

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Black Hills/Kansas Gas Utility)
Company, LLC, d/b/a Black Hills Energy ("Black)
Hills"), Compliance Filing of its Accelerated Pipe) Docket No. 18-BHCG-319-CPL
Replacement Plan Pursuant to the Commission)
Orders in Docket No. 15-GIMG-343-GIG)

COMPLIANCE FILING

In accordance with the memorandum filed by the Staff of the State Corporation Commission of the State of Kansas ("Commission") on December 19, 2018, in Docket No. 15-GIMG-343-GIG, Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills"), submits this report detailing progress made in the preceding year.

I. BACKGROUND

On April 23, 2018, Black Hills filed in this docket its *Final Accelerated Pipe Replacement Plan* ("Plan") setting forth (1) a seven-year Phase 1 plan to eliminate all bare steel mains, bare steel service lines, and bare steel yard lines in Class 3/urban locations and a ten-year Phase 2 plan to eliminate all remaining obsolete pipe in Kansas; (2) a plan for increased leak detection of obsolete plastic pipe; and (3) an annual lost and unaccounted for gas ("L&U") report for cities having over 10,000 customers.

On December 19, 2018, Staff filed a memorandum in Docket No. 15-GIMG-343-GIG recommending future actions to monitor the utilities' plans, including a requirement for the utilities to file an annual report by March 31 detailing progress made in the preceding year, explaining any deviation from the preceding year's projections, any deviation from initial projections, and revising remaining plan projections. Staff also recommended that utilities include in annual reports an update of parameters similar to those listed in Tables LMH-1 and LMH-2 that were included in the body of Staff's memorandum.

Black Hills meets quarterly with Staff and the Citizens Utility Ratepayer Board and Black Hills typically provides updates on the Plan. Although the Commission has not yet issued an order on the Staff's recommendation, Black Hills and Staff have agreed that Black Hills will file its annual report by April 5, 2019.

II. L&U FILING

Black Hills' Plan includes a requirement to file an annual report of L&U for communities of 10,000 or more customers. This will include the communities of Lawrence, Wichita, and Garden City. Black Hills has discussed with Staff that it will file the L&U report following the receipt of March data, which is at the end of April. Accordingly, Black Hills will file the L&U report by May 17, 2019.

III. LEAK SURVEYS

The Staff Memorandum recommended that utilities increase the frequency of **all** plastic pipe to once every three (3) years. As stated in Black Hills' comments to the Staff Memorandum, filed on January 15, 2019, Black Hills currently has a process pursuant to which it surveys its obsolete piping at least once every three (3) years and all other plastic piping at least once every five (5) years. In discussions with Staff, they agreed that Black Hills' process meets the intended safety requirements and that Staff had no objection to Black Hills continuing to survey other-than-obsolete piping once every five (5) years.

IV. REPORTING PLASTIC PIPE FAILURES

The Staff Memorandum recommended that utilities report plastic pipe failures (leaks) according to the American Gas Association Plastic Pipe Database Committee ("AGA PPDC") Plastic Pipe Failure Report. Black Hills is a member of the AGA PPDC and reports accordingly. Black Hills had zero plastic pipe failures in 2018.

V. ANNUAL COMPLIANCE UPDATE

Black Hills began implementing its Accelerated Replacement Program in July of 2018. As previously stated, the Plan included two phases. The seven-year Phase 1 included the replacement of 22,217 bare steel yard lines, 6,725 bare steel service lines and 139 miles of bare steel main lines in Class 3 or urban areas with a total estimated cost of \$79,016,987.

The table below provide updates to the Plan showing revisions to the Plan and progress made during 2018.

TABLE 1

	BHE Final Plan	BHE Adjusted Plan*	2018 Activity	Current BHE ARP Status
Number of Urban Areas	65	65	65	65
Miles of Bare Steel Main	139	146	20	126
Planned (Avg Miles/Year) Replacement Rate	20	21		21
Number of Bare Steel Service Lines & Yard Lines	28,942	28,942	1,654	27,288
Planned Service & Yard (Avg Line/Year) Replacement Rate	4,134	4,134		4,548
Years to Completion Phase 1	7 Years	7 Years	1 Year	6 Years
Underground leaks per 100 mile obsolete pipeline	17.2	17.2	11.9	
Total Project Cost	\$79M	\$89M	\$7.5M**	\$81.5M
Main Replacement (7 Yr Avg \$/Mile)	\$211,811	\$212,520	\$212,520**	\$212,520
Service Line Replacement (7 Yr Avg \$/Each)	\$1,784	\$2,000	\$2,000**	\$2,000

* The information in the column "BHE Adjusted Plan" reflects updated information provided in October 2018 in Data Request No. 12.

**These costs are estimates based on average costs.

VI. SAFETY MANAGEMENT SYSTEM

Black Hills completed a gap assessment in 2018 to evaluate current pipeline safety practices against the requirements of API Recommended Practice 1173. The gap assessment consisted of one-on-one interviews with seventy-five key stakeholders at Black Hills Energy, including the CEO and executive management team, which expressed strong support for implementation of a pipeline safety management system. The Pipeline Safety Management System Planning Tool (seventy-one questions) was utilized to interview a total of fifty-seven of the key stakeholders including directors of operations, a sampling of operations managers and supervisors, and included twenty program managers (e.g., TIMP, DIMP, damage prevention, drug & alcohol, etc.). While the gap assessment confirmed a strong safety culture and many well established practices and procedures that contribute to pipeline safety at Black Hills, it also revealed opportunities for improvement. A Pipeline Safety Management Steering Committee was formed in 2019 with the mission to prioritize and launch initiatives to enhance pipeline safety in accordance with API RP 1173.

WHEREFORE, Black Hills submits this annual compliance report as requested by the Commission in the 343 Docket.



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VERIFICATION

STATE OF NEBRASKA)
)ss:
COUNTY OF SARPY)

Dari Dornan, of lawful age, being first duly sworn on oath, states:

That she is an attorney for Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills"), named in the foregoing Compliance Filing, and is duly authorized to make this affidavit; that she has read the foregoing Compliance Filing, and knows the contents thereof; and that the facts set forth therein are true and correct to the best of her knowledge, information and belief.



Dari Dornan

SUBSCRIBED AND SWORN to before me this 5th day of April, 2019.



Notary Public

Appointment/Commission Expires:



CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent electronically, this 5th day of April, 2019, addressed to:

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Dari Dornan