this SSIR Project is estimated at \$54,873, with a scheduled in-service date of August 31, 2015.

c) Broadwater, Nebraska – Broadwater Canal Span Replacement

SourceGas Distribution plans to replace an existing three-inch span over an irrigation canal by boring under the canal with three-inch abrasion resistant overlay (“ARO”) pipe for a total bore pipe of 270 feet. Then the Company will add 45 feet on each end of ARO bore pipe with three-inch 0.156W X-42 to make tie-in welds with the existing three-inch transmission pipeline. A contractor will also have one meter to tie into the new three-inch pipeline. This will eliminate

the aerial canal span when completed. The total capital cost of this SSIR Project is estimated at \$84,834, with a scheduled in-service date of October 31, 2015.

d) Northport, Nebraska – Span Replacement

SourceGas Distribution plans to bore under an irrigation canal in section 35 Township 21 North, Range 50 West in the County of Morrill to replace a span presently over the canal. This SSIR Project will consist of a 270-foot bore of six-inch ARO pipe, with 90 feet of six and five eighths-inch 0.188W X-42 pipe added on both ends of bore pipe to make tie-ins welds to existing pipeline. This will eliminate the aerial canal span when completed. The total capital cost of this SSIR Project is estimated at \$128,038, with a scheduled in-service date of October 31, 2015.

e) Scottsbluff, Nebraska – 21st Avenue Span Replacement

SourceGas Distribution will replace an existing eight-inch diameter span referred to as the 21st Avenue canal crossing in Scottsbluff, Nebraska that crosses a 30-foot wide irrigation canal. This span segment is operated at a high intermediate pressure of 175 psig and provides substantial distribution supply to the Scottsbluff and Gering areas. Although the span is protected by a barricade, the pipe segment is mounted on a bridge in close proximity to the roadway in a high traffic area. In addition, the ongoing maintenance to protect the span from atmospheric corrosion is becoming costly and ineffective. The span will be replaced by directional boring of the irrigation canal and installing new eight-inch diameter steel pipe with fusion bonded epoxy coating. This SSIR Project is a continuation from a 2014 SSIR Project. The total capital cost of this SSIR Project is estimated at \$42,655, which reflects updated scoping of the 2014 SSIR Project. The Project has a scheduled in-service date of August 31, 2015.

F. Town Border Stations

1. Background

Many TBS facilities in service today were built in the 1950s-1960s era, well before the requirements of 49 CFR 192 existed. Although many of these stations have provided service for well over 50 years, they may not have been built in accordance with today's standards. Many TBS facilities have outdated equipment including shop fabricated heaters that are inefficient, weighted lever reliefs, and excessive pressure drop regulators. Because of their age, many station components are displaying corrosion concerns on the piping and other components. In some cases, the TBS equipment and piping is still adequate but the existing line heater is inefficient, undersized and/or corroding and needs to be replaced. Through a multi-year program, SourceGas Distribution plans to replace these aging stations and/or line heaters with components built to today's standards.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

SourceGas Distribution identified pipeline system components displaying safety threats requiring remediation under CFR Title 49, Part 192, Subpart O, TAMP. Section 192.917 requires a pipeline operator to evaluate and remediate pipeline segments where corrosion has been identified that could adversely affect the integrity of the system.

b) Objective Criteria Analyzed

In addition to Sections 192.917, SourceGas Distribution analyzed this SSIR Project in accordance with the regulatory requirements in Section 192.479, which requires operators to maintain coatings and corrosion control on pipe segments exposed to the atmosphere, and Section 192.739, which requires operators to maintain pressure limiting and regulator stations in good mechanical condition.

The other objective criteria that SourceGas Distribution analyzed for this SSIR Project are: corrosion control analysis; vintage; material; the existence and reliability of pipeline asset and testing records; subject matter expert knowledge; and Project timeframe.

3. Project Description

Through a multi-year program, SourceGas Distribution plans to replace these aging stations and/or line heaters with components built to today's standards. The new stations will be built with new components including regulators, pressure relief and isolation valves, line heaters and coated or painted new piping. For 2015, SourceGas Distribution has identified and scheduled for the replacement of seven TBS and two line heaters at a total estimated capital cost of \$706,023. All nine Projects are expected to be completed by the end of 2015.

4. Specific Projects

a) Arapahoe, Nebraska – TBS Replacement

This SSIR Project includes the replacement of the Arapahoe TBS in an effort to bring the TBS up to current code requirements and to improve the safety and reliability of the facility. The existing TBS has an open flame line heater without proper safety controls, gas carrier pipe that is used as piping support resting on concrete which is a corrosion concern, valves that are in poor condition, and pressure regulating equipment that needs updating. The new TBS will include a much safer catalytic heater, proper pipe supports, standby alternate path to avoid system outage, new valves, and new pressure regulating equipment. This SSIR Project is a continuation from a 2014 SSIR Project. The total capital cost of this SSIR Project is estimated at \$75,597, with a scheduled in-service date of September 30, 2015.

b) Loomis, Nebraska – TBS Replacement

This SSIR Project includes the replacement of the Loomis TBS in an effort to bring the TBS up to current code requirements and to improve the safety and reliability of the facility. The existing TBS has an open flame line heater without proper safety controls, gas carrier pipe that is used as piping support resting on concrete which is a corrosion concern, valves that are in poor condition, and pressure regulating equipment that needs updating. The new TBS will include a much safer catalytic heater, proper pipe supports, standby alternate path to avoid system outage, new valves, and new pressure regulating equipment. This SSIR Project is a continuation from a 2014 SSIR Project. The total capital cost of this SSIR Project is estimated at \$75,597, with a scheduled in-service date of September 30, 2015.

c) Chester, Nebraska – TBS Replacement

This SSIR Project includes the replacement of the Chester TBS in an effort to bring the TBS up to current code requirements and to improve the safety and reliability of the facility. The existing TBS has an open flame line heater without proper safety controls, gas carrier pipe that is used as piping support resting on concrete which is a corrosion concern, valves that are in poor condition, and pressure regulating equipment that needs updating. The new TBS will include a much safer catalytic heater, proper pipe supports, standby alternate path to avoid system outage, new valves, and new pressure regulating equipment. The total capital cost of this SSIR Project is estimated at \$73,164, with a scheduled in-service date of November 30, 2015.

d) Waco, Nebraska – TBS Replacement

This SSIR Project includes the replacement of the Waco TBS in an effort to bring the TBS up to current code requirements and to improve the safety and reliability of the facility. The existing TBS has an open flame line heater without proper safety controls, gas carrier pipe that is used as piping support resting on concrete which is a corrosion concern, valves that are in poor condition, and pressure regulating equipment that needs updating. The new TBS will include a much safer catalytic heater, proper pipe supports, standby alternate path to avoid system outage, new valves, and new pressure regulating equipment. The total capital cost of this SSIR Project is estimated at \$73,164, with a scheduled in-service date of November 30, 2015.

e) Phillips, Nebraska – TBS Replacement

This SSIR Project includes the replacement of the Phillips TBS in an effort to bring the TBS up to current code requirements and to improve the safety and reliability of the facility. The existing TBS has an open flame line heater without proper safety controls, gas carrier pipe that is used as piping support resting on concrete which is a corrosion concern, valves that are in poor condition, and pressure regulating equipment that needs updating. The new TBS will include a much safer catalytic heater, proper pipe supports, standby alternate path to avoid system outage, new valves, and new pressure regulating equipment. The total capital cost of this SSIR Project is estimated at \$73,164, with a scheduled in-service date of December 31, 2015.

f) Rushville, Nebraska – TBS Replacement

This SSIR Project includes the replacement of the Rushville TBS in an effort to bring the TBS up to current code requirements and to improve the safety and reliability of the facility. The existing TBS has an open flame line heater without proper safety controls, gas carrier pipe that is used as piping support resting on concrete which is a corrosion concern, valves that are in poor condition, and pressure regulating equipment that needs updating. The new TBS will include a much safer catalytic heater, proper pipe supports, standby alternate path to avoid system outage, new valves, and new pressure regulating equipment. The total capital cost of this SSIR Project is estimated at \$91,456, with a scheduled in-service date of November 30, 2015.

g) McCook, Nebraska – McCook South TBS Replacement

This SSIR Project includes the replacement of the McCook South TBS in an effort to bring the TBS up to current code requirements and to improve the safety and reliability of the facility. The existing TBS has an open flame line heater without proper safety controls, gas carrier pipe that is used as piping support resting on concrete which is a corrosion concern, valves that are in poor condition, and pressure regulating equipment that needs updating. The new TBS will include a much safer catalytic heater, proper pipe supports, standby alternate path to avoid system outage, new valves, and new pressure regulating equipment. The total capital cost of this SSIR Project is estimated at \$146,329, with a scheduled in-service date of November 30, 2015.

h) Plainview, Nebraska – Plainview #2 TBS Line Heater Replacement

The Plainview #2 TBS is in need a new line heater. The TBS currently has (four) four-inch clam style catalytic heaters that are insufficient and cannot keep the piping at the TBS from freezing. Winter time maintenance at this TBS is difficult due to having to thaw the line before work can be done. In an emergency, the additional time to thaw the line could be costly and could prevent the Company from being able to shut down the station in a timely manner if needed. The new line heater will have all appropriate safety features. The total capital cost of this SSIR Project is estimated at \$48,776, with a scheduled in-service date of September 30, 2015.

i) O'Neill, Nebraska – O'Neill #2 TBS Line Heater Replacement

This SSIR Project will replace the old shop fabricated bath heater at the O'Neill #2 TBS. There is loss to wall thickness of the gas line as it passes through the heater tank, which means that the tank could begin leaking at any time. Additionally, this line heater has an open flame without proper safety controls. The new line heater will have all appropriate safety features. The total capital cost of this SSIR Project is estimated at \$48,776, with a scheduled in-service date of September 30, 2015.

G. Top of Ground (TOG) Replacement

1. Background

Natural gas pipelines installed today generally are below grade with a minimum cover of three feet. Burying pipelines reduces the overall risk of the pipeline from outside force among other threats. Many pipeline segments operated by SourceGas Distribution in Nebraska, however, were installed by the Company's predecessor during the 1950s and 1960s on top of the ground. These lines today are referred to as "Top of Ground" (TOG) within the SourceGas Distribution system. During the time these lines were installed, the Company's predecessor made a push to serve agricultural customers and small communities, and installing TOG lines expedited service to these areas and reduced installation costs. When originally installed, most line segments were laid along fence lines, section lines or other rights-of-way that did not pose a high level of risk because they were visible and known to farmers. Through time, however, property owners and lease tenants have changed, many fences have been removed, agricultural land has been developed and, in places, the TOG segments have become partially buried. These TOG segments are susceptible to outside force damage as well as corrosion threats.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

TOG Projects identified are covered under CFR Title 49, Part 192, and may be subject to either Subpart O (TIMP) or Subpart P (DIMP) depending on whether the pipe segment is classified as transmission or distribution pipe. For transmission segments, Section 192.917 requires a pipeline operator to evaluate and remediate threats to pipeline segments including where corrosion has been identified or potential outside force damage could occur that could adversely affect the integrity of the line. Remediation of distribution segments is specified in Section 192.1007, which requires a pipeline operator to identify threats, evaluate and risk rank, and identify and implement measures to address risks.

b) Objective Criteria Analyzed

In addition to Sections 192.917 and 192.1007, SourceGas Distribution analyzed this SSIR Project in accordance with the regulatory requirements in Section 192.479, which requires operators to maintain coatings and corrosion control on pipe segments exposed to the atmosphere.

The other objective criteria that SourceGas Distribution analyzed for the TOG SSIR Projects are: corrosion control analysis; pipeline vintage; pipeline material; the existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject matter expert knowledge; and Project timeframe.

3. Project Description

SourceGas Distribution has identified eight SSIR Projects to replace TOG pipeline segments. For distribution lines, the TOG steel pipeline segments typically are replaced with polyethylene pipe. Line segments that are required to operate at a higher pressure, in excess of 100 PSIG, typically are replaced with steel pipe coated with fusion bonded epoxy. The total capital expenditure for these eight SSIR Projects in 2015 is estimated to be \$8,958,293, or \$8,782,358 after deducting \$175,935 of betterment costs of two SSIR Projects. All eight TOG SSIR Projects are expected to be completed by the end of 2015.

4. Specific Projects

a) Holdrege, Nebraska – TOG Replacement 250-1813

This SSIR Project includes the replacement of approximately 8,000 feet of one and one-quarter inch bare steel TOG distribution pipe operating at 120 psig, with similar size two-inch PE line operating at less than 100 psig. The current line has a canal crossing that is a safety concern due to the fact that debris has been building up ahead of the line causing extra stress on the pipe and creating a potentially dangerous situation each time the debris is removed. The new line will include a bore under the canal eliminating the safety hazard associated with the crossing, and the elimination of all TOG pipe on this segment will improve the safety and reliability of the line. Although the throughput of the two-inch PE is slightly more than the current one and one-quarter inch steel, the material cost and installation cost of the two-inch PE is significantly less than the one and one-quarter inch steel. This SSIR Project is scheduled to be in-service by November 30, 2015, at an estimated capital cost of \$31,705.

b) Kearney, Nebraska – TOG Replacement 370-1720 (Area 8)

TOG section eight is a portion of line segment 370-1720 southeast of Minden, Nebraska. This SSIR Project will involve the replacement of approximately 6,600 feet of one and one-quarter inch pipe, approximately 38,000 feet of two-inch pipe and approximately 9,000 feet of three-inch pipe all of which is TOG pipe. Most of this pipe is 1950s and 1960s vintage that has no coating and it lies directly on the ground where it is subject to damage from outside forces such as agricultural equipment, vehicles and adverse weather. SourceGas Distribution intends to replace this pipe with new Grade X-42, with two-inch and four-inch pipe sizes, which will be buried underground. Replacing this TOG pipe is in the best interest of public safety. The total estimated capital cost of this SSIR Project is \$1,487,382, whereas like-size replacement is estimated at \$1,463,743. Thus, consistent with the SSIR Tariff, SourceGas Distribution is seeking recovery of the \$1,463,743 and not the additional \$23,639 associated with the betterment portion of the SSIR Project. The SSIR Project has a scheduled in-service date of September 30, 2015.

c) Kearney, Nebraska – TOG Replacement 370-1720 (Area 9)

TOG section nine is a portion of line segment 370-1720 southeast of Minden, Nebraska. This SSIR Project will involve the replacement of approximately 3,100 feet of one and one-quarter inch pipe, approximately 15,600 feet of two-inch pipe and approximately 5,150 feet of three-inch pipe all of which is TOG pipe. Most of this pipe is 1950s and 1960s vintage that has no coating and it lies directly on the ground where it is subject to damage from outside forces such as agricultural equipment, vehicles and adverse weather. SourceGas intends to replace this pipe with new Grade X-42, with two-inch and four-inch pipe sizes, which will be buried underground. Replacing this TOG pipe is in the best interest of public safety. The total estimated capital cost of this SSIR Project is \$835,247, whereas like-size replacement is estimated at \$822,641. Thus, consistent with the SSIR Tariff, SourceGas Distribution is seeking recovery of the \$822,641 and not the additional \$12,606 associated with the betterment portion of the SSIR Project. The SSIR Project has a scheduled in-service date of September 30, 2015.

d) Kearney, Nebraska – TOG Replacement 370-8007 (Area 10)

TOG section ten is a portion of line segment 370-8007 southeast of Minden, Nebraska. This SSIR Project will involve the replacement of approximately 12,350 feet of one and one-quarter inch pipe and approximately 29,500 feet of two-inch pipe all of which is TOG pipe. Most of this pipe is 1950s and 1960s vintage that has no coating and it lies directly on the ground where it is subject to damage from outside forces such as agricultural equipment, vehicles and adverse weather. SourceGas Distribution intends to replace this pipe with new Grade X-42, with two-inch and four-inch pipe sizes, which will be buried underground. Replacing this TOG pipe is in the best interest of public safety. The total capital cost of this SSIR Project is \$1,099,849, whereas like-size replacement is estimated at \$1,083,139. Thus, consistent with the SSIR Tariff, SourceGas Distribution is seeking recovery of the \$1,083,139 and not the additional \$16,710 associated with the betterment portion of the SSIR Project. The SSIR Project has a scheduled in-service date of October 31, 2015.

e) McCook, Nebraska – TOG Replacement Farnam to Curtis

This SSIR Project involves replacement of existing TOG pipeline infrastructure, specifically a segment of the Curtis lateral designated as pipe segment 280-0040. The segment replacement is approximately 1,000 feet in length and consists of three-inch bare pipe that will be replaced with four-inch fusion bond epoxy pipe. This lateral serves approximately 440 customers in the community of Curtis, Nebraska. The total estimated capital cost of this SSIR Project is \$48,776, whereas like-size replacement is estimated at \$47,143. Thus, consistent with the SSIR Tariff, SourceGas Distribution is seeking recovery of the \$47,143 and not the additional \$1,633 associated with the betterment portion of the SSIR Project. The SSIR Project has a scheduled in-service date of December 31, 2015.

f) Sutton, Nebraska – TOG Replacement 400-1750 (Area 14)

This SSIR Project involves the replacement of approximately 18,655 feet of two-inch bare steel main and 31,605 feet of one and one-quarter inch bare steel main with two-inch X-42 fusion bond epoxy pipe on line segment 400-1750. This is located northeast of Philips, Nebraska. Most of this pipe was installed in the early 1960s. It has no coating and it lies directly on the ground where it is subject to damage from outside forces such as agricultural equipment, vehicles and adverse weather. The new line will be buried at a minimum depth of four feet, thus eliminating the damages caused by vehicles and agriculture equipment. Over the past ten years, this line has been hit by agriculture equipment 13 times. Replacing this TOG pipe is in the best interest of public safety. The total estimated capital cost of this SSIR Project is \$1,300,535. The SSIR Project has a scheduled in-service date of December 31, 2015.

g) Sutton, Nebraska – TOG Replacement 400-1750 (Area 15)

This SSIR Project involves the replacement of approximately 10,402 feet of two-inch bare steel main and 42,238 feet of one and one-quarter inch bare steel main with two-inch X-42 fusion bond epoxy pipe on line segment 400-1750. This is located northeast of Philips, Nebraska. Most of this pipe was installed in the early 1960s. It has no coating and it lies directly on the ground where it is subject to damage from outside forces such as agricultural equipment, vehicles and adverse weather. The new line will be buried at a minimum depth of four feet thus eliminating the damages caused by vehicles and agriculture equipment. Over the past ten years, this line has been hit by agriculture equipment 13 times. Replacing this TOG pipe is in the best interest of public safety. The total estimated capital cost of this SSIR Project is \$1,437,959. The SSIR Project has a scheduled in-service date of December 31, 2015.

h) Sutton, Nebraska – TOG Replacement 390-3308 (Area 9)

This SSIR Project involves the replacement of approximately 37,500 feet of four-inch bare steel main with four-inch steel pipe with fusion bond epoxy pipe and approximately 45,160 feet of two-inch bare steel main and 15,840 feet of one and one-quarter inch bare steel main with two-inch X-42 fusion bond epoxy pipe on line segment 390-3308. This is located southwest of Polk, Nebraska. Most of this pipe was installed in the late 1950s to early 1960s. It has no coating and it lies directly on the ground where it is subject to damage from outside forces such as agricultural equipment, vehicles and adverse weather. The new line will be buried at a minimum depth of four feet, thus eliminating the damages caused by vehicles and agriculture equipment. Over the past ten years, this line has been hit by agriculture equipment 11 times. Replacing this TOG pipe is in the best interest of public safety. The total estimated capital cost of this SSIR Project is \$2,716,840. The SSIR Project has a scheduled in-service date of December 31, 2015.

H. Centerline Surveys

1. Background

SourceGas Distribution is implementing a multi-year initiative that began in 2014 to collect high accuracy Global Positioning System (“GPS”) centerline information of its entire natural gas transmission pipeline system using a contracted survey company. The GPS information that is collected will be integrated into the Company’s Pipeline Open Database System (“PODS”). The PODS information will be geographically displayed utilizing the Company’s Global Information System (“GIS”). Prior to GPS and GIS platforms, SourceGas Distribution’s predecessor companies managed pipeline information on paper plat sheets. Although regular updates were kept on these sheets, it soon became cumbersome because of the magnitude of data and changing regulations. In the early 2000s, plat sheets related to SourceGas Distribution’s transmission system were digitized into the PODS using measurement information within the plat sheets. Consequently, pipeline centerlines often are shifted slightly within the current PODS and GIS databases as a result of the digitization process described above. Accurate pipeline location is critical to daily operational decisions and ensures that pipeline integrity, class location,⁴ HCAs and patrolling locations are accurately identified among other items.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

SourceGas Distribution identified this SSIR Project as necessary under CFR Title 49, Part 192, Subpart O, TAMP. Section 192.905 requires a pipeline operator to determine which segments of an operator’s transmission system fall within an HCA. Therefore, it is necessary to initiate a high accuracy centerline survey to ensure that SourceGas Distribution’s GIS accurately detects and defines HCAs and class locations.

b) Objective Criteria Analyzed

In addition to Section 192.905, SourceGas Distribution analyzed this SSIR Project in accordance with the regulatory requirements in Section 192.609, which states that an operator is required to determine if an increase in population density indicates a change in class location.

The other objective criteria that SourceGas Distribution analyzed for this SSIR Project are: pipeline design and class location; pipeline configuration and segmentation; population density; Project timeframe; and weather and climate constraints on the construction season.

⁴ A class location unit is an onshore area that extends 220 yards on either side of the centerline of any continuous one mile length of pipeline in accordance with CFR Title 49, Part 192, Subpart O, Section 192.5, which defines each numbered class location unit. Class location units along a transmission pipeline are determined by the count of buildings intended for human occupancy and/or qualifying outdoor areas within the class location unit.

3. Project Description

The GPS and GIS platforms will allow SourceGas Distribution to validate the spatial accuracy of the pipelines within its PODS database. Additionally, this GPS will allow the collection of field information while crews survey lines, which will result in the improvement of system knowledge. Additional field data collection initiatives include, but are not limited to: depth of cover, above ground appurtenances (e.g., valves, line markers, fence lines, and crossings), and points of inflection.

4. Project Cost and Estimated Completion Date

The estimated capital cost to complete the centerline survey of transmission lines in Nebraska for 2015 is \$1,258,429. This is a multi-year SSIR Project, and while there will be dollars spent in 2015, the collection and validation initiatives will not be completed until December 2016. Therefore, the Company has not included any costs associated with this Project in the Eligible System Safety and Integrity Costs to be recovered in 2015.

I. Maximum Allowable Operating Pressure (MAOP) Verification

1. Background

The Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (the “Act”) requires transmission pipeline operators to confirm established maximum allowable operating pressures 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 Distribution 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.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

SourceGas Distribution identified this SSIR Project as necessary under CFR Title 49, Part 192, Subpart O TIMP. Section 192.903 requires a pipeline operator to know the MAOP of its pipe.

b) Objective Criteria Analyzed

SourceGas Distribution analyzed this SSIR Project in accordance with the regulatory requirements in Section 192.903, as discussed above.

The other objective criteria that SourceGas Distribution analyzed for this SSIR Project are: pipeline vintage; pipeline material; pipeline design and class location; pipeline configuration and

segmentation; pipeline system constraints; population density; pipeline maintenance and internal inspection history; pipeline piggability; existence and reliability of pipeline asset and testing records; 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.

3. Project Description

Establishing or re-establishing a MAOP for a pipeline segment installed after 1970 can be accomplished by either re-testing or entirely replacing the pipeline segment. Although re-testing will confirm the strength of the pipe and establish a MAOP, there still could be certain important attributes of the pipe that may remain unknown including, but not limited to, specified minimum yield strength of the steel, coating type, wall thickness and possible corrosion issues.

Replacement of a segment also may be preferred when a line segment cannot be taken out of service to perform the re-test or when a given segment is short enough that replacement is more economical than re-testing the segment.

SourceGas Distribution has identified two MAOP verification SSIR Projects for 2015. The total capital cost of the two capital MAOP verification SSIR Projects is \$345,815, or \$333,857 after deducting \$11,958 of betterment costs of one SSIR Project. Both 2015 MAOP verification SSIR Projects are expected to be completed by the end of 2015.

4. Specific Projects

a) Albion, Nebraska – Creighton Lateral

The three-inch transmission line in Albion, Nebraska, designated as a portion of the Creighton Lateral, was installed in 1985. Although as built documentation of the segment was found, the pressure test could not be confirmed. Of the total 8,458 feet of the segment, 3,518 feet are located in a class 3 area. Because the material grade of the pipe is uncertain and the MAOP is not verifiable, SourceGas Distribution has determined that it should replace the entire segment with four-inch steel. SourceGas Distribution will replace approximately 8,458 feet of three-inch steel with four-inch steel. The pipe diameter is being increased from three-inch to four-inch to address current and future load growth in the area. This SSIR Project is a continuation from a 2014 SSIR Project. The Company has determined that it needs to bore (rather than trench) more footage than it estimated with the 2014 SSIR Project. The total capital cost of this SSIR Project with four-inch pipe is estimated at \$290,942, whereas replacement with three-inch pipe is estimated at \$279,608. Thus, consistent with the SSIR Tariff, SourceGas Distribution is seeking recovery of the \$279,608 and not the additional \$11,334 associated with the betterment portion of the SSIR Project. The SSIR Project has an anticipated in-service date of November 30, 2015.

b) Ogallala, Nebraska – Grant Lateral

Although the majority of the three-inch Grant Lateral in Ogallala, Nebraska, was installed between 1963 and 1967, two short segments were replaced in 1978. Both segments are in a class 3 location, with one being approximately 341 feet in length and the other being 41 feet long. Sufficient records have not been found to provide traceable, verifiable and complete proof confirming the MAOP of 930 PSIG for these two segments. Therefore, SourceGas Distribution has determined that it should replace both segments. This SSIR Project is a continuation from a 2014 SSIR Project. The total estimated capital cost of this SSIR Project is \$54,873, whereas like-size replacement is estimated at \$54,249. Thus, consistent with the SSIR Tariff, SourceGas Distribution is seeking recovery of the \$54,249 and not the additional \$624 associated with the betterment portion of the SSIR Project. The SSIR Project has a scheduled in-service date of November 30, 2015.

J. MAOP Protection

1. Background

These Projects involve the installation of mainline regulator settings to protect the established MAOP of SourceGas Distribution pipelines and facilities from an increased MAOP of upstream transmission pipelines of Tallgrass Interstate Gas Transmission (“TIGT”) that provide service to SourceGas Distribution.

The Company received information from TIGT in 2014 that TIGT will be replacing equipment and increasing the MAOP of several of its pipeline segments in central Nebraska in 2015. SourceGas Distribution, as prudent operators, must take steps to protect its lines that receive gas from those TIGT pipeline segments to prevent the over-pressuring of the SourceGas Distribution pipelines once TIGT increases the MAOP in 2015. The affected SourceGas Distribution pipelines were studied to determine if they should be updated, re-tested, replaced or regulated. This study determined that the most timely and cost effective choice would be to install mainline pressure regulating stations at the identified locations.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

SourceGas Distribution identified these SSIR Projects as necessary under CFR Title 49, Part 192, Subpart O (TIMP) or Subpart P (DIMP) depending on whether the pipe segment is classified as transmission or distribution pipe. Section 192.917 (TIMP) requires a pipeline operator to identify and evaluate the potential threat to each pipeline segment through existing data and information for both covered and similar non-covered segments as specified in Appendix A to ASME/ANSI B31.8s. Section 192.1007 (DIMP) requires an operator to identify the characteristics of the pipeline’s design and operations that are necessary to assess the

applicable threats and risks as well as information gained from past design, operations, and maintenance.

If SourceGas Distribution were to increase the MAOP of its affected lines to reflect the increased MAOP on the TIGT pipeline segments, the Company would have to pressure test to address steel pipe seam concerns and ensure the stability of the threat of manufacturing in accordance with section A4.4 of ASME B31.8s. Due to incomplete material and welds records, the affected lines are susceptible to an increased risk of a leak and/or failure should a higher MAOP be introduced through pressure testing. Source Distribution has determined, instead, that it is safer and more economical to maintain the continuity of operation within the established safe operating limits of the current MAOP of the Company's affected lines rather than to perform pressure tests of those lines. Therefore, it is necessary to install the mainline regulator settings described above to protect the previously established MAOP of SourceGas Distribution's pipelines and facilities.

b) Objective Criteria Analyzed

In addition to Section 192.917 and 192.1007, SourceGas Distribution identified these facilities requiring overpressure protection under other specific regulatory requirements; specifically, CFR Title 49, Part 192, Subpart D, Design of Pipeline and Subpart M, Maintenance. Section 192.195 requires a pipeline operator to protect their pipeline from accidental over-pressuring. Section 192.743 requires a pipeline operator to have relief devices with sufficient capacity to protect the facilities to which they are connected.

3. Project Description

Due to the increased upstream MAOP from TIGT, mainline regulator settings will be required at nine locations. Mainline regulator settings require a properly sized pressure regulator that can maintain a safe pressure and deliver a sufficient supply of gas to serve the downstream load. Additionally, a pressure relief valve will be installed which is capable of relieving a sufficient amount of gas to protect the downstream system should the regulator fail. Included in these sites are associated piping and valves to allow for bypassing the setting during maintenance or repair to allow gas to continue to flow. SourceGas Distribution has identified nine sites that need to have mainline pressure regulating stations installed. The total capital expenditure for these nine SSIR Projects in 2015 is estimated to be \$401,063. All nine mainline regulator projects are expected to be completed by the end of 2015.

4. Specific Projects

a) Kearney, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Assumption Distribution Takeoff

SourceGas Distribution is installing a new two-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT). TIGT is increasing its delivery pressure to this delivery point on the SourceGas

Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by October 31, 2015, at an estimated capital cost of \$30,851.

b) **Kearney, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Roseland/Holstein Transmission Takeoff**

SourceGas Distribution is installing a new two-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT. TIGT is increasing its delivery pressure to this delivery point on the SourceGas Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by October 31, 2015, at an estimated capital cost of \$30,851.

c) **Kearney, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Campbell/Bladen Transmission Takeoff**

SourceGas Distribution is installing a new two-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT. TIGT is increasing its delivery pressure to this delivery point on the SourceGas Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by October 31, 2015, at an estimated capital cost of \$30,851.

d) **Kearney, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Upland North Transmission Takeoff**

SourceGas Distribution is installing a new two-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT. TIGT is increasing its delivery pressure to this delivery point on the SourceGas Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by October 31, 2015, at an estimated capital cost of \$30,851.

e) **Kearney, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Upland South Transmission Takeoff**

SourceGas Distribution is installing a new two-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT. TIGT is increasing its delivery pressure to this delivery point on the SourceGas Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by October 31, 2015, at an estimated capital cost of \$30,851.

f) **Kearney, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Macon Distribution Takeoff**

SourceGas Distribution is installing a new two-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT. TIGT is increasing its delivery pressure to this delivery point on the SourceGas Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by October 31, 2015, at an estimated capital cost of \$30,851.

g) **Sutton, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Phillips/Syngenta Transmission Takeoff**

SourceGas Distribution is installing a new six-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT. TIGT is increasing its delivery pressure to this delivery point on the SourceGas Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by December 31, 2015, at an estimated capital cost of \$97,404.

h) **Sutton, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Pioneer Seed/Ammick Acres Distribution Takeoff**

SourceGas Distribution is installing a new four-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT. TIGT is increasing its delivery pressure to this delivery point on the SourceGas Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by December 31, 2015, at an estimated capital cost of \$59,276.

i) **Sutton, Nebraska – Fabricate and Install a Mainline Regulator Setting on the Marquette Distribution Takeoff**

SourceGas Distribution is installing a new four-inch regulator station to protect SourceGas Distribution assets and limit the pressure of the natural gas received from its supply source, TIGT. TIGT is increasing its delivery pressure to this delivery point on the SourceGas Distribution system. To keep this pipeline system compliant with the currently established MAOP, SourceGas Distribution must install this facility. This SSIR Project is scheduled to be in service by December 31, 2015, at an estimated capital cost of \$59,276.

K. Meter Relocations

1. Background

These two SSIR Projects involve the relocation of meter loops from their current location near a highway, street or alley to the structure to better protect them from outside force damage. This threat is largely caused by meter loops being at the customer's property line, in an alley or adjacent to the street. Often times, these meters are bumped by vehicles backing out of garages or hit alongside a street that result in a bent meter or leak to the meter loop. The occurrence of such damage has increased over the years, and Company records show that the greatest risk to its distribution system is outside force, much of which is a result of meters being hit by vehicles.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

SourceGas Distribution identified these facilities requiring remediation under CFR Title 49, Part 192, Subpart P, DIMP. Section 192.1007 requires a pipeline operator to identify threats, evaluate and risk rank, and identify and implement measures to address risks.

b) Objective Criteria Analyzed

SourceGas Distribution analyzed this SSIR Project in accordance with the regulatory requirements in Section 192.1007, as discussed above. SourceGas Distribution also analyzed this SSIR Project in accordance with Section 192.353 which requires a pipeline operator to protect meters from corrosion and other damage, including, if installed outside a building, vehicular damage that may be anticipated.

The other objective criteria that SourceGas Distribution analyzed for this SSIR Project are: threat assessment.

3. Project Description

Meter loops are typically relocated from the vulnerable location to the structure to better protect them from outside force damage. In some cases, the service lines are replaced due to age, pipe material or condition of the pipe. The decision to relocate meters is determined by field personnel working in conjunction with the Company's integrity management members to determine which facilities are at high risk. Factors in this determination include, but are not limited to, previous damage history, proximity to roadways, field observations and system operating pressures. SourceGas Distribution plans to relocate 49 meters in 2015. The total capital expenditure for meter relocations in 2015 is estimated to be \$194,324. All meter relocation SSIR Projects listed are expected to be completed by October 31, 2015.

4. Specific Projects

a) Fullerton, Nebraska – Meter Relocation

The Fullerton Meter Relocation will relocate 16 meters away from highways 14 and 22, which run through Fullerton, and relocate the meters to be next to the structures. When the meters were originally placed at the road, the highways were not as wide as they are now. Given the highways' current width and the current location of SourceGas Distribution meters, the meters are at risk of being hit or damaged by vehicles. Hit meters are the number one cause for outside force damages in this SourceGas Distribution division. Removing these 16 meters from high traffic roads will help reduce the number of hit meters occurrences. The total capital cost of this SSIR Project is estimated at \$44,458, and is scheduled to be in service by July 31, 2015.

b) Alliance, Nebraska – Meter Relocation

SourceGas Distribution will move 33 meters that are presently in a narrow alley, in blocks 112 and 113, in Alliance, Nebraska. The meters will be moved next to the structures that the meters serve, which will substantially reduce the probability that these meters will be struck by vehicles. Both the original mains and services were installed in 1954. The total capital cost of this SSIR Project is estimated at \$149,865, and is scheduled to be in service by October 31, 2015.

L. Obsolete Valve Replacement

1. Background

This SSIR Project involves the replacement of obsolete valves on high pressure services. These valves were installed in the late 1940s and the early 1950s. Over time, these valves become difficult and in some cases impossible to operate. Additionally, they often have thread leaks and/or stem leaks that cannot be stopped. These taps are welded directly to the main so they may not be operable in the case of an emergency.

2. SSIR Project Classification

a) Classification Under SSIR Tariff

SourceGas Distribution identified these facilities requiring remediation under CFR Title 49, Part 192, Subpart P, DIMP. Section 192.1007 requires a pipeline operator to identify threats, evaluate and risk rank, and identify and implement measures to address risks.

b) Objective Criteria Analyzed

In addition to Section 192.1007, SourceGas Distribution analyzed this SSIR Project in accordance with the regulatory requirements in Section 192.145(c), which requires that each valve must be able to meet the anticipated operating conditions.

The other objective criteria that SourceGas Distribution analyzed for this SSIR Project are: corrosion control analysis; pipeline vintage; pipeline material; the existence and reliability of pipeline asset and testing records; pipeline leakage and other incident history; subject matter expert knowledge; and Project timeframe.

3. Project Description

These valves are 50 to 60 years old and are not reliable. This work will require that the mainline serving towns and rural customers to be blown down. The service to the towns will not be interrupted. The new valves are more reliable and cannot be disassembled while under pressure without special tools. The total capital expenditure for replacing these valves in 2015 is estimated to be \$60,970. This valve replacement SSIR Project is expected to be completed by December 31, 2015.

4. Specific Projects

a) McCook, Nebraska – Replace Crane Valve with Mueller Valves from Cambridge, NE to McCook, NE

This work is being done on line segments 260-0050 and 260-0070. This work is to replace ten one-inch threaded Crane valves with welded one-inch Mueller service valves and also install one-inch Mueller tap tees on the main so these services can be turned off in case of an emergency of a service being hit or damaged. Some of these threaded Crane valves have small leaks on the inlet thread, some have leaks on the stem and some are inoperable or difficult to operate. These repairs are difficult because these services are welded directly to the mains with no way to turn off the supply to make repairs without isolating the main and reducing the pressure to zero, make the repairs and restore to the operating pressure. With the tap tees welded directly to the main, they can be dug up and turned off, repairs made, and then turned back on with restoration of service. These Crane valves were installed on the main when it was installed in the late 1940s and early 1950s. All the other valves on these line segments that were installed after the original installation date have Mueller tap tees and Mueller service valves installed as indicated above. Also, there will be 14 one-inch Crane valves removed and abandoned because they are not in use. The total capital cost of this SSIR Project is estimated at \$60,970, and is scheduled to be in service by December 31, 2015.

M. Facility Relocation Projects

The SSIR Tariff authorizes the Company to recover the costs of facility relocation projects in the SSIR Charge. Facility relocation projects are directly related to pipeline safety and integrity activities. Such projects are an integral step in the overall safety and integrity process. These projects are required by government entities to enhance the public welfare, including safety.

The Company each year encounters the need to conduct facility relocation projects in connection with municipal infrastructure projects.

For example, SourceGas Distribution has been put on notice of a possible facilities relocation project in 2015 along Highway 385 near Alliance, Nebraska. This potential SSIR Project could have significant impact on SourceGas Distribution's transmission assets, and potential financial impacts exceeding the minimum SSIR Tariff requirement of \$20,000. At this time, the Company has been made aware of a nine-mile section of Highway 385 between Alliance, NE and the Box Butte/Morrill County line that could be expanded in areas that would encroach on the Company's pipeline. In some cases, SourceGas Distribution's pipeline is in private rights-of-way and in other areas the Company's pipeline is in the State's rights-of-way. The full scope and scale of the Company's facility relocation project in connection with this municipal infrastructure project are not clear at this time. This uncertainty is not uncommon, as municipalities typically do not finalize their plans for infrastructure projects for a particular calendar year until late in the previous calendar year or early in the calendar year in which those projects will be conducted.

Although the Company is aware of this and other potential municipal infrastructure projects in 2015 that may require the Company to conduct facility relocation projects the costs of which are Eligible System Safety and Integrity Costs for recovery through the SSIR Tariff, those Projects are not sufficiently definitive at this time for the Company to request recovery of Eligible System Safety and Integrity Costs through this filing. See Project No. 56 (Nebraska Highway Relocation Program) on Exhibit 4, Table 3, Page 2 of 2 to this application, which shows that no dollars associated with facility relocation projects are being sought for recovery through this filing. Therefore, as part of its quarterly surveillance reports, the Company will provide updates of its facility relocation projects in connection with municipal infrastructure projects and, through its November 1, 2015 annual filing, will seek to recover the Eligible System Safety and Integrity Costs associated with those projects.

SourceGas Distribution LLC - Nebraska
System Safety and Integrity Rider Proposed Rates
Table 1- Rate Calculation

Exhibit 4
Table 1
Page 1 of 1

	[A]	[B]	[C]	[D]	[E]
Line No.	Description	Total Jurisdictional	Residential	Small Commercial	Large Commercial
1	2015 SSIR Revenue Requirement				
2	2014 SSIR Projects	\$ 1,077,234			
3	2015 SSIR Projects	\$ 337,513			
4	Prior Year SSIR Reconciliation <u>/1</u>				
5	Deferred SSIR Balance	\$ -			
6	SSIR True-Up Amount	\$ -			
7	Total SSIR Revenue Requirement (Lines 1 - 6)	\$ 1,414,747			
8	Customer Class Allocation		61.10%	19.39%	19.50%
9	Customer Class SSIR Revenue Requirement	\$ 1,414,747	\$ 864,455	\$ 274,354	\$ 275,938
10	Annual # of bills - NG-0067		812,229	121,408	17,743
11	SSIR Fixed Charge Rate (Line 9 / Line 10)		\$ 1.06	\$ 2.26	\$ 15.55
12	SSIR Rate Change		\$ 0.28	\$ 0.59	\$ 3.80
13	Current Average Monthly Bill - \$		\$ 68.40	\$ 139.35	\$ 1,241.18
14	Proposed Average Monthly Bill Increase - % (Line 12 / Line 13)		0.409%	0.423%	0.306%

/1 Prior Year SSIR Reconciliation will begin with October 2015 SSIR filing

Line	Description	Ref	[N] January-15	[O] February-15	[P] March-15	[Q] April-15	[R] May-15	[S] June-15	[T] July-15	[U] August-15	[V] September-15	[W] October-15	[X] November-15	[Y] December-15	[Z] Total 2015
2014 Projects															
1	Gross Plant Balance	Table 4, Line 11	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416	10,041,416
2	Accumulated Depreciation	Line 12 + Line 2	(100,856)	(125,946)	(151,037)	(176,127)	(201,217)	(226,307)	(251,398)	(276,488)	(301,578)	(326,669)	(351,759)	(376,849)	
3	Net Investments	Sum Lines 1 - 2	\$ 9,940,559	\$ 9,915,469	\$ 9,890,379	\$ 9,865,289	\$ 9,840,198	\$ 9,815,108	\$ 9,790,018	\$ 9,764,927	\$ 9,739,837	\$ 9,714,747	\$ 9,689,657	\$ 9,664,566	
4	ADIT Balances	WP-ADIT BAL, Column Q	(131,585)	(145,412)	(159,238)	(173,065)	(186,892)	(200,718)	(214,545)	(228,372)	(242,198)	(256,025)	(269,852)	(283,678)	
5	Rate Base	Sum Lines 3 - 4	9,808,975	9,770,058	9,731,141	9,692,224	9,653,307	9,614,390	9,575,473	9,536,556	9,497,639	9,458,722	9,419,805	9,380,888	
6	Return on Rate Base														
7	Interest	Line 5 * Table 5, Line 2	22,522	22,433	22,344	22,254	22,165	22,076	21,986	21,897	21,808	21,718	21,629	21,539	264,371
8	Net Income	Line 5 * Table 5, Line 3	40,149	39,990	39,831	39,672	39,512	39,353	39,194	39,034	38,875	38,716	38,557	38,397	471,280
9	Taxable Income	Line 8 * Table 5, Line 31	65,981	65,719	65,457	65,196	64,934	64,672	64,410	64,149	63,887	63,625	63,363	63,101	774,494
10	Pre-Tax Return on Rate Base	Line 7 + Line 9	88,503	88,152	87,801	87,450	87,099	86,748	86,397	86,045	85,694	85,343	84,992	84,641	1,038,865
11	Investment Expenses														
12	Depreciation	WP- DEP XP, Column M	25,090	25,090	25,090	25,090	25,090	25,090	25,090	25,090	25,090	25,090	25,090	25,090	301,083
13	Property Tax Accrual	Line 3, Column Y * Table 5, Line 23	6,695	6,695	6,695	6,695	6,695	6,695	6,695	6,695	6,695	6,695	6,695	6,695	80,340
14	O&M	For future reference	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Revenue Requirement	Sum Lines 10 - 14	\$ 120,289	\$ 119,938	\$ 119,586	\$ 119,235	\$ 118,884	\$ 118,533	\$ 118,182	\$ 117,831	\$ 117,480	\$ 117,128	\$ 116,777	\$ 116,426	\$ 1,420,289
2015 Projects															
16	Gross Plant Placed In Service		-	-	-	-	-	-	72,004	97,538	2,893,821	1,655,371	1,776,904	7,487,801	
17	Gross Plant Balance	Table 4, Line 11	-	-	-	-	-	-	72,004	169,542	3,063,363	4,718,734	6,495,638	13,983,439	
18	Accumulated Depreciation	Line 28 + Line 18	-	-	-	-	-	-	(180)	(604)	(8,262)	(20,059)	(36,298)	(71,257)	
19	Net Investments	Sum Lines 17 - 18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,824	\$ 168,938	\$ 3,055,101	\$ 4,698,675	\$ 6,459,340	\$ 13,912,182	
20	ADIT Balances	WP-ADIT BAL, Column Q - Line 4	-	-	-	-	-	-	(106)	(402)	(8,488)	(23,054)	(48,925)	(177,397)	
21	Rate Base	Sum Lines 19 - 20	-	-	-	-	-	-	71,718	168,536	3,046,613	4,675,621	6,410,415	13,734,785	
22	Return on Rate Base														
23	Interest	Line 21 * Table 5, Line 2	-	-	-	-	-	-	165	387	6,995	10,736	14,719	31,536	64,538
24	Net Income	Line 21 * Table 5, Line 3	-	-	-	-	-	-	294	690	12,470	19,138	26,239	56,218	115,048
25	Taxable Income	Line 24 * Table 5, Line 31	-	-	-	-	-	-	482	1,134	20,493	31,451	43,120	92,388	189,069
26	Pre-Tax Return on Rate Base	Line 23 + Line 25	-	-	-	-	-	-	647	1,521	27,489	42,187	57,839	123,925	253,607
27	Investment Expenses														
28	Depreciation	WP- DEP XP, Column M - Line 12	-	-	-	-	-	-	180	424	7,658	11,797	16,239	34,959	71,257
29	Property Tax Accrual	Line 19, Column Y * Table 5, Line 23	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637	115,644
30	O&M	For future reference	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Revenue Requirement	Sum Lines 26 - 30	\$ 9,637	\$ 9,637	\$ 9,637	\$ 9,637	\$ 9,637	\$ 9,637	\$ 10,464	\$ 11,582	\$ 44,784	\$ 63,621	\$ 83,715	\$ 168,520	\$ 440,508

SourceGas Distribution LLC - Nebraska- *Jurisdictional*
 Calculation of SSIR- Revenue Requirement
 Estimated 2015 System Safety and Integrity Costs

Exhibit 4
 Table 2B
 Page 1 of 1

Line	[A] Description	Ref	[N] January-15	[O] February-15	[P] March-15	[Q] April-15	[R] May-15	[S] June-15	[T] July-15	[U] August-15	[V] September-15	[W] October-15	[X] November-15	[Y] December-15	[Z] Total 2014
2014 Plant In Service															
1	Gross Plant Balance	Table 4, Line 23	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047	7,616,047
2	Accumulated Depreciation	Line 12 + Line 2	(76,512)	(95,542)	(114,572)	(133,602)	(152,632)	(171,662)	(190,692)	(209,722)	(228,752)	(247,782)	(266,812)	(285,842)	(304,872)
3	Net Investments	Sum Lines 1 - 2	\$ 7,539,536	\$ 7,520,506	\$ 7,501,476	\$ 7,482,446	\$ 7,463,415	\$ 7,444,385	\$ 7,425,355	\$ 7,406,325	\$ 7,387,295	\$ 7,368,265	\$ 7,349,235	\$ 7,330,205	\$ 7,311,175
4	ADIT Balances	WP-ADIT BAL, Column S	(99,820)	(110,309)	(120,798)	(131,287)	(141,757)	(152,245)	(162,733)	(173,221)	(183,711)	(194,201)	(204,694)	(215,205)	(225,715)
5	Rate Base	Sum Lines 3 - 4	7,439,715	7,410,196	7,380,677	7,351,158	7,321,658	7,292,141	7,262,623	7,233,105	7,203,584	7,174,064	7,144,541	7,115,000	7,085,480
6	Return on Rate Base														
7	Interest	Line 5 * Table 5, Line 2	17,082	17,015	16,947	16,879	16,811	16,743	16,676	16,608	16,540	16,472	16,405	16,337	200,515
8	Net Income	Line 5 * Table 5, Line 3	30,452	30,331	30,210	30,089	29,969	29,848	29,727	29,606	29,485	29,364	29,244	29,123	357,447
9	Taxable Income	Line 8 * Table 5, Line 31	50,044	49,845	49,647	49,448	49,250	49,051	48,853	48,654	48,456	48,257	48,058	47,860	587,423
10	Pre-Tax Return on Rate Base	Line 7 + Line 9	67,126	66,860	66,594	66,327	66,061	65,795	65,528	65,262	64,996	64,729	64,463	64,196	787,938
11	Investment Expenses														
12	Depreciation	WP- DEP XP, Column N	19,030	19,030	19,030	19,030	19,030	19,030	19,030	19,030	19,030	19,030	19,030	19,030	228,361
13	Property Tax Accrual	Line 3, Column Y * Table 5, Line 23	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	60,936
14	O&M	For future reference	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Revenue Requirement	Sum Lines 10 - 14	\$ 91,234	\$ 90,968	\$ 90,702	\$ 90,435	\$ 90,169	\$ 89,903	\$ 89,636	\$ 89,370	\$ 89,104	\$ 88,837	\$ 88,571	\$ 88,305	\$ 1,077,234
2015 Plant In Service															
16	Gross Plant Placed In Service		-	-	-	-	-	-	54,852	73,860	2,203,884	1,250,409	1,353,963	5,827,213	
17	Gross Plant Balance	Table 4, Line 23	-	-	-	-	-	-	54,852	128,712	2,332,596	3,583,005	4,936,968	10,764,181	
18	Accumulated Depreciation	Line 28 + Line 18	-	-	-	-	-	-	(137)	(459)	(6,290)	(15,248)	(27,590)	(54,501)	
19	Net Investments	Sum Lines 17 - 18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,715	\$ 128,253	\$ 2,326,306	\$ 3,567,757	\$ 4,909,378	\$ 10,709,680	
20	ADIT Balances	WP-ADIT BAL, Column S - Line 4	-	-	-	-	-	-	(80)	(304)	(6,460)	(17,508)	(37,162)	(134,982)	
21	Rate Base	Sum Lines 19 - 20	-	-	-	-	-	-	54,635	127,948	2,319,846	3,550,248	4,872,216	10,574,699	
22	Return on Rate Base														
23	Interest	Line 21 * Table 5, Line 2	-	-	-	-	-	-	125	294	5,327	8,152	11,187	24,281	49,365
24	Net Income	Line 21 * Table 5, Line 3	-	-	-	-	-	-	224	524	9,495	14,532	19,943	43,284	88,001
25	Taxable Income	Line 24 * Table 5, Line 31	-	-	-	-	-	-	368	861	15,605	23,881	32,773	71,132	144,619
26	Pre-Tax Return on Rate Base	Line 23 + Line 25	-	-	-	-	-	-	493	1,154	20,931	32,033	43,961	95,412	193,984
27	Investment Expenses														
28	Depreciation	WP- DEP XP, Column N - Line 12	-	-	-	-	-	-	137	322	5,831	8,958	12,342	26,910	54,501
29	Property Tax Accrual	Line 19, Column Y * Table 5, Line 23	7,419	7,419	7,419	7,419	7,419	7,419	7,419	7,419	7,419	7,419	7,419	7,419	89,028
30	O&M	For future reference	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Revenue Requirement	Sum Lines 26 - 30	\$ 7,419	\$ 7,419	\$ 7,419	\$ 7,419	\$ 7,419	\$ 7,419	\$ 8,049	\$ 8,895	\$ 34,182	\$ 48,409	\$ 63,722	\$ 129,742	\$ 337,513

2014 SSIR Projects

Line	Internal Order or Budget ID	Description	Reference	Type	Total	In-Service Date	Betterment Credit	Total In-Service
1	1008586	TOG Replacement - NW Gothenberg		Mains	1,402,863	Jun-14	(27,236)	1,375,627
2	1008678	Red Cloud to Blue Hill Replacement-2		Mains	899,510	Jun-14	(46,136)	853,374
3	1010843	TOG - 4701809 NW of Ragan		Mains	14,810	Jun-14	-	14,810
4	1010579	Mitchell - surface ground		Mains	7,520	Jun-14	-	7,520
5	1010888	TOG - 4701727 NW of Ragan		Mains	21,443	Jun-14	-	21,443
6	1010670	Arapahoe #1 Mag Anode Bed		Mains	7,611	Jul-14	-	7,611
7	1010672	Arapahoe #2 Mag Anode Bed		Mains	7,267	Jul-14	-	7,267
8	1010809	Scottsbluff- 21st Ave Spa		Mains	107,113	Jul-14	-	107,113
9	1010673	Overton #1- Install Anode Bed Bed		Mains	7,839	Aug-14	-	7,839
10	1010495	Nebraska MAOP- Lindsay Project		Mains	5,220	Aug-14	-	5,220
11	1011067	Oshkosh - County Rd 62 -T		Mains	22,091	Sep-14	-	22,091
12	1010951	Litchfield- Install Anode Bed		Mains	6,693	Sep-14	-	6,693
13	1008578	Reroute Arapahoe 240-0020 Sec B		Reroute	567,590	Sep-14	-	567,590
14	1010300	St. Paul to Dannebrog TOG		Mains	474,112	Oct-14	-	474,112
15	1008672	Oshkosh HCA Reroute. Oshkosh, NE.		Reroute	362,509	Oct-14	-	362,509
16	1011296	Mitchell - main replacement		Mains	49,695	Oct-14	-	49,695
17	1010404	Sidney- Rural Distribution #1		Mains	550,000	Oct-14	-	550,000
18	1010539	Farnum Surface Ground bed		Mains	14,522	Oct-14	-	14,522
19	1010562	Sutton - Cathodics		Mains	8,482	Oct-14	-	8,482
20	1010408	Sidney- Illinois Street		Mains	219,161	Nov-14	-	219,161
21	1011066	Nebraska MAOP- Edgar Lateral		Mains	61,034	Nov-14	-	61,034
22	1010798	Wood River - Service lateral		Mains	104,747	Nov-14	-	104,747
23	1011567	Kearney Division old casings		Mains	17,639	Nov-14	-	17,639
24	1011658	METER GUARDS & BARRACADES		Installations	7,560	Nov-14	-	7,560
25	1011510	Sutton - Barricades		Installations	96,775	Nov-14	-	96,775
26	1010499	McCook South TOG replacement		Mains	1,175,284	Nov-14	(413,588)	761,696
27	1010501	Brule regulator Setting		Reg Station	12,599	Dec-14	-	12,599
28	1010430	TOG - Gothenburg Northwest		Mains	2,247,454	Dec-14	-	2,247,454
29	1011829	Holdrege Meter Baricades		Installations	25,199	Dec-14	-	25,199
30	1010538	McCook Meter Barricades and Guards		Installations	25,394	Dec-14	-	25,394
31	1011696	Gering - North 10th street		Mains	7,560	Dec-14	-	7,560
32	1010767	Oshkosh - Blocks 14-19		Mains	37,798	Dec-14	-	37,798
33	1010799	Red Cloud to Blue Hill Replacement-3		Mains	1,588,695	Dec-14	(73,561)	1,515,134
34	1011695	Country Club Road - canal		Mains	6,796	Dec-14	-	6,796
35	1010768	Bayard - Block 25 - Span replacement		Mains	7,542	Dec-14	-	7,542
36	1010500	Danbury Lateral TOG Repl		Mains	423,808	Dec-14	-	423,808
37		Subtotal - 2014 Projects						10,041,416

SourceGas Distribution LLC - Nebraska
 2014-2015 SSIR Project Details
 Estimated 2015 Eligible System Safety and Integrity Costs

2015 SSIR Projects

Line	Internal Order or Budget ID	Description	Narrative Section Reference	Type	Total	In-Service Date	Betterment Credit	Total In-Service
1	015-269	Fullerton Meter Relocation	K.4.a)	Meters	44,458	Jul-15	-	44,458
2	015-272	St Edward Span Replacement	E.4.a)	Mains	27,545	Jul-15	-	27,545
3	014-331	Gordon - Blk 54 - 4" Span removal from road bridge	E.4.b)	Mains	54,873	Aug-15	-	54,873
4	014-409	Scottsbluff- Span replacement	E.4.e)	Mains	42,665	Aug-15	-	42,665
5	015-248	Kearney TOG 370-1720 (Area 8)	G.4.b)	Mains	1,487,382	Sep-15	(23,639)	1,463,743
6	015-279	Plainview Line Heater	F.4.h)	Reg Station	48,776	Sep-15	-	48,776
7	015-280	O'Neill #2 Line Heater Replacement	F.4.i)	Reg Station	48,776	Sep-15	-	48,776
8	014-201	Bayard - Blks 42&43/72&73 - Bare Steel Replacement	A.4.g)	Mains & Services	182,911	Sep-15	-	182,911
9	015-326	Holdrege 480-1739 Anode Bed #1	D.4.a)	Mains	7,926	Sep-15	-	7,926
10	015-327	Holdrege 480-1739 Anode Bed #2	D.4.a)	Mains	7,926	Sep-15	-	7,926
11	015-328	Holdrege 480-1739 Anode Bed #3	D.4.a)	Mains	7,926	Sep-15	-	7,926
12	015-329	Holdrege 480-1739 Anode Bed #4	D.4.a)	Mains	7,926	Sep-15	-	7,926
13	015-330	Holdrege 480-2365 Anode Bed #1	D.4.b)	Mains	7,926	Sep-15	-	7,926
14	015-331	Holdrege 480-2365 Anode Bed #2	D.4.b)	Mains	7,926	Sep-15	-	7,926
15	014-615	Loomis TBS Replacement	F.4.b)	Reg Station	75,597	Sep-15	-	75,597
16	014-616	Arapahoe TBS Replacement	F.4.a)	Reg Station	75,597	Sep-15	-	75,597
17	015-249	Kearney TOG 370-1720 (Area 9)	G.4.c)	Mains	835,247	Sep-15	(12,606)	822,641
18	015-414	Sutton / Deshler Baremain Changeout	A.4.b)	Mains	99,445	Sep-15	-	99,445
19	015-412	Sutton 4 Mag Anode Beds	D.4.c)-e)	Mains	28,778	Sep-15	-	28,778
20	015-368	Alliance - Meter Relocation -- Blks 112/113	K.4.b)	Meters	149,865	Oct-15	-	149,865
21	014-435	Broadwater - Span at Broadwater Canal - Remove span on 6" Trans. to Lewell	E.4.c)	Mains	84,834	Oct-15	-	84,834
22	015-399	NorthPort - Span RPLC - Transmission	E.4.d)	Mains	128,038	Oct-15	-	128,038
23	015-253	Kearney TIGT Reg at Assumption	J.4.a)	Reg Station	30,851	Oct-15	-	30,851
24	015-254	Kearney TIGT Reg at Roseland/Holstein	J.4.b)	Reg Station	30,851	Oct-15	-	30,851
25	015-255	Kearney TIGT Reg at Campbell/Bladen	J.4.c)	Reg Station	30,851	Oct-15	-	30,851
26	015-256	Kearney TIGT Reg at Upland N Feed	J.4.d)	Reg Station	30,851	Oct-15	-	30,851
27	015-257	Kearney TIGT Reg at Upland S Feed	J.4.e)	Reg Station	30,851	Oct-15	-	30,851
28	015-258	Kearney TIGT Reg at Macon	J.4.f)	Reg Station	30,851	Oct-15	-	30,851
29	014-451	Mitchell - Main change out - Block 81	A.4.e)	Mains & Services	24,388	Oct-15	-	24,388
30	015-250	Kearney TOG 370-8007 (Area 10)	G.4.d)	Mains	1,099,849	Oct-15	(16,710)	1,083,139
31	015-274	Creighton Lateral Replacement	I.4.a)	Mains	290,942	Nov-15	(11,334)	279,608
32	015-400	Rushville - TBS Replacement	F.4.f)	Reg Station	91,456	Nov-15	-	91,456
33	015-322	270-0030 Arapahoe to Holbrook Main Replacement	B.4.a)	Mains	835,294	Nov-15	-	835,294
34	015-323	Holdrege - TOG 250-1813	G.4.a)	Mains	31,705	Nov-15	-	31,705
35	015-290	Grant Lateral MAOP Verification	I.4.b)	Mains	54,873	Nov-15	(624)	54,249
36	015-289	McCook South TBS Replacement	F.4.g)	Reg Station	146,329	Nov-15	-	146,329
37	015-415	Chester TBS Replacement	F.4.c)	Reg Station	73,164	Nov-15	-	73,164
38	015-419	Waco TBS Replacement	F.4.d)	Reg Station	73,164	Nov-15	-	73,164
39	015-382	Sidney- Golf Course main replacement	A.4.c)	Mains & Services	124,867	Nov-15	-	124,867
40	015-344	Scottsbluff- Bare main replacement - Block 65	A.4.d)	Mains & Services	18,291	Nov-15	-	18,291
41	015-373	Scottsbluff - Bare main replacement - Blocks 64,81,96.	A.4.f)	Mains & Services	48,776	Nov-15	-	48,776
42	015-580	Sutton 400-1750 (14) 50,260' of 2" steel TOG	G.4.f)	Mains	1,300,535	Dec-15	-	1,300,535
43	015-581	Sutton 400-1750 (15) 52,640' of 2" steel TOG	G.4.g)	Mains	1,437,959	Dec-15	-	1,437,959
44	015-582	Sutton 390-3308 (9) 37500' of 4" steel, and 61,000' of 2" steel TOG	G.4.h)	Mains	2,716,840	Dec-15	-	2,716,840
45	015-313	Albion Meter Guards & Barricades	C.4.d)	Installations	79,261	Dec-15	-	79,261
46	015-332	Holdrege Meter Guards & Barricades	C.4.b)	Installations	24,388	Dec-15	-	24,388
47	015-263	Kearney Meter Guards & Barricades	C.4.c)	Installations	28,961	Dec-15	-	28,961
48	015-297	McCook Division Meter Guards & Barricades	C.4.f)	Installations	41,460	Dec-15	-	41,460
49	015-286	Isolated Bare Steel replacement Ogallala NE	A.4.a)	Mains & Services	482,885	Dec-15	-	482,885
50	015-287	Replace Crane Valves to Mueller valves, Cambridge to McCook	L.4.a)	Mains	60,970	Dec-15	-	60,970
51	015-288	McCook TOG replacement Farnum to Curtis	G.4.e)	Mains	48,776	Dec-15	(1,633)	47,143
52	015-507	Sutton Barricades	C.4.a)	Installations	60,970	Dec-15	-	60,970
53	015-422	Sutton 460-0160 Deshler-Chester Lateral Mainline Replacement	B.4.b)	Mains & Services	888,040	Dec-15	-	888,040
54	015-512	Sutton Tallgrass Reg Projects	J.4.g)-i)	Reg Station	215,957	Dec-15	-	215,957
55	015-421	Phillips TBS Replacement	F.4.e)	Reg Station	73,164	Dec-15	-	73,164
56	014-695	Nebraska Highway Relocation Program	M	Mains	0	Dec-15	-	-
57	015-343	Scottsbluff Division - meter gaurds / barricades	C.4.e)	Installations	29,266	Dec-15	-	29,266
58	015-681	Centerline Survey	H.4	Mains	1,258,429	Dec-16	-	-
59		Subtotal - 2015 Projects						13,983,439
60		Grand Total - SSIR Projects						24,024,854

Projects by FERC Account- Total Company:

		2014 Total														2015 Total
FERC		In-Service	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	In-Service	
37401	Land	\$ 93,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
37402	Land Rights	279,030	-	-	-	-	-	-	-	-	-	-	-	-	-	
37600	Mains	9,408,838	-	-	-	-	-	-	\$ 27,545	\$ 125,084	\$ 2,678,703	\$ 3,986,908	\$ 5,283,732	\$ 11,532,642	11,532,642	
37800	Reg Station	12,599	-	-	-	-	-	-	\$ -	\$ -	\$ 248,747	\$ 433,853	\$ 817,966	\$ 1,107,088	1,107,088	
38000	Services	46,505	-	-	-	-	-	-	\$ -	\$ -	\$ 91,456	\$ 103,650	\$ 199,617	\$ 885,079	885,079	
38100	Meters	46,505	-	-	-	-	-	-	\$ 40,013	\$ 40,013	\$ 40,013	\$ 174,891	\$ 174,891	\$ 174,891	174,891	
38200	Installations	154,929	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,307	264,307	
38300	House Regulators	-	-	-	-	-	-	-	\$ 4,446	\$ 4,446	\$ 4,446	\$ 19,432	\$ 19,432	\$ 19,432	19,432	
Grand Total		10,041,416	-	-	-	-	-	-	72,004	169,542	3,063,363	4,718,734	6,495,638	13,983,439	13,983,439	

Projects by FERC Account- Total Jurisdictional:

		2014 Total														2015 Total
JUR %	FERC	In-Service	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	In-Service	
75.73%	37401	\$ 70,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
75.73%	37402	211,297	-	-	-	-	-	-	-	-	-	-	-	-	-	
75.72%	37600	7,124,742	-	-	-	-	-	-	20,858	94,718	2,028,419	3,019,043	4,001,049	8,732,969	8,732,969	
71.85%	37800	9,053	-	-	-	-	-	-	-	-	178,728	311,729	587,719	795,457	795,457	
100.00%	38000	46,505	-	-	-	-	-	-	-	-	91,456	103,650	199,617	885,079	885,079	
76.46%	38100	35,558	-	-	-	-	-	-	30,594	30,594	30,594	133,724	133,724	133,724		
76.46%	38200	118,461	-	-	-	-	-	-	-	-	-	-	-	202,093	202,093	
76.46%	38300	-	-	-	-	-	-	-	3,399	3,399	3,399	14,858	14,858	14,858	14,858	
Grand Total		7,616,047	-	-	-	-	-	-	54,852	128,712	2,332,596	3,583,005	4,936,968	10,764,181	10,764,181	

Total Jurisdictional by Customer Class:

FERC	Total	Residential	Commercial	Commercial	Small		Large	
					Residential	Commercial	Commercial	Total
37401	\$ 70,432	59.90%	19.33%	20.77%	\$ 42,189	\$ 13,616	\$ 14,627	\$ 70,432
37402	\$ 211,297	59.90%	19.33%	20.77%	126,567	40,848	43,881	211,297
37600	\$ 15,857,711	60.44%	19.43%	20.13%	9,584,270	3,080,736	3,192,704	15,857,711
37800	\$ 804,510	54.66%	18.41%	26.93%	439,760	148,094	216,656	804,510
38000	\$ 931,584	71.01%	21.23%	7.76%	661,555	197,772	72,258	931,584
38100	\$ 169,283	74.61%	16.51%	8.88%	126,304	27,941	15,037	169,283
38200	\$ 320,554	74.61%	16.51%	8.88%	239,170	52,910	28,474	320,554
38300	\$ 14,858	74.61%	16.51%	8.88%	11,086	2,452	1,320	14,858
18,380,228					11,230,901	3,564,370	3,584,957	18,380,228
Customer Class Allocation:					61.10%	19.39%	19.50%	100.00%

Line No	Description	Reference							
1	Capital Structure:	Ratio	Rate	Cost					
2	Debt	48.84%	5.64%	2.76%					
3	Equity	51.16%	9.60%	4.91%					
4	Total Cost			7.67%	As Approved in NG-0067				
5									
6	Depreciation Rate:								
7	FERC Account 37401			3.00%					
8	FERC Account 37402			3.00%					
9	FERC Account 37600			3.00%					
10	FERC Account 37800			3.00%					
11	FERC Account 38000			3.00%					
12	FERC Account 38100			3.00%					
13	FERC Account 38200			3.00%					
14	FERC Account 38300			3.00%					
15									
16	Property Tax Rate:			2013					
17	Assessed Value			80,909,514					
18	Plant in Service			185,516,386					
19	Assessment Ratio			43.61%					
20	Property Tax Paid			1,542,133					
21	Assessed Value			80,909,514					
22	Property Tax Ratio			1.91%					
23	Nebraska Property Tax Rate			0.83%					
24									
25	Income Tax Calc:								
26	Combined Tax Rate			39.15%					
27	FIT rate = current year applicable rate			34.00%					
28	SIT rate = current year applicable rate			7.81%					
29									
30	Combined Tax Factor			64.34%					
31	Combined Tax Factor Gross up			1.64339					
32									
33	MACRS Tax Percentage Rates:								
34	Year 1			3.75%					
35	Year 2			7.219%					
36	Year 3			6.668%					
37	Year 4			6.180%					
38	Year 5			5.710%					
39									
40	Jurisdictional Percentages:								
41	FERC Account			Jurisdiction	Non-				
42	37401			75.73%	24.27%	WP-Cost Allocation			
43	37402			75.73%	24.27%	WP-Cost Allocation			
44	37600			75.72%	24.28%	WP-Cost Allocation			
45	37800			71.85%	28.15%	WP-Cost Allocation			
46	38000			100.00%	0.00%	WP-Cost Allocation			
47	38100			76.46%	23.54%	WP-Cost Allocation			
48	38200			76.46%	23.54%	WP-Cost Allocation			
49	38300			76.46%	23.54%	WP-Cost Allocation			
50									
51	Customer Class Allocation:								
52				Residential	Small Commercial	Large Commercial			
53	FERC Account								
54	37401			59.90%	19.33%	20.77%	WP-Cost Allocation		
55	37402			59.90%	19.33%	20.77%	WP-Cost Allocation		
56	37600			60.44%	19.43%	20.13%	WP-Cost Allocation		
57	37800			54.66%	18.41%	26.93%	WP-Cost Allocation		
58	38000			71.01%	21.23%	7.76%	WP-Cost Allocation		
59	38100			74.61%	16.51%	8.88%	WP-Cost Allocation		
60	38200			74.61%	16.51%	8.88%	WP-Cost Allocation		
61	38300			74.61%	16.51%	8.88%	WP-Cost Allocation		
62									
63	FERC Account Allocation:								
64		37401	37402	37600	37800	38000	38100	38200	38300
65	Project Type								
66	Installations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%
67	Mains	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
68	Meters	0.00%	0.00%	0.00%	0.00%	0.00%	90.00%	0.00%	10.00%
69	Reg Station	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
70	Reroute	10.00%	30.00%	50.00%	0.00%	5.00%	5.00%	0.00%	0.00%
71	Mains & Services	0.00%	0.00%	50.00%	0.00%	50.00%	0.00%	0.00%	0.00%