

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE)
APPLICATION OF BLACK HILLS/)
NEBRASKA GAS UTILITY COMPANY,)
LLC, d/b/a BLACK HILLS ENERGY, FOR) DOCKET NO. NG-0086
APPROVAL OF ITS COST OF SERVICE)
GAS HEDGE AGREEMENT WITH)
BLACK HILLS UTILITY HOLDINGS, INC.)

DIRECT TESTIMONY OF
BETH ACKLAND,
PUBLIC ALLIANCE FOR COMMUNITY ENERGY (“ACE”)

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1 **I. INTRODUCTION**

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

3 A. My name is Beth Ackland. My business address is 8377 Glynoaks Drive, Lincoln, NE
4 68516.

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

6 A. I am employed by the Nebraska Municipal Power Pool (“NMPP”) and assigned as the
7 Director of Retail Gas Services (“Director”) of the Public Alliance for Community
8 Energy (“ACE”).

9 **Q. PLEASE EXPLAIN THE RELATIONSHIP BETWEEN NMPP AND ACE.**

10 A. NMPP, ACE and two other energy-related organizations operate under the trade name
11 NMPP Energy, pursuant to a Joint Operating Committee Agreement. As such, staff of all
12 four organizations are employees of NMPP and are assigned to the participating
13 organizations. ACE is an independent legal entity and has its own Board of Directors,
14 bylaws and mission.

15 **Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF ACE?**

16 A. As the Director of Retail Gas Services, I am responsible for managing all operations,
17 finances, goals and objectives of ACE. In accordance with the ACE Mission Statement,
18 this includes the development and execution of strategies to ensure competition in the
19 Nebraska Choice Gas Program and to provide the best possible pricing for end-use
20 natural gas customers. I am also responsible for effectively communicating with the ACE
21 Board of Directors which represents the 72 member municipalities and one public power
22 district who are participants of ACE as a not-for-profit, Nebraska interlocal agency

1 created for their mutual benefit. ACE was formed in 1998 under the Nebraska Interlocal
2 Cooperation Act, Neb, Rev. Stat. §13-801.

3 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE AND**
4 **QUALIFICATIONS.**

5 A. I became Director of Retail Gas Services of ACE in 2013. Prior to that, I was Coordinator
6 of Retail Gas Services of ACE for seven years. As such, I was directly responsible for
7 coordinating and implementing all processes essential to ACE's participation as a natural
8 gas supplier in the Nebraska Choice Gas Program, including all activities related to the
9 annual open enrollment period. This included adherence to all program guidelines and
10 requirements, development of marketing strategies and sales initiatives for customer
11 recruitment, and ensuring the highest customer service standards possible. Before joining
12 ACE, I was co-owner of a print and marketing company for 20 years, and publisher of an
13 independent Nebraska newspaper for nine of those years, balancing business and
14 marketing interests with the good of the community.

15 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

16 A. I am testifying on behalf of ACE.

17 **Q. HAVE YOU PREVIOUSLY TESTIFIED OR FILED TESTIMONY BEFORE THE**
18 **COMMISSION OR COMMISSIONS IN OTHER JURISDICTIONS**

19 Yes. I have previously submitted testimony before this Commission in the Black Hills
20 Utility Holdings, Inc./SourceGas Holdings, LLC acquisition docket.

21 **II. PURPOSE OF TESTIMONY**

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of my testimony is to state ACE's concerns with the pending Application,
2 including the impact to ratepayers in the application territory, and the precedence it may
3 set for the expansion of such programs elsewhere, including the territory currently served
4 by SourceGas that is being acquired by Black Hills Utility Holdings.

5 **Q. ARE YOU PROVIDING ANY EXHIBITS TO YOUR TESTIMONY?**

6 A. No.

7 **III. BACKGROUND INFORMATION REGARDING ACE**

8 **Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF ACE'S OPERATIONS.**

9 A. ACE was formed as a not-for-profit, Nebraska interlocal agency in 1998 to represent the
10 mutual interests of participant municipalities related to the acquisition, management,
11 distribution and sale of energy, and to attain maximum practicable economy to the
12 participants. ACE has participated as a natural gas supplier every year of the NCGP since
13 its inception in 1998, and continued to work with the Nebraska Public Service
14 Commission regarding NCGP Rules and Regulations when natural gas came under its
15 jurisdiction in 2003. ACE is also a Competitive Natural Gas Provider (CNGP) per Neb.
16 Rev. Stat. §66-1848.

17 As stated in its Mission Statement, ACE's core mission is to guarantee competition in the
18 NCGP in order to provide the best possible pricing for residential and commercial end-
19 use customers. ACE's rates during the selection period each year have often been the
20 lowest rates available to customers. More importantly, the intensely competitive
21 environment of the annual enrollment period is clear evidence of the price benefit
22 customers receive from the NCGP. Over the 18-year history of the NCGP, as many as

1 five suppliers have competed during a two-week period annually to supply natural gas to
2 residential, commercial and industrial customers in Nebraska.

3 ACE is also charged with the role of advocacy for natural gas customers and municipal
4 members, keeping members informed of issues which may affect their reliable and
5 economic delivery of natural gas, and providing a collective voice to express those utility
6 concerns as appropriate.

7 Founding members of ACE also expressed the desire to keep revenues derived from the
8 sale of natural gas at work in their communities. To date, ACE has returned more than
9 \$1.4 million to its municipal members and has funded a variety of projects including park
10 improvements, playground equipment, score boards, public transportation, recreational
11 trails, community infrastructure, holiday lighting and a variety of youth programs.

12 **IV. IMPACT OF TRANSACTION ON ACE**

13 **Q. HAVE YOU REVIEWED BLACK HILLS' PROPOSED COST OF SERVICE GAS**
14 **(COSG) PROGRAM, AND HAVE YOU FORMED AN OPINION?**

15 A. Yes. In my opinion, implementation of this program has the potential of imposing
16 substantially higher rates on ratepayers, who may bear the risk of Black Hills' gas
17 production costs above and beyond commodity market rates. While acquisition costs may
18 be relatively low in the currently depressed natural gas environment, production costs
19 appear to remain higher than for gas that could be procured on the competitive market.

20 The testimony of T. Aaron Carr in this docket provides an economic evaluation model of
21 the COSG Program which is based on a hypothetical program. Based on historical and
22 market data, information obtained from Black Hills Exploration and Production (BHEP)
23 and other sources, and estimated costs and projections derived from various assumptions,

1 Black hills generated an economic model to calculate the net present value (“NPV”) of
2 the production costs of the COSG Program compared to the NPV of market gas
3 purchases for the same volumes over the same period. While actual costs cannot be
4 modeled until an acquisition is made, the hypothetical model is based on BHEP’s own
5 data and indicates COSGCO’s price calculation per MMBTU is higher than the Natural
6 Gas Market Price Forecast per MMBTU for years 2016 through 2018 and would result in
7 a “Hedge Cost” to customers for those years. Years 2019 through 2025 show a projected
8 “Hedge Credit” to customers¹, but that projection is predicated on a natural gas market
9 price forecast that nearly doubles in 10 years which is subject to wide and varied opinions
10 based on future unknown factors, including the growth of domestic production,
11 transportation and storage infrastructure, and future demand.

12 The structure of the proposed COSG program puts the vast majority of price risk squarely
13 on the backs of ratepayers and very little on shareholders who will have a guaranteed
14 return on equity.

15 **Q. WHAT CONCERNS DO YOU HAVE ABOUT THE LONG-TERM NATURE OF**
16 **THE COSG PROGRAM?**

17 A. As a supplier and advocate for customers in the SourceGas Nebraska Choice Gas
18 Program, ACE is highly aware of the high cost to ratepayers on the SourceGas
19 Distribution System in Nebraska from the obligation to purchase gas from the Bowdoin
20 Field, under the case known as P-0802. Over the course of 43 years, gas from that
21 transaction has cost Nebraska ratepayers in excess of \$90 million² over the market price.

¹ Exhibit AC-2 COSG Model Docket NG-0086. Nebraska Public Service Commission.

² As reported by SourceGas at the planning conference for NG-0088 before Commissioner Jerry Vap on Feb. 4, 2016.

1 SourceGas is currently seeking approval for a buyout of the P-0802 gas supply
2 agreement. If approved, exiting that agreement will cost Nebraska ratepayers an
3 additional \$6.3 million. Although there are significant differences between P-0802 and
4 NG-0086, exit from any long-term agreement such as the purchase of reserves is lengthy
5 and substantial costs will be incurred during the transition out if it is determined at a
6 future date not to be in the ratepayers' best interest.

7 **Q. IN YOUR OPINION, WILL THE TRANSACTION ADVERSELY IMPACT ACE**
8 **OR ITS CUSTOMERS?**

9 A. Although there would be no immediate impact to ACE or its customers from approval of
10 this application, there is a concern that this transaction is a stepping stone for subsequent
11 actions which could significantly impact the continuation of the Nebraska Choice Gas
12 Program and cause harm to ACE, its municipal members and its customers. Statements
13 made in BKH Analyst Day materials and other materials available through Black Hills
14 Investor Relations indicate Black Hills' future intent to expand the program to current
15 SourceGas territories. Furthermore, as stated in BHUH response to Request No. ACE-8
16 of Docket No. NG-0084, BHUH will not include a Choice Gas Program in conjunction
17 with its proposed COSG program, if approved. I believe it is reasonable to assume that
18 BHUH does not view the two programs as able to co-exist.

19 **Q. WHAT IS YOUR RECOMMENDATION?**

20 A. My recommendation is that the Commission suspend this application until such time as
21 BHUH has been able to make a thorough analysis of combined operations of its existing
22 and acquired properties in order to compare and contrast the benefits and risks to
23 ratepayers of the proposed COSG program vs. expansion of the Nebraska Choice Gas

1 Program into existing BHUH service territories. At a minimum, at least one year of
2 Choice Gas Program data should be evaluated by BHUH after the pending acquisition is
3 approved before determining which program could provide the most benefit to
4 ratepayers.

5 **Q. DOES THAT CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

6 A. Yes, thank you.

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NEBRASKA GAS UTILITY)
COMPANY, LLC, D/B/A BLACK)
HILLS ENERGY, FOR APPROVAL) DOCKET NO. NG-0086
OF ITS COST OF SERVICE GAS)
HEDGE AGREEMENT WITH BLACK)
HILLS UTILITY HOLDINGS, INC.)

STATE OF NEBRASKA)
)
COUNTY OF LANCASTER) Affidavit Adopting
) Direct Testimony

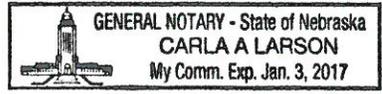
Beth Ackland being first duly sworn on oath, states that she is the Beth Ackland whose Direct Testimony in the above-captioned proceeding accompanies this Affidavit.

Beth Ackland further states that such Direct Testimony is a true and accurate statement of her answers to the questions contained therein, and that she does adopt those answers as her sworn Testimony in this proceeding.

Beth Ackland
Beth Ackland

On this 11th day of February, 2016, before me, the undersigned, a Notary Public commissioned and qualified for in said County, personally came Beth Ackland, to me known to be the identical person whose name is affixed to the foregoing Testimony and acknowledged the execution thereof to be her voluntary act and deed.

WITNESS my hand and Notary Seal the day and year last above written.



Carla A. Larson
Notary Public
My Commission Expires: 1-3-2017

CERTIFICATE OF SERVICE

On this 12th day of February, 2016, a true and correct copy of the foregoing Testimony was mailed by electronic mail and United States Mail, First Class, postage prepaid to:

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