

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF )  
THE SOUTH DAKOTA INTRASTATE )  
PIPELINE COMPANY FOR APPROVAL OF )  
INITIAL RATES AND TARIFFS. )

**STAFF'S REBUTTAL BRIEF**

(NG92-005)

INTRODUCTION

Staff's Initial Brief offered comment on three issues: 1) Depreciation, 2) Rate Design, and 3) Short-term Debt Interest which is not appropriately includable in the cost of service.

Staff's Initial Brief thoroughly covered the issues of depreciation and short-term debt interest as they were posed both in the hearing process and in South Dakota Intrastate Pipeline Company's (SDIPC's) Initial Brief. No additional comment is now necessary. It becomes obvious however, after reading Montana-Dakota Utilities Co.'s (MDU's) and SDIPC's Initial Briefs that there remains a number of unresolved issues with regard to rate design, further expansion, and various operations of the companies. Staff shall address these issues in this brief.

RATE DESIGN

MDU limited their initial brief to a discussion of SDIPC's minimum take proposal.

The briefs of SDIPC and MDU reveal disagreement regarding this issue. SDIPC states:

"...it would seem that the minimum take level requested by SDIP of 400,000 DK the first year and 800,000 DK the second year would be immanently reasonable and would not be an onerous burden upon the distributors..." (APPLICANT'S BRIEF, p. 6).

However, MDU argues:

"...a volume level for a minimum take obligation should be expressed as a percent of the total anticipated ultimate volumes of 1,673,369 dk projected by Montana-Dakota witness Miller for Years 10-20 of the pipeline project....the following levels should be set...:

Year 1--...167,337 dk

Year 2--...334,674 dk....". (INITIAL BRIEF of MDU, p. 2).

While MDU agrees that SDIPC's volume levels are appropriate for use in determining rates, MDU does not agree with them for purposes of establishing a minimum take provision.

Staff's Initial Brief concluded that the rate design issue would best be settled between the distribution and transmission companies, subject to Staff reviewal and Commission approval. It would seem obvious that both MDU and SDIPC would be interested in avoiding risk, and one way to avoid risk is to secure favorable rate

terms. Any reduction in risk to one company must then be borne by the other. Some sort of balance must be achieved if the project is to move forward.

Staff Witness Rislov testified at the December hearing that further hearings on rate design may be necessary. (TR 111, Lines 20-25). That option was not chosen by the Commission, but if the issue remains unclear, it could be again considered. Staff notes that beyond the cost rate there is uncertainty, that terms and conditions of service have not been discussed, and that further changes in the cost of service may have to be incorporated.

#### EXPANSION

Staff's cost of service determination was based upon the filing made by SDIPC in Docket NG92-002. NG92-002 was a siting proceeding which authorized SDIPC to construct facilities along a specified route. SDIPC at the Docket NG92-005 hearing proposed an expansion to the approved route, and incorporated their unexamined costs and revenues in a cost of service and rate presentation. Staff prepared a document which also incorporated those numbers, for illustrative purposes, but Staff did not recommend the Commission adopt the "updated" projections as the communities added have not been subject to the necessary siting examination. The Commission should be aware of this deficiency when making its decision.

#### OTHER CONSIDERATIONS

There is a lack of specificity with regard to numerous details of SDIPC's operation. Staff has not attempted to prepare an exhaustive list. Staff expects that it may be best to consider these issues as they appear. For example, there is no point-by-point determination of what circumstances would trigger a rate change request on the part of SDIPC, or a rate reviewal by the Commission. There has been no discussion of pipeline operational characteristics which may be subject to customer complaint and Commission oversight. Staff's point is that determination of cost of service and a resultant rate will not necessarily complete jurisdictional responsibilities. SDIPC should expect and stand ready to comply with further Commission directives if SDIPC chooses to go forward with this project.

Dated at Pierre, South Dakota, this 14<sup>TH</sup> day of January, 1993.

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| <p align="center"><b>CERTIFICATE OF SERVICE</b></p> <p>The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, either by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.</p> <p>By: <u>[Signature]</u></p> <p>Date: <u>January 14, 1993</u></p> <p align="center">(OFFICIAL SEAL)</p> |
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[Signature]  
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