

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NEBRASKA

IN THE MATTER THE APPLICATION OF)
SOURCEGAS DISTRIBUTION LLC, GOLDEN,)
COLORADO SEEKING AUTHORITY TO PUT INTO) DOCKET NO. NG-0078.1
EFFECT A SYSTEM SAFETY AND INTEGRITY RIDER)
TARIFF AND SAFETY AND INTEGRITY RIDER)
CHARGE FOR RECOVERY OF 2015 ELIGIBLE COSTS.)

**RESPONSE OF SOURCEGAS DISTRIBUTION LLC
TO
THE REPORT OF THE NEBRASKA PUBLIC ADVOCATE**

In accordance with the Hearing Officer Order Adopting Schedule and Setting Hearing, entered by the Nebraska Public Service Commission (the "Commission") in this docket on December 16, 2014, SourceGas Distribution LLC ("SourceGas Distribution" or the "Company") hereby files this Response to the report titled "Examination of SourceGas Distribution LLC Application for Recovery of 2015 Eligible System Safety and Integrity Costs" (the "Report"), prepared by Blue Ridge Consulting Services, Inc. and filed with the Commission by the Nebraska Public Advocate in this docket on January 8, 2015.

SourceGas Distribution agrees with the ultimate recommendation set forth in the Executive Summary of the Report, which states in full:

"The Public Advocate performed an examination and recommends allowing recovery of the Company's proposed incremental rate base associated with the 2015 SSIR Projects of \$13,983,439, which results in a total SSIR Project balance of \$24,024,854. The Total SSIR Revenue Requirement of \$1,414,747 should be reduced for the property taxes on the 2015 Projects that will not be in service and thus not assessed for property tax purposes in 2015. The revised revenue requirement is recommended to be \$1,325,719. Full recovery results in an incremental increase to residential customer bills of \$0.22 each month or \$2.64 annually. Small commercial customers will have an incremental monthly increase of \$0.45 or \$5.40 per year, and large commercial customers will have an incremental increase of \$2.82 each month or \$33.84 annually."

Additionally, SourceGas Distribution responds to the recommendation in the Report regarding the Use of Third Party Contractors at pages 24-25, which states:

"Use of Third Party Contractors

- 014-201 Bayard-BLKS 42&43/72&73 Bare Steel Replacement, 2014 Project estimated cost \$74,141, 2015 Project estimated costs \$182,911, increase of \$108,770: The Company stated that it plans to replace approximately 1,500 feet of two-inch bare steel main and 26 customer services in four blocks in Bayard, Nebraska that was installed circa 1967. The Company stated that they did not have sufficient internal resources to complete the required work in 2015 and made the decision to use an outside contractor rather than use the originally planned internal resources. The incremental cost to use a contractor is approximately \$75,000, and includes inspector and mobilization costs. [footnote omitted]

Blue Ridge recommends that the Company balance the importance of completing a project to the additional cost that the ratepayer must bear to accomplish the project with outside contractors. The Company should consider whether waiting until 2016 to complete the project with internal resources would result in increased risks."

SourceGas Distribution's internal crews consist of two person teams whose primary responsibilities include routine system maintenance such as leak repair, responding to emergency line hits and meter hits, smaller re-route projects and service line replacements. Internal crews are also used to install new service lines and short main extensions. The Company always attempts to keep costs as low as reasonably possible through the use of internal crews to complete projects, such as bare steel replacements, that are typically done by third party contractors. These crews are only available to perform such work on a temporary basis when it is not necessary for them to engage in their primary responsibilities. Because internal crews are primarily responsible for emergency pipeline repairs, their availability to work on other projects is unpredictable. Completion of the project identified above would require the use of at least two to three internal crews for approximately four weeks. Thus, there is no guarantee that if the Company moved this project to 2016 that it would be completed by internal crews, and this is a project that accomplishes required remediation.

When added to the current Safety and Integrity Charge approved by the Commission in Docket No. NG-0078, the total Safety and Integrity Charge to be added to the monthly Customer Charge of the Company's jurisdictional customers taking Residential Service, Small Commercial Service and Large Commercial Service, effective February 1, 2015, is \$1.00, \$2.12 and \$14.57, respectively. The Tariff Sheet showing these SSIR rates above is included with this

Response as Attachment 1, and a redline of that Tariff Sheet is included with this Response as Attachment 2.

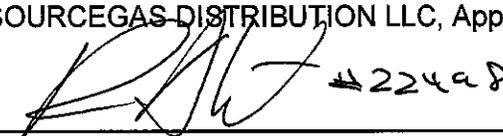
SourceGas Distribution appreciates the thorough review conducted by the Public Advocate and, as noted, concurs with the Public Advocate's recommendation. SourceGas Distribution also appreciates the opportunity to submit this Response.

Dated this 16th day of January, 2015.

Respectfully Submitted,

SOURCEGAS DISTRIBUTION LLC, Applicant.

BY:

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing Response of SourceGas Distribution LLC to the Report of the Nebraska Public Advocate was served electronically on this 16th day of January, 2015, upon the following:

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