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JAN 19 1993

January 15, 1993

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

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10:07

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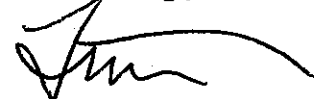
Gus Jacob
Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

RE: SDIP - Docket NG92-005
Applicant's Reply Brief

Gentlemen:

In reviewing SDIP's Reply Brief this morning, I note that there is an error on page 4, line 11, which reads, "transport the gas from Brown County to its Hughes County terminus." Line 11 should read, "transport the gas from Edmunds County to its Hughes County terminus."

Sincerely,



JAMES ROBBENOLT
Attorney at Law

JR/jml

cc: Walter Woods
Terry Szklarski

**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

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January 14, 1993

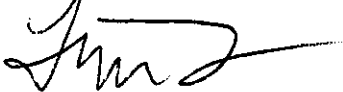
Gus Jacob
Public Utilities Commission
500 N. Capitol
Pierre, SD 57501

RE: SDIP - Docket NG92-005

Dear Gus:

Enclosed please find an original and 11 copies of Applicant's Reply Brief and Certificate of Service in the above matter for your files.

Sincerely,



JAMES ROBBENNOLT
Attorney at Law

JR/jml

Enclosures

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UNITED STATES OF AMERICA
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION) DOCKET NO: NG92-005
OF THE SOUTH DAKOTA INTRASTATE)
PIPELINE COMPANY FOR APPROVAL) CERTIFICATE OF SERVICE
OF INITIAL RATES AND TARIFFS.)

The undersigned hereby certifies that on the 14th day of January, 1993, he mailed a true and correct copy of the Applicant's Reply Brief to the following named persons at their last known post office addresses as follows:

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and that said mailing was by US mail, first class with postage thereon prepaid and mailed at the US Post Office in Pierre, South Dakota.



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