

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE JOINT )  
APPLICATION OF CHEYENNE LIGHT, FUEL )  
AND POWER COMPANY, BLACK HILLS )  
ENERGY, A DIVISION OF CHEYENNE )  
LIGHT, FUEL AND POWER COMPANY, )  
BLACK HILLS NORTHWEST WYOMING )  
GAS UTILITY COMPANY, LLC, BLACK )  
HILLS GAS DISTRIBUTION, LLC AND )  
BLACK HILLS WYOMING GAS, LLC FOR )  
APPROVAL OF A PROPOSED MERGER AND )  
REORGANIZATION OF PUBLIC UTILITIES )  
AND RELATED TRANSFERS OF ASSETS, )  
LIABILITIES AND CERTIFICATES OF )  
PUBLIC CONVENIENCE AND NECESSITY )

Docket No. 30003-81-GA-19  
Docket No. 30005-244-GA-19  
Docket No. 30011-101-GA-19  
Docket No. 30022-329-GA-19  
Docket No. 30026-1-GA-19

(Record No. 15218)

ORDER  
(Issued July 16, 2019)

This matter is before the Wyoming Public Service Commission (Commission) upon the Joint Application of Cheyenne, Light, Fuel and Power Company (CLFP); Black Hills Energy, a Division of Cheyenne Light, Fuel and Power Company (NEWY); Black Hills Northwest Wyoming Gas Utility Company, LLC (NWWY); Black Hills Gas Distribution, LLC (BHGD); and Black Hills Wyoming Gas, LLC (BHWG) (collectively Applicants) for approval of a reorganization and merger of public utilities, as more fully described below.

1. CLFP, NEWY, NWWY and BHGD are public utilities as defined by Wyo. Stat. § 37-1-101(a)(vi)(D), subject to the Commission's jurisdiction pursuant to Wyo. Stat. § 37-2-112.
2. On March 6, 2019, the Applicants filed a Joint Application requesting Commission approval of a merger and reorganization of public utilities and related transfers of assets, liabilities, and certificates of public convenience and necessity.
3. On March 19, 2019, the Commission issued its *Notice of Application*. The protest deadline expired on April 19, 2019, without any comment, protest or intervention.
4. On May 24, 2019, the Applicants filed a *Petition for Confidential Treatment* for certain responses to Commission Investigative Requests (CIRs) in this matter. The Applicants requested that the record include all responses to CIRs in this matter.
5. On June 5, 2019, the Applicants filed a letter requesting Commission authorization of the outstanding securities identified in the securities test conducted by Commission Staff for BHWG. The Applicants affirmed the sum of the assumed equity and debt-related securities is \$282,734,002, which does not exceed the \$365,409,046 fair value of the utility. Based on the identified securities outstanding as of December 31, 2018, the proposed capital structure will be 49.7% debt and 50.3% equity.

6. As part of the proposed reorganization, BHWG will have new debt and equity securities outstanding that fall under Wyo. Stat. §§ 37-6-101 through 106 and Commission Rule Chapter 3, Section 21(g). Pursuant to W. S. 8, 3 7-6-102 a "Securities Test" is applied to all securities with an initial term of greater 18 months having an ownership claim or debt obligation assigned or allocated to BHWG.

7. The Applicants explained the intent of the proposed reorganization is to simplify the complex corporate structure of Black Hills Corporation's (BHC) Wyoming gas utility companies by reducing the number from four to one. The Applicants assert the proposed reorganization is internal within BHC that will result in neither a change of control, nor changes in rates, terms or conditions under CLFP, NEWY, NWWY or BHGD tariffs. Future proceedings before the Commission will determine any changes in rates, terms and conditions of the Applicants' tariffs.

8. Presently, BHGD has three divisions (Casper, Gillette and Torrington), which will be reorganized under a single entity, BHWG. The Applicants anticipate BHWG will describe its operations as the "Casper Division", the "Cheyenne Division", the "Cody Division", the "Gillette Division", the "Torrington Division," etc.; and all divisions will conduct business under the trade name of Black Hills Energy.

9. The Applicants state Cheyenne Light, Fuel and Power Company will continue to provide electric utility service, but will no longer provide natural gas service. The Applicants explained Cheyenne Division customers who receive both gas and electric service will continue to receive a consolidated Black Hills Energy bill.

10. Black Hills Service Company, LLC (BHSC), a wholly owned subsidiary of BHC, provides corporate services (*e.g.*, accounting, finance, human resources, legal services, etc.) to affiliated companies. The cost of the services is allocated through a service agreement. BHWG stated the methods it uses to allocate BHSC costs will not change as a result of the reorganization, and corporate overhead cost allocations will not increase as a result of the reorganization.

11. Expenses for reorganization shall not be included in the rate base of any Wyoming public utility pursuant to Wyo. Stat. § 37-1-105(b). According to the Applicants, there will be no new gain or loss, goodwill, acquisition premium, or acquisition adjustment recorded on the regulatory books of BHWG as a direct result of the reorganization or the proposed transactions. BHWG agrees not to seek recovery of any transaction costs associated with the reorganization in any future proceeding.

12. CLFP (gas and electric utilities) currently has an indenture of \$202 million. BHWG will assume \$41.814 million or approximately 20.7% of the total \$202 million with the other 79.3% remaining the responsibility of CLFP electric.

13. The Applicants state BHWG is fit, willing, and able in terms of experience, management, resources, financial strength, and otherwise to operate and maintain the utility properties and to continue to perform the services authorized by the certificates of public convenience and necessity issued to CLFP, NEWY, NWWY, and BHGD.

14. Upon receipt of Commission approval and the consummation of the reorganization and above-described transactions, BHWG will assume ownership and control of the natural gas



assets and operations of CLFP, NEWY, NWWY, and BHGD. BHWG will continue to abide by all applicable rate case, ring-fencing, and other Commission orders in effect for the business operations of CLFP, NEWY, NWWY, and BHGD.

15. The Applicants proposed applying the following ring-fencing provision to BHWG:

BHWG will have ring-fencing protections from Black Hills Corporation's non-utility, unregulated holdings and investments, independent power production, coal mining and oil and gas exploration, which includes no economic support, credit, or pledging for non-utility affiliates. Further:

- A. The holding company structure provides insulation from the activities of Black Hills' non-regulated subsidiaries including the independent power production, coal mining and the oil and gas segment of Black Hills.
- B. Separate money pool agreements for utility and non-utility subsidiaries will be maintained.
- C. Affiliated transactions will be conducted as authorized by the Commission, in the ordinary course of business, and/or in accordance with Commission rules and requirements.
- D. Neither BH Wyoming Gas nor its assets will serve as collateral against any Black Hills Corporation debt that supports operations outside of BH Wyoming Gas.

16. The following Black Hills Energy gas utility dockets are pending Commission action:

*CLFP*

- Docket No. 30005-241-GR-18 (Record No. 15175), filed 12-27-18
  - IN THE MATTER OF THE APPLICATION OF CHEYENNE LIGHT, FUEL AND POWER d/b/a BLACK HILLS ENERGY, FOR APPROVAL OF ITS TAX CUT AND JOBS ACT OF 2017 PROPOSAL

*NEWY*

- Docket No. 30003-78-GK-18 (Record No. 15069), filed 8-1-2018
  - IN THE MATTER OF THE CONTRACT FILING OF BLACK HILLS ENERGY, A DIVISION OF CHEYENNE LIGHT, FUEL AND POWER COMPANY, OF ITS GAS PURCHASE CONTRACTS FOR THE YEAR ENDING MAY 31, 2019
- Docket No. 30003-79-GR-18 (Record No. 15176), filed 12-27-2018
  - IN THE MATTER OF THE APPLICATION OF BLACK HILLS ENERGY, A DIVISION OF CHEYENNE LIGHT, FUEL AND POWER COMPANY d/b/a BLACK HILLS ENERGY FOR APPROVAL OF ITS TAX PLAN ACCOUNTING FOR THE EFFECT OF THE TAX CUTS AND JOBS ACT OF 2017

*BHGD*

- Docket No. 30022-324-GR-18 (Record No. 15174), filed 12-27-18
  - IN THE MATTER OF THE APPLICATION OF BLACK HILLS GAS DISTRIBUTION LLC d/b/a BLACK HILLS ENERGY, FOR APPROVAL OF ITS TAX CUTS AND JOBS ACT CREDIT PROPOSAL ACCOUNTING FOR THE EFFECT OF THE TAX CUTS AND JOBS ACT OF 2017
- Docket No. 30022-325-GA-19 (Record No. 15193), filed 1-29-19
  - IN THE MATTER OF BLACK HILLS GAS DISTRIBUTION LLC d/b/a BLACK HILLS ENERGY REPORT OF DISPOSITION OF UTILITY PLANT OR FACILITIES PURSUANT TO COMMISSION RULE CHAPTER 3, SECTION 21(e)(i)(C)
- Docket No. 30022-331-GA-19 (Record No. 15231), filed 4-1-19
  - IN THE MATTER OF THE APPLICATION OF BLACK HILLS GAS DISTRIBUTION, LLC d/b/a BLACK HILLS ENERGY FOR AN ORDER AUTHORIZING THE SALE OF A GAS PIPELINE AND RELATED FACILITIES IN CONVERSE AND NATRONA COUNTIES

17. Applicants acknowledge that if the Commission approves the proposed consolidation, the “legacy” utilities will no longer exist. BHWG recognizes that any Commission decisions in the pending dockets listed in Paragraph 15 will be binding on the new, consolidated utility.

18. Applicants state the current Choice Gas Program will remain in place for all customers currently eligible to participate. BHWG plans to propose in its next rate case to make the program available to NEWY’s customers, as those customers will become part of the Gillette Division in 2021. Options for expanding the program to its Cheyenne and Cody Divisions are under evaluation and there is no current plan to propose such expansion in the next rate review. The Applicants state the expenses associated with Choice Gas will apply only to customers in the service territories where the program is in effect..

19. The Joint Application came before the Commission pursuant to due notice at its Open Meeting on June 13, 2019. Todd Brink, Jana Smoot White, Associate General Counsel, and James Elliott, Manager Regulatory and Finance, appeared in person for Applicants. Jerrad Hammer, Director-Regulatory, and Christianne Curran, Assistant Treasurer, appeared by telephone for Applicants. Mr. Brink provided a summary of the Joint Application, generally describing the information provided in paragraphs 5 and 17 above. Commission Staff recommended approval of the Joint Application by Order.

20. Based upon the Joint Application, the Applicants representations, and the analysis and recommendations of Commission Staff, the Commission finds that the Joint Application requesting approval of a reorganization and merger of CLFP, NEWY, NWWY, and BHGD, should be approved, effective immediately.

IT IS THEREFORE ORDERED:

1. Pursuant to Open Meeting action taken on June 13, 2019, the Joint Application of Cheyenne Light, Fuel and Power Company; Black Hills Energy, a Division of Cheyenne Light,

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Fuel and Power Company; Black Hills Northwest Wyoming Gas Utility Company, LLC; Black Hills Gas Distribution, LLC; and Black Hills Wyoming Gas, LLC, is approved.

2. BHWG shall update its certificated area in Wyoming and provided status updates of its progress verifying its certificated area to the Commission every six months, commencing on January 1, 2020. After completion of verifying its certificated area, BHWG shall file an application for Commission approval of the certificated area.

3. BHWG will be bound by the Commission's decisions in the pending dockets addressed in paragraphs 15 and 16 herein.

4. BHWG will comply with the ring fencing provisions as outlined in paragraphs 13 and 14 herein.

5. BHWG shall make a compliance filing with the Commission of all closing documents associated with the merger approved by this *Order*.

6. BHWG shall make a compliance filing with the Commission of all securities documents associated with the merger approved by this *Order*.

7. This *Order* is effective immediately.

MADE and ENTERED at Cheyenne, Wyoming, on July 16 2019.

PUBLIC SERVICE COMMISSION OF WYOMING



KARA B. FORNSTROM, Chairman



MARY A. THRONE, Deputy Chair



MICHAEL M. ROBINSON, Commissioner



  
JOHN S. BURBRIDGE, Assistant Secretary