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SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

March 31, 2000

William Bullard, Jr.  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol  
Pierre, SD 57501

Re: AMPIP Intrastate Natural Gas Transportation Rate Filing  
Docket No. NG97-015

Dear Mr. Bullard:

Enclosed is an original (loose-leaf) and fourteen conformed copies (twelve bound and two loose-leaf) of a rate application to affirm the AMPIP intrastate natural gas transportation rate. If you need additional copies or have any questions on the filing, please contact me. My telephone number is 612-330-7816.

*fax # 612-330-7601*

Sincerely,

*James A. Smith*

James A. Smith  
NSP Sr. Regulatory Consultant, on behalf of  
AMPI Pipeline, Inc.

NG00-004

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SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

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**Associated Milk Producers, Inc. Pipeline, Inc.**

**Before the  
South Dakota Public Utilities Commission**

**Application to Continue Intrastate Natural Gas  
Transportation Rate and Eliminate Refund  
Condition**

**Docket No. NG97-015**

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**April 2000**

April 3, 2000

William Bullard, Jr.  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol  
Pierre, SD 57501

Re: SDPUC Docket No. NG97-015  
Application to Continue Approved Transportation Rate for Associated Milk Producers,  
Inc. Pipeline

Dear Mr. Bullard:

Pursuant to South Dakota Public Utilities Commission ("SDPUC" or "Commission") Order in Docket No. NG97-015 dated June 2, 1998, and South Dakota Statute 49-34A-10 and the Rules and Regulations of the SDPUC, Chapter 20:10:13, Public Utility Rate Filing Rules, Associated Milk Producers, Incorporated, Pipeline Incorporated. ("AMPIP"), a subsidiary of Associated Milk Producers, Inc. ("AMPI"), hereby submits for filing this application to continue its approved natural gas transportation service rate subject to the Commission's jurisdiction.

The intent of the filing is to: (1) seek Commission authorization to continue to provide service at the rate approved in Docket No. NG97-15; (2) remove the potential refund obligation currently tied to the existing rate; and (3) to conclude matters under this docket. Earlier proceedings in Docket No. NG97-015 allowed AMPIP to serve both AMPI and the new municipal gas utility owned and operated by the City of Freeman, South Dakota ("Freeman") at a transportation rate which commenced October 8, 1997, subject to refund. The Commission was granted jurisdiction over AMPIP's rates and tariffs pursuant to SDCL 49-34A-1, Subd. 9A.

Pursuant to South Dakota Administrative Rules Section 20:10:13:26, AMPIP provides the following information:

**(1) Name, Address, and Telephone Number of Pipeline**

Associated Milk Producers, Incorporated, Pipeline, Inc.  
136 East Railway  
P. O. Box 430  
Freeman, South Dakota 57109  
(605) 925-4234

## **(2) Tariff or Tariff Sheets Affected**

The Commission approved AMPIP's initial Intrastate Natural Gas Transportation Service Tariff, SDPUC No. 1 ("Tariff"), in Docket NG95-017. Modifications to the Tariff were approved in Docket No. NG97-015. Within the approved tariff, the rate sheet is known as Schedule FT (Firm Transportation Service). The FT sheet is Sheet No. 16 in the Tariff.

AMPIP is not proposing herein to change the existing transportation rate or the Transportation Service Tariff. The previously approved Tariff conforms with the Commission Rules 20:10:13:02 through 20:10:13:14, with the exception of Rules 20:10:13:04 and 20:10:13:05, and provides for continuation of a volumetric transportation service rate. AMPIP respectfully seeks waiver of Rules 20:10:13:04 and 20:10:13:05. This request is addressed more fully in Section 12 of this document.

No other type of service or rate will be offered on the pipeline at this time. In the future, AMPIP may add additional farm tap customers along the line, under the same rate schedule. If needed, AMPIP will file additional rates and tariffs at a later time to meet the needs of additional customers.

## **(3) Description of Filing**

### **Background**

AMPI is a national milk producing cooperative operating in twenty states. AMPI's corporate headquarters are located in New Ulm, Minnesota. AMPI has one facility located in the State of South Dakota, in Freeman. Prior to the installation of AMPIP, production costs at this Freeman facility were substantially higher than at any other AMPI plant. This was due in large part to the fact that the Freeman AMPI plant was the only AMPI site without natural gas service. AMPI studied the feasibility of providing natural gas to the plant located in Freeman and found that the most economical way to do this was to establish a direct connection to the Northern Natural Gas Company interstate pipeline system near Marion, SD. However, because of certain FERC regulatory requirements, and to provide future flexibility, AMPI created AMPIP as a subsidiary of AMPI to own and operate the intrastate natural gas pipeline subject to the Commission's rate and tariff jurisdiction. In November 1995, AMPIP filed an application with the Commission to establish initial transportation rates for the pipeline. That application was docketed as Docket NG95-017.

Early in 1997, the City of Freeman elected to create a municipal gas distribution utility. AMPIP then filed an application with the Commission in Docket No. NG97-015, requesting a revision to its natural gas transportation rate and tariff so it could serve both AMPI and the new Freeman municipal gas utility. The Commission allowed the revised transportation rate to go into effect on October 5, 1997, subject to refund.

Service to Freeman commenced on October 8, 1997. The Commission issued an Order ("Order") on June 2, 1998, allowing the filed transportation rate of \$0.99 per Mcf to continue in effect until September 1, 2000, subject to refund. The Commission's Order also required AMPIP to submit certain financial information justifying a continuation of the existing rate or an application for a change in the intrastate natural gas transportation rate by March 1, 2000. The Commission granted AMPIP an extension until April 1, 2000, in which to file its compliance filing regarding its prospective intrastate natural gas transportation rate.

### **No Change in the Existing Rate**

AMPIP proposes to continue the existing volumetric FT rate approved in the Order, reflecting the underlying cost data pertinent to the pipeline configured to serve Freeman and the AMPI plant. After two full years of providing transportation service to the City, AMPIP finds that the anticipated market is developing at a slower pace than originally projected. Certain customer conversions to natural gas have yet to be achieved and other customers, although connected, usage patterns have been sketchy because of three consecutive warmer-than-normal winters.

AMPIP's testimony demonstrates that for the first two fiscal years, through 1999, AMPIP has not recovered its cost of service, although it recognizes that any undercollections are at the risk of AMPIP. The refund obligation on the existing rate should therefore be terminated. Testimony will also show that AMPIP should be granted rate relief in order to recover its cost of service. AMPIP is willing to wait, however, and continue to provide transportation services at the current rate of \$0.99 per Mcf, thus allowing additional time for the City of Freeman's retail markets to develop.

#### **(4) Reason for Not Changing the Rate**

No change to the existing rate is proposed by AMPIP at this time. AMPIP proposes to continue the existing volumetric rate per Mcf. A volumetric rate allows greater flexibility to both AMPIP and Freeman as customers are added within the municipality and volumes change over time. It also sends pricing signals to Freeman and AMPI related to their utilization of the pipeline facility. During periods of low use, customer bills will reflect that lower seasonal use, and vice versa.

#### **(5) Present Rate**

The present rate charged for transportation services on AMPIP pipeline is \$0.99 per Mcf, subject to refund.

#### **(6) Proposed Rate**

The proposed rate is a continuation of the existing rate at \$0.99 per Mcf without an obligation to refund prior or future collections.

The proposed volumetric rate as accepted and agreed to by AMPIP's parent company, AMPI, and the City of Freeman is the existing rate of \$0.99 per Mcf. In the initial phase of the proceedings at Docket No. NG97-015, Freeman's Mayor Michael Schultz submitted a statement of concurrence indicating Freeman's acceptance of the \$.99/Mcf transportation rate. A copy of that letter is again submitted as Exhibit 3.

**(7) Proposed Effective Date of the Rate**

Not applicable. AMPIP is not proposing any change to the approved FT rate or the Tariff. AMPIP requests the Commission allow the approved rate to be effective as a permanent rate until changed by subsequent application by AMPIP to the SDPUC to amend the rate in effect.

AMPIP further requests that the Commission find that AMPIP, having not recovered its cost of providing transportation services to AMPI and the City of Freeman since the volumetric transportation rate of \$0.99 per Mcf was allowed to go into effect on October 5, 1997, subject to refund, is not obligated to refund any past collections made under the rate from the time of inception through March 31, 2000.

AMPIP respectfully requests the Commission find that all proceedings under Docket No. NG97-015 should be concluded, and close the docket.

**(8) Approximation of the Annual Revenue Effect**

The proposed volumetric gas transportation rate, \$0.99/Mcf, applied to the estimated volume of 190,215 Mcf, would produce annual revenues of \$188,312. This amount is \$8,512 less than the levelized annual revenue requirement as determined by Mr. Smith on Schedule 3, Page 2 of 3, in Exhibit 2.

**(9) Points Affected**

Pipeline deliveries will be made to the Freeman town border station ("TBS"). It is the only delivery point affected.

**(10) Estimated Number of Customers Affected**

Two customers, the City of Freeman, SD, and AMPIP's parent company AMPI are affected by the filing. AMPI remains a customer of the AMPIP pipeline at the same rate, terms, and conditions as Freeman. The AMPI plant is also a retail transportation customer of the City utility for distribution service. Following approval, AMPI and the City will continue to share AMPIP's cost based on their respective annual usage levels.

**(11) Statement of Facts, Opinions, Documents and Exhibits to Support the Rate**

Pursuant to Rule 20:10:13:39 (Subp. 1), AMPIP submits the following exhibits in support of this filing:

- |           |   |
|-----------|---|
| Exhibit 1 | Testimony of Mr. Harlan Mammen, President of AMPIP  |
| Exhibit 2 | Testimony of Mr. James A. Smith; Cost of Service and Pipeline Rate (Pursuant to Rule 20:10:13:96) |
| Exhibit 3 | Statement of Concurrence, Hon. Michael Schultz, Mayor of Freeman, SD                              |
| Exhibit 4 | Statements Required by Chapter 20:10:13   |

**(12) Request Waiver of Rules 20:10:13:04 and 20:10:13:05 - Arrangement of Tariff Schedules and Form of Tariff Schedules Rules, Respectively**

Pursuant to Rule 20:10:13:08, AMPIP respectfully requests waiver of the Commission's tariff schedule arrangement and form of tariff rules (20:10:13:04 and 20:10:13:05) to the extent necessary to approve this filing. AMPIP is not proposing to change the existing FT transportation rate or any of the conditions of providing service under the term and conditions of its transportation Tariff. The rules require various detailed administrative requirements for tariff changes which are burdensome for AMPIP since it serves only two customers and has annual revenues of less than \$200,000. Mr. Mammen's testimony states AMPIP's desire not to implement a rate change at this time. The existing rate has previously been accepted by AMPIP's two customers. Thus, the public interest will not be adversely affected by granting such a waiver.

AMPIP also requests waiver of any other Commission rules necessary to allow continuation of the currently effective FT rate.

**(13) Listing of Parties, Contacts, Legal Representatives, etc.**

Mr. Harlan Mammen  
Associated Milk Producers, Inc.  
315 North Broadway  
New Ulm, MN 56073

Mr. James A. Smith  
Northern States Power Company  
414 Nicollet Mall  
Regulatory Services GO-4  
Minneapolis, MN 55401



**(14) Notice; Posting; Public Inspection**

Pursuant to Rule 20:10:13:17, a copy of this filing is available for public inspection at the AMPIP office located at 136 East Railway, Freeman, SD 57039. Also, pursuant to rule 20:10:13:17, AMPIP is providing written notice of this filing to the City of Freeman, SD by sending a copy to:

Mr. Dale Strasser,  
City Attorney,  
P.O. Box 428,  
Freeman, SD 57029.

Pursuant to Rule 20:10:13:18, a copy of the written notice is posted at AMPIP's offices at 136 East Railway, Freeman, SD.

**(15) Conclusion**

AMPIP respectfully requests that the Commission allow the continued effectiveness of the existing AMPIP FT transportation rate, and determine that all collections by AMPIP under such rate since October 5, 1997, to be without an obligation to refund any part thereof.

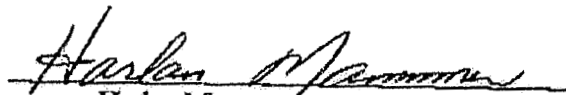
Since AMPIP is not proposing to change the previously approved FT rate, and the City concurred to that rate, AMPIP respectfully requests the Commission issue an order without evidentiary hearings.

Dated: April 3, 2000

Respectfully submitted,

ASSOCIATED MILK PRODUCERS, INC. PIPELINE, INC.

By:



Harlan Mammen  
President  
(507) 354-8295

Direct Testimony  
Mr. Harlan Mammen

Before the South Dakota Public Utilities Commission

In the Matter of the Application to Continue Approved Transportation Rate for  
Associated Milk Producers, Inc. Pipeline, Inc.

Docket No. NG 97-015  
Exhibit No. 1

April 2000

**Mr. Harlan Mammen**  
**Project Support**  
**Docket No. 97-015**

1 Q. Please state your name, business address and position with Associated Milk Producers  
2 Inc. Pipeline, Inc.

3 A. My name is Harlan Mammen. I am the President of AMPI Pipeline Inc. ("AMPIP")  
4 which is an intrastate natural gas pipeline operated in McCook, Turner and Hutchinson  
5 counties in southeastern South Dakota. The AMPIP pipeline currently serves the  
6 Associated Milk Producers, Inc. ("AMPI") plant located in Freeman, South Dakota, and  
7 the City of Freeman ("City"), South Dakota municipal gas utility. AMPIP is a wholly-  
8 owned subsidiary of AMPI.

9 Q. Have you previously testified before the South Dakota Public Utilities Commission  
10 ("SDPUC" or "Commission")?

11 A. Yes. I have provided written testimony before the Commission in Docket Nos. NG95-  
12 017 and NG97-015. The initial transportation rates on the AMPIP pipeline for service to  
13 AMPI were established in Docket No. NG95-017. In Docket No. NG97-015, the initial  
14 volumetric firm transportation rate was implemented and the Commission authorized  
15 AMPIP to provide transportation services to the City of Freeman.

16 Q. What are your current responsibilities, and professional background?

17 A. As Assistant Manager of AMPI, my current responsibilities include direct responsibility  
18 for manufacturing operations at fourteen processing plants in five midwestern states,  
19 including the plant located in Freeman, South Dakota.

20 Q. What is the purpose of your testimony in this proceeding?

21 A. The purpose of my testimony is to explain AMPIP's rate policy in the context of this  
22 regulatory compliance rate matter.

**Mr. Harlan Mammen  
Project Support  
Docket No. 97-015**

1 Q. When was service initiated to the City of Freeman?

2 A. Transportation service to the City of Freeman commenced in October 1997 after the  
3 Commission allowed the proposed volumetric firm transportation ("FT") rate of  
4 \$0.99/Mcf to go into effect on October 5, 1997, subject to refund.

5 Q. What is the amount of the current transportation rate that is in effect?

6 A. The current transportation rate is \$0.99 per Mcf, authorized to remain in place until  
7 September 1, 2000, subject to refund.

8 Q. Is AMPIP proposing to change its transportation rate in this proceeding?

9 A. No. AMPIP is not requesting a change in the transportation rate. The cost of service  
10 testimony sponsored by Mr. James Smith shows that an increase in the rate is warranted.  
11 However, AMPIP is willing to continue providing transportation service at the current  
12 rate of \$0.99 per Mcf, thus allowing additional time for the City's commercial and  
13 residential gas markets to develop. In addition, however, AMPIP is asking the  
14 Commission to issue an order finding that AMPIP does not have an obligation to refund  
15 any part of amounts collected since October 5, 1997, while charging the authorized  
16 transportation rate of \$0.99 per Mcf. This Commission should then close Docket No.  
17 NG97-015.

18 Q. Has AMPIP fully recovered its cost of service during any fiscal period since the current  
19 transportation rate has been in effect?

20 A. No it has not. Mr. Smith addresses this subject in his testimony in support of his  
21 conclusion that a refund obligation for AMPIP should not be imposed. Mr. Smith's  
22 testimony will show that for the past two years transportation volumes on AMPIP's  
23 pipeline have been significantly less than earlier projections of AMPIP and the  
24 Commission Staff in Docket No. NG97-015. Because of the volumetric rate, AMPIP has  
25 not fully recovered its costs.

**Mr. Harlan Mammen**  
**Project Support**  
**Docket No. 97-015**

1 Q. What are some of the causes of lower transportation throughput volumes on the pipeline?

2 A. Speaking in generalities, some of the anticipated retail customer load in the City has yet  
3 to convert to natural gas. Other connected load may only be recent additions and  
4 adequate information about consumption patterns is still developing. In addition, many  
5 customers are temperature sensitive. Because of mild weather the past two heating  
6 seasons, gas consumption is less than expected. Mr. Smith prepared a revised estimate of  
7 throughput volumes to use as billing determinants to justify the unchanged transportation  
8 rate.

9 Q. Have any additional pipeline facilities been installed since transportation service to the  
10 City was initiated?

11 A. No new pipeline facilities have been installed since the initial construction. AMPIP sold  
12 a small portion of the original pipeline to the City to enable the City to establish its gas  
13 utility. The portion of the pipeline that was sold is inside the City boundaries and  
14 connects the AMPI plant to AMPIP. As a result, the AMPI plant is a retail customer of  
15 the City Utility. AMPIP sold the portion of pipe to the City for \$111,600, which was the  
16 net book value on AMPIP's books and records. I believe it was established in the earlier  
17 proceeding that the sale did not require the approval of the Commission because it  
18 involved less \$200,000 conforming to the requirements of SDPUC 49-34A-35. AMPIP  
19 contributes to recovery of the cost of the City system through the retail transportation rate  
20 paid to the City.

21 Q. Has the public interest been served because of wholesale natural gas transportation  
22 service provided to the City Municipal Utility by AMPIP?

23 A. I believe the public interest has been served. Natural gas service, including the cost of  
24 gas supply, has produced energy cost savings for AMPI compared to the cost of

**Mr. Harlan Mammen**  
**Project Support**  
**Docket No. 97-015**

1 alternative fuels. Moreover, retail customers of the City Utility presumably also have  
2 achieved energy cost savings by taking service through the pipeline and the City Utility.  
3 The City Utility and AMPI share the use of AMPIP, reducing the cost to AMPI and using  
4 the facilities more efficiently. AMPIP is willing to forego a rate increase at this time and  
5 allow the market additional time to develop. AMPIP views this arrangement as a  
6 significant economic development step for the City of Freeman and southeastern South  
7 Dakota.

8 Q. Does this conclude your testimony?

9 A. Yes.

AFFIDAVIT

STATE OF MINNESOTA )  
                                      )  
COUNTY OF BROWN )

Affiant, having been first duly sworn, on oath deposes and says:

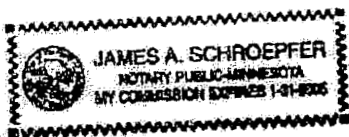
That he has read the foregoing testimony and if asked the questions therein his answers in response would be as shown;

That the facts contained in said answers are true to the best of his knowledge and belief.

*Harlan Mammen*  
Harlan Mammen

SUBSCRIBED AND SWORN to me before me this 31<sup>E</sup> day of March, 2000.

*James A. Schroepfer*  
Notary Public



Direct Testimony and Schedules  
Mr. James A. Smith

Before the South Dakota Public Utilities Commission

In the Matter of the Application to Continue Approved Transportation Rate for  
Associated Milk Producers Pipeline, Inc.

Docket No. NG97-015  
Exhibit No. 2

April 2000



1 Q. Please state your name, business address, and position with Northern States Power  
2 Company.

3 A. My name is James A. Smith. I am employed by Northern States Power Company  
4 ("NSP" or "the Company"), 414 Nicollet Mall, Minneapolis, Minnesota, 55401, as a  
5 Senior Regulatory Consultant in the Regulatory Services department.

6 Q. What are your current responsibilities?

7 A. I prepare various financial and operational analyses, jurisdictional cost of service  
8 studies and revenue requirement determinations. This involves the coordination and  
9 consolidation of operating revenues, expenses, capital investment and operating data  
10 from departments throughout the Company, assignment and allocation of appropriate  
11 amounts to utility and regulatory jurisdictions.

12 Q. What is your educational and professional background?

13 A. Schedule 1 contains a complete resume of my educational and professional  
14 background.

15 Q. What is the purpose of your testimony in this proceeding?

16 A. I am providing consulting services to Associated Milk Producers, Inc. Pipeline  
17 ("AMPIP"), a subsidiary of Associated Milk Producers, Inc. ("AMPI"), to justify  
18 continued effectiveness of AMPIP's previously filed rate for intrastate transportation  
19 for natural gas delivered to AMPI and Freeman's municipal gas utility. I used cost  
20 data provided by AMPIP and market data provided by the City to develop the  
21 proposed volumetric pipeline transportation rate. My testimony describes the cost of

1 service for the pipeline and will also show that AMPIP has not recovered its levelized  
2 annual revenue requirement since the initial transportation rate, as authorized by the  
3 Commission, became effective October 5, 1997, subject to refund. Therefore AMPIP  
4 should not have a refund obligation associated with such rate.

5 AMPI and the City both contract with other parties for a natural gas supply. The cost  
6 of service I have developed represents the levelized annual revenue requirement of the  
7 non-gas delivery costs associated with the operation and investment of the AMPIP.

8 Q. How is NSP involved in this proceeding?

9 A. NSP Natural Gas Services ("NGS"), a division of NSP's Gas Utility, provided AMPIP  
10 assistance in Docket NG 97-015 for the establishment of the initial volumetric  
11 transportation rate for natural gas transported on AMPIP to AMPI and the City. NSP  
12 is again providing assistance on a consulting basis.

13 Q. Did you develop the pipeline rate in a manner consistent with the method and  
14 directives as specified by the Commission in its June 2, 1998 Order in Docket No.  
15 NG97-015?

16 A. Yes, I have incorporated the Commission's directives into the cost of service model.

**Cost of Service and Pipeline Rate**

- 1 Q. Please describe the justification for continuing the previously approved \$0.99/Mcf  
2 volumetric firm transportation service ("FT") rate.
- 3 A. The cost justification for the volumetric FT rate is developed on Schedule 2 of my  
4 exhibits. The calculation consists of the levelized annual revenue requirements for the  
5 pipeline system divided by the estimated annual throughput transportation volumes for  
6 AMPI and the City to determine a unit rate. Schedules 3 thru 7 support the  
7 computation of the levelized annual revenue requirement. Consistent with the  
8 development of the initial rate in this proceeding, a levelized annual revenue  
9 requirement factor ("LARR"), expressed as a percentage, is developed and applied to  
10 the value of the gross investment in plant and facilities to determine the annual  
11 revenue requirements of the pipeline system. The LARR factor includes components  
12 reflecting debt service, depreciation, property taxes, operating and maintenance  
13 expenses, property insurance and regulatory fees. The components of the cost of  
14 service model are escalated where appropriate over a 45 year period, and then  
15 discounted at AMPIP's cost of capital to determine a Net Present Value ("NPV") of  
16 the sum of cost of service components. The value of an amount expressed as an  
17 annual annuity payment based on the cost of capital becomes the amount of the LARR  
18 for the system. The LARR factor is expressed as a percentage of the original cost  
19 investment included in the cost of service model.
- 20 Q. What is the amount of the levelized annual revenue requirement and volumetric  
21 transportation rate determined by your calculations?
- 22 A. AMPIP's levelized annual revenue requirement is \$196,824. The volumetric  
23 transportation rate necessary to recover these costs is \$1.035/Mcf, obtained by dividing  
24 the levelized annual revenue requirement by the revised transportation volumes of

**James A. Smith**  
**Cost of Service and Pipeline Rate**

**Docket No. NG 97-015**

1 190,215 Mcf. Later in my testimony I will address the basis for the estimated  
2 transportation volumes.

3 Q. Since inception of the volumetric transportation rate on October 5, 1997, has AMPIP  
4 been able to recover its levelized annual revenue requirement during any fiscal  
5 period?

6 A. No. The Commission authorized a volumetric transportation rate of \$0.99/Mcf,  
7 subject to refund. In its June 2, 1998 Order, the Commission stated that the Staff  
8 recommended a volumetric rate of \$0.9295/Mcf based of a levelized cost of service of  
9 \$199,112. The equivalent throughput volumes were 214,214 Mcf. AMPIP's original  
10 application in Docket No. NG97-015 also projected transportation volumes of 214,000  
11 Mcf annually. For several reasons which will be discussed later, the projected market  
12 has not fully developed. Schedule 2 shows that actual throughput volumes on AMPIP  
13 for 1999 and 1998 were 176,475 Mcf and 179,220 Mcf respectively. Applying the  
14 \$0.99/Mcf transportation rate to the throughput volumes results in calculated  
15 transportation revenues of \$174,710 for 1999 and \$177,428 for 1998. By comparing  
16 these revenues to the leveled cost of service of \$199,112 from the Commission's  
17 Order, or by comparison to the levelized cost of service contained in this filing as  
18 shown on Schedule 2 of \$196,824, I conclude that AMPIP did not recover its cost of  
19 service in either 1998 or 1999.

1 Q. Should the refund obligation associated with the time period the \$0.99/Mcf rate has  
2 been in effect be removed?

3 A. Yes. AMPIP did not over recover its cost of service, and AMPI and the City utility  
4 each contributed based on their respective usage of the AMPIP system. In addition,  
5 the City consented to the \$0.99/Mcf rate.

6 Q. Please provide more detail about the development of AMPIP's pipeline revenue  
7 requirements beginning with the pipeline investment.

8 A. Schedule 3, Page 1 of 3, shows the components of the pipeline's projected revenue  
9 requirements over the first 45 years of operation. AMPIP's original cost investment in  
10 the pipeline is \$1,256,056 and is developed on my Schedule 4. It is also shown in  
11 Column C of Schedule 3, Page 1 of 3. That amount reflects AMPIP's original cost of  
12 the pipeline less the value of a small segment transferred to the City of Freeman. The  
13 City purchased that segment for \$111,600.

14 Q. Has AMPIP added any additional pipeline facilities since its initial investment?

15 A. No.

16 Q. What does your cost of service model consider as the "in-service" date of the AMPIP  
17 pipeline?

18 A. The "in-service" date of the pipeline in the model is considered to be the end of March  
19 1996, as directed by the Commission's June 2, 1998 Order. The debt return and the  
20 book depreciation reflects nine month's of costs for 1996. The first full year of  
21 operation for cost consideration in determining a levelled annual revenue requirement  
22 begins with 1997.

1 Q. What is the recovery period for the pipeline investment?

2 A. The pipeline investment is recovered over a 40 year book life at the rate of \$30,704 per  
3 year. The annual depreciation is also developed on Schedule 4 and incorporated on  
4 Page 1 of 3 of Schedule 3 in Column F. This amount has been reduced to reflect the  
5 portion sold to the City.

6 Q. Please explain your treatment of property taxes in the cost of service model.

7 A. The model includes the actual property tax liability for the years 1997, 1998 and 1999.  
8 My estimate of property taxes associated with 2000 was based on my analysis and  
9 judgement I made having the actual property taxes incurred for the years 1996 through  
10 1999. AMPIP's pipeline is located in five townships tax districts of three counties.  
11 My analysis was based on the property tax experience of each of the five township tax  
12 districts. My estimate of property taxes for 2000 was based on the individual  
13 experience for the four years of history. The estimated property tax costs for 2001 and  
14 successive years are the result of applying an escalation factor to the 2000 base  
15 estimate and incorporated on Page 1 of 3 of Schedule 3 in Column H. The property  
16 tax amounts are escalated at 2.75% per year.

17 Q. What method is used for tax depreciation?

18 A. Tax depreciation uses alternative Modified Accelerated Cost Recovery System  
19 (MACRS) with a 22 year tax life on a straight line basis. The half-year convention is  
20 also used.

1 Q. Does the tax vs. book depreciation differences have an impact on the proposed rate?

2 A. Essentially, there is no impact. Like the earlier proceeding, I have simplified the  
3 revenue requirements calculation in this continuation by setting tax depreciation equal  
4 to book depreciation. Since this is a levelized determination, the result is essentially  
5 the same as if the tax vs. book differences were deferred and later flowed back.

6 Q. What have you used for cost of capital?

7 A. As established in the original application, I have included interest on the pipeline debt  
8 at 9% , which is the rate on AMPIP's note payable.

9 Q. Please describe how you have estimated operating and maintenance expenses (O&M)?

10 A. In AMPIP's original application, the actual results of operations since 1995 were  
11 incorporated into the estimates of first year O&M expenses. I reviewed various  
12 categories of AMPIP's current operating costs and determined that many of the  
13 original O&M cost determinations were still valid.

14 Q. Is there any new categories of O&M costs?

15 A. Yes, one new category of costs has arisen pertaining to Pipeline Repair and Locating  
16 Costs. The amount incurred in this cost category for 1999 was discounted back to  
17 obtain a base year amount, which, when escalated forward each year would equate to  
18 the amount incurred in 1999 as the model.

1 Q. Please explain your treatment of the Insurance cost category.

2 A. AMPIP has changed insurance providers. The result of this has increased the cost by  
3 \$3,000 annually beginning in 2000. I include the higher insurance cost as a base year  
4 O&M cost for the purpose of calculating a weighted O&M cost escalator percentage.  
5 Since insurance has no cost escalator attached to it, the effect of including the higher  
6 insurance cost in the O&M cost base has reduced the O&M escalator percentage. In  
7 the cost of service model, however, I have reduced the year's 1997, 1998 and 1999  
8 O&M expenses by \$3,000 to recognize the lower cost of insurance for those years.

9 Q. What Schedule shows O&M expense information?

10 A. I have shown annual O&M expenses, \$42,069 on Schedule 5. In addition, I have  
11 included reasonable escalators for each component of O&M reflecting historical,  
12 contractual, and expected increases over time. I then calculated the weighted overall  
13 escalator of 1.9%, which I used in determining the annual O&M over the life of the  
14 project.

15 Q. What was the result of your levelized annual revenue requirement present value  
16 determination?

17 A. I calculated that the levelized annual revenue requirement of the pipeline is \$196,824.  
18 This amount is shown on Page 2 of 3, Schedule 3, and again on Schedule 2 where the  
19 pipeline rate is developed.



1 Q. Have you provided additional detail about your determination of AMPIP's proposed  
2 rate?

3 A. Yes. Each of Schedules 2 - 5 include a section showing Sources and Notes. These  
4 references provide additional documentation for the cost of service.

5 Q. What throughput volume did you use to develop the volumetric rate shown on  
6 Schedule 2?

7 A. I developed the volumetric rate using estimated throughput volumes of 190,215 Mcf.

8 Q. Please explain the analysis of throughput volumes you performed to arrive at your  
9 volume.

10 A. I developed my estimate using the Staff's exhibit from the original application, Staff  
11 Exhibit\_\_\_\_(DAJ-1), since it was the base for the original estimate of throughput  
12 volumes to develop the volumetric rate. I focused my analysis mainly on the volumes  
13 of gas delivered to the individual large commercial customers within the volumes of  
14 gas delivered to the City. My estimate of throughput volumes is shown on Schedule 7.

15 Q. Is it necessary to change the volumes of gas as originally projected to be delivered to  
16 AMPI?

17 A. No. In the original application, the volume of gas estimated to be delivered to AMPI  
18 was set at 144,000 Mcf. The actual volumes of gas delivered to AMPI in 1998 and  
19 1999, as shown on Schedule 6, was 144,602 Mcf and 141,129 Mcf respectively. I  
20 believe the original estimate for AMPI continues to be a reasonable projection.

1 Q. Did you make any modifications to Staff's Exhibit \_\_\_\_\_ (DAJ-1)?

2 A. Yes, I made a modification which I consider to be minor. On the original exhibit there  
3 were six Large Commercial customers identified as Nos. 1 through 6. In the category  
4 of Commercial customers, of the twenty three customers listed, the first three  
5 customers could also be considered as Large Commercial, so I moved them to Large  
6 Commercial category in the same order as customer Nos. 7 through 9.

7 Q. How do volumes of gas transported to these nine customers compare with original  
8 estimates?

9 A. To begin with, two of the nine customers depicted as Large Commercial have not  
10 converted to natural gas, representing an estimate of 4,900 Mcf annually. The  
11 remaining seven Large Commercial customers have converted to natural gas, although  
12 not all were on gas during 1998; thus a comparison of 1998 is somewhat misleading.  
13 Deliveries of gas to Large Commercial customers during 1998 was 8,484 Mcf and  
14 during 1999 was 15,409 Mcf. These connected customers were projected to use  
15 39,500 Mcf of gas annually. In total, the Large Commercial customer category was  
16 estimated to require 44,000 Mcf annually.

17 Q. What do you estimate the gas volumes transported to Large Commercial customers  
18 will ultimately be?

19 A. I estimate that the Large Commercial portion of the deliveries to the City will be  
20 23,000 Mcf annually. My estimate makes no provision for the two customers that  
21 have not converted to gas. I received no indication from the City that these customers  
22 will in fact convert to gas. I have also attempted to provide for the further load  
23 development of the customers that are connected to gas to achieve a more

1 representative consumption. Some of these customers are also weather sensitive and  
2 the weather generally has been warmer than normal the past two heating seasons.  
3 Although I did not make a detailed calculation of a normal weather adjustment, I did  
4 make a provision in my estimate for consumption related to weather which would be  
5 closer to the norm.

6 Q. Did you make other adjustments to projected throughput volumes?

7 A. Yes, I made one additional change. The City has twenty Small Commercial customers  
8 connected to its distribution system just as projected in Staff's original exhibit. Staff  
9 used AMPIP's original estimate of 400 Mcf per customer annually in calculating its  
10 throughput volume. Based on my judgement this category of customers combined  
11 with the original estimated Residential requirements and compared to the actual results  
12 for 1998 and 1999, I believe the estimated use per Commercial customer should be  
13 reduced to 250 Mcf per customer. The result would be a projected consumption of  
14 5,000 Mcf for Commercial and 18,215 Mcf for the Residential category.

15 Q. What is the total estimated throughput volumes to the City of Freeman?

16 A. The estimated throughput to the City is 46,215 Mcf. Adding the estimated throughput  
17 for AMPI brings the estimated total pipeline throughput to 190,215 Mcf.

18 Q. Please describe the required filing statements included with this application.

19 A. Exhibit 5 of this filing consists of the required filing statements per Chapter 20:10:13  
20 of the South Dakota Administrative Rules. The initial pages of that exhibit list the  
21 statements included, or that are not applicable. The reasons certain statements are not

**James A. Smith**  
**Cost of Service and Pipeline Rate**

**Docket No. NG 97-015**

1 applicable is described on page two of the listing. Waiver of those statements not  
2 applicable is respectfully requested of the Commission.

3 Q. Please summarize AMPIP's position?

4 A. My testimony shows that for the first two full year's of AMPIP pipeline operations,  
5 AMPIP did not recover its levelized annual cost of service. My testimony also shows  
6 that the required rate necessary for AMPIP to recover its levelized annual cost of  
7 service as filed herewith is greater than the existing rate approved by the Commission,  
8 subject to refund. The Commission should conclude that the filed rate is reasonable  
9 and may continue in effect, and also find that AMPIP should not have an obligation to  
10 refund any of the amounts collected under the existing volumetric transportation rate.  
11 Mr. Harlan Mammen, president of AMPIP, has indicated in his testimony that it is  
12 AMPIP's desire to forego adding any rate increase at this time, thus allowing for the  
13 opportunity for the City's market to mature, while continuing to study the need for rate  
14 relief at a later date.

15 Q. Does this conclude your testimony?

16 A. Yes it does.

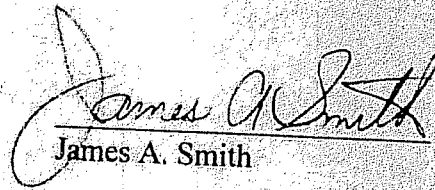
AFFIDAVIT

STATE OF MINNESOTA )  
                                  )  
COUNTY OF HENNEPIN )

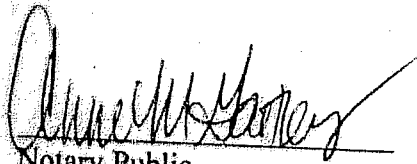
Affiant, having been first duly sworn, on oath deposes and says:

That he has read the foregoing testimony and if asked the questions therein his answers in response would be as shown;

That the facts contained in said answers are true to the best of his knowledge and belief.

  
James A. Smith

SUBSCRIBED AND SWORN to me before me this 30<sup>th</sup> day of March, 2000.

  
Notary Public

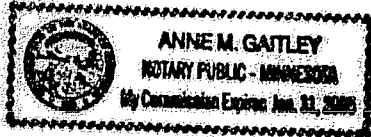


Exhibit 2

List of Schedules

Schedule 1 .....	Resume of James A. Smith
Schedule 2 .....	Pipeline Rate
Schedule 3 .....	Cost of Service (Statement M)
Schedule 4 .....	Plant Investment
Schedule 5 .....	Operating Expenses
Schedule 6 .....	Annual Transport Volumes
Schedule 7 .....	Estimated Transport Volumes

James A. Smith  
Senior Rate Consultant, Regulatory Services  
414 Nicollet Mall, Minneapolis, Minnesota 55101

**CURRENT RESPONSIBILITIES** (Northern States Power Company)

(March 1991 - Present)

Within the scope of this position, jurisdictional cost of service studies and revenue requirement determinations are prepared for the Company or affiliated subsidiaries. Data is gathered from various departments throughout the Company related to revenues, expenses and plant investment. Appropriate assignments and allocations are made of amounts to utility and jurisdiction.

**PREVIOUS EMPLOYMENT**

London Diagnostics, Inc.; Controller	1990-1991
JAS & Associates; Provided Contract Consulting Services to various Florida Natural Gas Utilities	1989-1990
Midwest Energy Company; Director, Rates - Donovan Companies, Inc. (DCI)	1981-1989
Assistant Director, Rates - Donovan Companies, Inc.	1977-1981
Rate Analyst - Donovan Companies, Inc.	1967-1977

**EDUCATION**

St. Thomas University, Bachelor of Arts Accounting

**PREVIOUS TESTIMONY**

FERC - Viking Gas Transmission	Cost of Service	RP-98-290-000
South Dakota - NSP Gas	Cost of Service	NG-97-021
Minnesota - NSP Gas	Revenue Requirements	GR-97-1606
Minnesota - NSP Gas	Revenue Requirements	GR-92-1186
Iowa - DCI Gas	Revenue Requirements	RPU-85-19
Florida - Southern Gas Company	Capital Structure	840268
Minnesota - DCI Gas	Capital Structure	GR-83-333
Minnesota - DCI Gas	Capital Structure	GR-81-780
Iowa - DCI Gas	Capital Structure	RPU-82-47
Minnesota - DCI	Revenue Requirements	GR-80-472
Iowa - DCI Gas	Revenue Requirements	RPU-77-15/78-29
Iowa - DCI Gas	Revenue Requirements	RPU-76-44
Minnesota DCI Gas	Revenue Requirements	GR-77-221
Iowa - DCI Gas	Revenue Requirements	RPU-502
Iowa - DCI Gas	Revenue Requirements	RPU-367

**AMPI Pipeline, Inc.**  
**Docket No. NG97-015**  
**Cost of Service and Pipeline Rate**

**Schedule 2**

Format as directed by SDPUC Order dated June 2, 1998, Dok. NG 97-015

	<u>Volume /</u> <u>Amount</u> (a)	<u>Volumetric</u> <u>Rates</u> (b)
(1) Annual Estimated Throughput Volumes - MCF	190,215	
(2) Annualized Revenue Requirements	\$196,824	
(3) Total Blended Volumetric Rate Required		<u>\$1.035</u> Per MCF

Equivalent Rate to recover the Annualized Revenue Requirement  
Requirement at the level of actual throughputs for 1999 and 1998

(4) Actual Throughput Volumes - 1999 - MCF	176,475	\$1.115 Per MCF
(5) Actual Throughput Volumes - 1998 - MCF	179,220	\$1.098 Per MCF

Sources and Notes:

Line 1, column (a): Sales volume estimates, Schedule 7

Line 2, column (a): Schedule 3, Page 2 of 2. Referred to as "Annual Requirement".

Line 3, column (b): Line 2 divided by Line 1 above.

Lines 4 & 5, column (a): Actual throughput volumes, Schedule 6.

Lines 4 & 5, column (b): Line 2 column (a) divided by Line 4 column (a) and Line 5 column (a), respectively.



## Statement M - Cost of Service

Levelized Annual Revenue Requirement - See Page 3 of 3 for Sources and Notes

Format as directed by SDPUC Order dated June 2, 1998, Dok. NG 97-015

Capital Structure (CS):									
			Cost	Weight	Weighted Cost				
(CS1) Equity			0.00%	0.00%	0.0000%				
(CS2) Preferred Stock			0.00%	0.00%	0.0000%				
(CS3) Long-term Debt			9.00%	100.00%	9.0000%				
(CS4) Short-term Debt			0.00%	0.00%	0.0000%				
(CS5)				100.00%	9.0000%				
9.0000% Present Value of Revenue									
Time Period	Year	Plant in Service Additions	Net Investment Rate Base	Debt Return	Book Dep'n	Operating Expenses	Property Taxes	Total Revenue Requirement	Deficiency or (Excess)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
(1)	1996	1,256,056	1,233,028	84,007	23,028				
(2)	1 1997	0	1,202,324	109,591	30,704	39,069	27,043	206,407	189,364
(3)	2 1998	0	1,171,620	106,827	30,704	39,792	28,714	206,038	173,418
(4)	3 1999	0	1,140,916	104,064	30,704	40,529	25,006	200,303	154,670
(5)	4 2000	0	1,110,212	101,301	30,704	44,279	26,760	203,043	143,841
(6)	5 2001	0	1,079,508	98,537	30,704	45,098	27,496	201,835	131,179
(7)	6 2002	0	1,048,804	95,774	30,704	45,933	28,252	200,663	119,649
(8)	7 2003	0	1,018,100	93,011	30,704	46,783	29,029	199,526	109,148
(9)	8 2004	0	987,396	90,247	30,704	47,648	29,827	198,427	99,584
(10)	9 2005	0	956,692	87,484	30,704	48,530	30,648	197,366	90,873
(11)	10 2006	0	925,988	84,721	30,704	49,428	31,490	196,343	82,938
(12)	11 2007	0	895,284	81,957	30,704	50,343	32,356	195,361	75,709
(13)	12 2008	0	864,580	79,194	30,704	51,275	33,246	194,419	69,123
(14)	13 2009	0	833,876	76,431	30,704	52,224	34,160	193,519	63,122
(15)	14 2010	0	803,172	73,667	30,704	53,190	35,100	192,661	57,653
(16)	15 2011	0	772,468	70,904	30,704	54,174	36,065	191,847	52,669
(17)	16 2012	0	741,764	68,140	30,704	55,177	37,057	191,078	48,127
(18)	17 2013	0	711,060	65,377	30,704	56,198	38,076	190,355	43,986
(19)	18 2014	0	680,356	62,614	30,704	57,238	39,123	189,679	40,211
(20)	19 2015	0	649,652	59,850	30,704	58,297	40,199	189,051	36,768
(21)	20 2016	0	618,948	57,087	30,704	59,376	41,304	188,472	33,629
(22)	21 2017	0	588,244	54,324	30,704	60,475	42,440	187,943	30,766
(23)	22 2018	0	557,540	51,560	30,704	61,594	43,607	187,466	28,154
(24)	23 2019	0	526,836	48,797	30,704	62,734	44,806	187,042	25,771
(25)	24 2020	0	496,132	46,034	30,704	63,895	46,039	186,671	23,596
(26)	25 2021	0	465,428	43,270	30,704	65,078	47,305	186,357	21,611
(27)	26 2022	0	434,724	40,507	30,704	66,282	48,606	186,098	19,799
(28)	27 2023	0	404,020	37,743	30,704	67,509	49,942	185,898	18,145
(29)	28 2024	0	373,316	34,980	30,704	68,758	51,316	185,758	16,634
(30)	29 2025	0	342,612	32,217	30,704	70,030	52,727	185,678	15,254
(31)	30 2026	0	311,908	29,453	30,704	71,326	54,177	185,661	13,993
(32)	31 2027	0	281,204	26,690	30,704	72,646	55,667	185,707	12,841
(33)	32 2028	0	250,500	23,927	30,704	73,991	57,198	185,819	11,788
(34)	33 2029	0	219,796	21,163	30,704	75,360	58,770	185,998	10,825
(35)	34 2030	0	189,092	18,400	30,704	76,755	60,387	186,245	9,945
(36)	35 2031	0	158,388	15,637	30,704	78,175	62,047	186,563	9,139
(37)	36 2032	0	127,684	12,873	30,704	79,622	63,754	186,953	8,402
(38)	37 2033	0	96,980	10,110	30,704	81,095	65,507	187,416	7,727
(39)	38 2034	0	66,276	7,347	30,704	82,596	67,308	187,955	7,110
(40)	39 2035	0	35,572	4,583	30,704	84,125	69,159	188,571	6,544
(41)	40 2036	0	4,868	1,820	30,704	85,682	71,061	189,267	6,026
(42)	41 2037	0	0	219	4,868	87,267	73,015	165,370	4,830
(43)	42 2038	0	0	0	0	88,882	75,023	163,905	4,392
(44)	43 2039	0	0	0	0	90,527	77,086	167,614	4,121
(45)	44 2040	0	0	0	0	92,202	79,206	171,409	3,866
(46)	45 2041	0	0	0	0	93,909	81,384	175,293	3,627
(47) Project Totals		1,256,056		2,312,438	1,256,056	2,895,099	2,148,489	8,505,048	2,140,567

Statement M - Cost of Service

Levelized Annual Revenue Requirement - See Page 3 of 3 for Sources and Notes  
Format as directed by SDPUC Order dated June 2, 1998, Dok. NG 97-015

Levelized Annual Revenue Requirement - LARR					
(RR1)	\$81,583	\$30,368	\$50,655	\$34,116	\$196,722

LARR - As a % of Original Cost				
(RR2)	6.50%	2.42%	4.03%	2.72%

	9.0000% Present Value of Debt Return (A)	9.0000% Present Value of Book Depreciation (B)	9.0000% Present Value of Operating Expenses (C)	9.0000% Present Value of Current Property Taxes (D)	Present Value of Revenue Requirements or (Excess) (E)	Summary - LARR (F)	Amounts (G)
(1)	100,542	28,169	35,843	24,810	189,364	Return	6.50%
(2)	89,915	25,843	33,492	24,168	173,418	Depreciation	2.42%
(3)	80,357	23,709	31,295	19,309	154,670	O&M and Prop Taxes	6.75%
(4)	71,764	21,751	31,368	18,957	143,841	Total LARR	15.67%
(5)	64,043	19,955	29,311	17,870	131,179		
(6)	57,107	18,308	27,388	16,846	119,649		
(7)	50,880	16,796	25,592	15,880	109,148	Plant In Service	\$1,256,056
(8)	45,292	15,409	23,913	14,969	99,584	Annual Requirement	\$196,824
(9)	40,280	14,137	22,345	14,111	90,873		
(10)	35,787	12,970	20,879	13,302	82,938		
(11)	31,761	11,899	19,510	12,539	75,709		
(12)	28,156	10,916	18,230	11,820	69,123		
(13)	24,930	10,015	17,034	11,142	63,122		
(14)	22,045	9,188	15,917	10,503	57,653		
(15)	19,466	8,429	14,873	9,901	52,669		
(16)	17,163	7,733	13,897	9,333	48,127		
(17)	15,107	7,095	12,986	8,798	43,986		
(18)	13,274	6,509	12,134	8,294	40,211		
(19)	11,640	5,972	11,338	7,818	36,768		
(20)	10,186	5,479	10,595	7,370	33,629		
(21)	8,893	5,026	9,900	6,947	30,766		
(22)	7,743	4,611	9,250	6,549	28,154		
(23)	6,723	4,230	8,644	6,173	25,771		
(24)	5,819	3,881	8,077	5,820	23,596		
(25)	5,018	3,561	7,547	5,486	21,611		
(26)	4,310	3,267	7,052	5,171	19,799		
(27)	3,684	2,997	6,589	4,875	18,145		
(28)	3,132	2,749	6,157	4,595	16,634		
(29)	2,647	2,522	5,753	4,332	15,254		
(30)	2,220	2,314	5,376	4,083	13,993		
(31)	1,846	2,123	5,023	3,849	12,841		
(32)	1,518	1,948	4,694	3,629	11,788		
(33)	1,232	1,787	4,386	3,420	10,825		
(34)	982	1,639	4,098	3,224	9,945		
(35)	766	1,504	3,829	3,039	9,139		
(36)	579	1,380	3,578	2,865	8,402		
(37)	417	1,266	3,344	2,701	7,727		
(38)	278	1,161	3,124	2,546	7,110		
(39)	159	1,066	2,919	2,400	6,544		
(40)	58	978	2,728	2,262	6,026		
(41)	6	142	2,549	2,133	4,830		
(42)	0	0	2,382	2,010	4,392		
(43)	0	0	2,226	1,895	4,121		
(44)	0	0	2,080	1,786	3,866		
(45)			1,943	1,684	3,627		
(46)	887,722	330,436	551,189	371,220	2,140,567		

**AMPI Pipeline, Inc.**  
**Docket No. NG97-015**  
**Statement M - Cost of Service**  
**Levelized Annual Revenue Requirement**  
**Sources and Notes**

**Schedule 3**  
**Page 3 of 3**

**Schedule 3, Page 1 of 3:**

Lines CS1 - CS5: AMPIP Cost of Capital. Debt only @ 9% Interest Rate  
Lines 2-46, Column A: Time Period for present value calculation.  
Line 1, Column B: Year in service. Present value is life-cycle beginning in 1997.  
Line 1, Column C: Net pipeline capital expenditure. Reduced for sale of 7,675' to City of Freeman for \$111,600.  
Lines 1 - 46, Column D: Net pipeline investment reduced by accumulated depreciation for each year. The Commission directed that pipeline facilities be considered to be "in-service" March, 1996. Book depreciation was calculated at 9/12 for the "in-service" year.  
Line 1, Column E: The annual debt cost (9%) applied to the average of the BOY and EOY net plant investment (\$1,244,542) for 9/12 of the "in-service year."  
Line 1, Column F: Book depreciation per AMPIP adjusted for sale of 7,675' to Freeman (9/12 of a year). See Schedule 4.  
Line 2, Column G: See Schedule 5. 1997-1999 is adjusted for lower insurance costs in first three years of operation.  
Lines 2-4, 5, 6-46, Column H: Lines 2-4 - Actual Property Taxes per AMPIP for years 1997-1999; 2000 property taxes (Line 5) are an estimate based on 1996-1999 actual cost experience; remaining years (Lines 6-46) are escalated using factor.  
Lines 2 - 46, Column I: Sum of Columns E - H for corresponding lines.  
Lines 2 - 46, Column J: Present Value of Column I @ Overall Cost of Capital (9%).  
Lines 3 - 46, Column E: Average net investment applied to debt cost (9%).  
Lines 3 - 46, Column F: Book depreciation per AMPIP adjusted for sale of 7,675' to Freeman. See Schedule 4.  
Lines 3 - 46, Column G: Operating expenses per Schedule 5, escalated at rate determined on Schedule 5.  
Lines 6 - 46, Column H: Property taxes per AMPIP adjusted for sale of 7,675' to Freeman. Escalated at 2.5% annually.  
Line 47: Check totals.

**Schedule 3, Page 2 of 3:**

Line RR1: The levelized annual revenue requirements of the items reflected in the columns below.  
Line RR2: The percent of original cost (\$1,256,056) for the levelized revenue requirements shown on RR1.  
Lines 1 - 45, Columns A - D: Annual present value of each revenue requirement component shown. The nominal amounts are from Schedule 3, Page 2 of 3, Columns E - H.  
Lines 1 - 45, Column E: Annual present value of total revenue requirements. Matches Column J on Schedule 3, Page 1 of 3.  
Line 46, Columns A - E: Total of annual present value amounts for each column. These amounts are then discounted to arrive at the amounts shown on Line RR1.  
Columns F and G: Summary of Levelized Annual Revenue Requirements. Column F describes each component. Column G shows the LARR rate by component and the total. The LARR rate of 15.67% on Line 4, Column G is applied to the original cost of the pipeline shown on Line 7, Column G to arrive at the levelized annual revenue requirements shown on Line 9, Column G of \$210,892. This amount is carried forward to Schedule 2 to determine the pipeline rate.

**AMPI Pipeline, Inc.**  
**Docket No. NG97-015**  
**Cost of Service and Pipeline Rate**  
**Plant Investment and Related Costs**

**Schedule 4**

<u>Pipeline Sold to Freeman, SD</u>		<u>AMPIP</u> <u>Amounts</u> <u>(C)</u>
(1) Pipeline Original Cost	\$1,367,656	
(2) less: Portion Sold to City	<u>111,600</u>	
(3) Net Pipeline Original Cost		\$1,256,056

Adjustments to Cost Items for Sold Portion

	<u>Original</u> <u>Amount</u> <u>(A)</u>	<u>Percent</u> <u>Reduced</u> <u>(B)</u>	
(4) Annual Book Depreciation	\$33,432	8.16%	\$30,704

**Sources and Notes:**

- Line 1: Pipeline original cost per AMPIP books and records.
- Line 2: 7,675 Feet of 6" Steel to be sold to the City of Freeman, SD. This portion is within the city limits and thus on the City's side of the town border station.
- Line 3: Net AMPIP original cost of the pipeline.
- Line 4: Book depreciation per AMPIP's books and records shown in Column A. Percent reduced is determined above on Lines 1 - 3. Net AMPIP portion is shown in Column C.

**AMPI Pipeline, Inc.**  
**Docket No. NG97-015**  
**Cost of Service and Pipeline Rate**  
**Operating Expenses (O&M)**

**Schedule 5**

	Amount (A)	Annual Escalator (B)	1 Year Escalated Amount (C)
(1) Contracted - Operating and Maintenance Day to day operations and maintenance of pipeline facility	\$12,000	3.5%	\$12,420
(2) AMPIP - Operating and Maintenance Costs Training, readings, patrolling of line by local AMPI personnel	\$1,740	3.5%	\$1,801
(3) Pipeline Repair and Locating Costs Miscellaneous repair and locating costs	\$1,294	3.5%	\$1,339
(4) Corporate Services Management, clerical, accounting and tax work	\$6,710	3.5%	\$6,945
(5) Annual Audit Review Fees Outside audit services fees	\$500	3.5%	\$518
(6) Insurance Annual Fee	\$18,000	0.0%	\$18,000
(7) OPS Assessment Office of Pipeline Safety User Fee	\$1,500	0.0%	\$1,500
(8) Regulatory Fees Gross Receipts tax; Corporate Filing Fee	<u>\$325</u>	0.0%	<u>\$325</u>
(9) Total	<u>\$42,069</u>	1.9%	<u>\$42,848</u>

**Sources and Notes:**

- Line 1, Column A: Per AMPIP contract with NSP NGS for pipeline operations and maintenance services.
- Line 1, Column B: Contract escalator.
- Lines 1 - 8, Column C: Year 2 level of cost with escalator applied to year 1 historical-based amounts.
- Line 2, Column A: AMPIP direct costs of employee pipeline maintenance activities.
- Lines 2 - 5, Column B: Annual escalator based on anticipated inflation.
- Line 3, Column A: Miscellaneous repair & location costs, 1999 cost effect discounted to reflect base year equivalent value
- Line 4, Column A: Portion of AMPI corporate costs associated with the pipeline.
- Line 5, Column A: Audit and legal fees based on actual results.
- Line 6, Column A: Insurance costs based on actual results; \$15,000 years 1997-1999, \$18,000 years 2000+.
- Line 7, Column A: OPS assessment based on actual results.
- Line 8, Column A: Regulatory fees based on actual results.
- Line 9, Columns A and C: Sum of year 1 and year 2, respectively, O&M costs from Lines 1 - 8.
- Line 9, Column B: Weighted annual O&M escalator based on expenses and individual escalators shown on Lines 1 - 8.

**AMPI Pipeline, Inc.**  
**Docket No. NG97-015**  
**Annual Transport Volumes (Mcf)**

**Schedule 6**

Line		1999	1998
	(a)	(b)	(c)
1	<u>City of Freeman</u>		
2	Residential & Small Commercial	19,937	26,134
3	Large Commercial	<u>15,409</u>	<u>8,484</u>
4	Total City of Freeman	35,346	34,618
5	AMPI	<u>141,129</u>	<u>144,602</u>
6	Total AMPIP Throughput	176,475	179,220

Sources:

Columns (b) & (c), Line 2: Columns (b) & (c) Line 7 less respective columns (b) & (c), Line 5.  
 Columns (b) & (c), Line 3: City of Freeman Finance Officer.  
 Columns (b) & (c), Line 4: AMPIP & City of Freeman Finance Officer.  
 Columns (b) & (c), Line 5: AMPIP.

**Estimated Annual Transport Volumes (Mcf)**

Line	(a)	(b)	(c)	(d)
1	AMPI			144,000
2	<u>City of Freeman:</u>			
3	Large Commercial			
4	Customer No.	1	3,000	
5		2	7,300	
6		3	5,000	
7		4	2,300	
8	Did Not Convert	5	-	
9		6	1,200	
10		7	1,500	
11		8	2,700	
12	Did Not Convert	9	-	
13	Total Large Commercial			23,000
14	Small Commercial			
15	Customers	20	250	5,000
16	Residential			
17	Appliance Units	291	63	18,215
18	Total Annual Transport Volumes			<u>190,215</u>

Sources:

Format is based on SDPUC Staff Exhibit \_\_\_\_\_ (DAJ-1), page 14.

Column (d) Line 1: estimate based on actual AMPI consumption pattern 1998 & 1999.

Column (c) Lines 4-12: AMPIP estimate & judgement based on analysis of actual consumption information for 1998 and 1999 received from City of Freeman Finance Officer.

Column (b) Line 15: City of Freeman Finance Officer.

Column (c) Line 15: AMPIP judgement based on 1998 & 1999 results.

Column (b), (c) & (d) Line 17: Is the initial estimate (Dok.NG97-015), of SDPUC Staff.

Exhibit No. 3

Letter of Concurrence

Michael Schultz, Former Mayor  
Freeman, SD



**Michael Schultz, Mayor**  
**City of Freeman, South Dakota**  
**P. O. Box 178**  
**Freeman, South Dakota 57029-0178**

September 3, 1997

Mr. Harlan Mammen, President  
AMPI Pipeline, Inc.  
315 North Broadway  
New Ulm, MN 56073

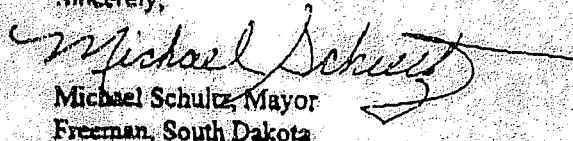
Re: Proposed AMPIP Transportation Rate

Dear Harlan:

On behalf of the City of Freeman, South Dakota, and its newly-formed municipal gas distribution utility, I concur with the AMPIP pipeline rate of \$0.99 per Mcf proposed in your recent filing with the South Dakota Public Utilities Commission. I have conferred with the Freeman Utility Board, and we support the proposed rate as just and reasonable.

We look forward to the availability of natural gas in Freeman beginning this fall. This is a positive step forward for the city's residents and businesses.

Sincerely,



Michael Schultz, Mayor  
Freeman, South Dakota

Exhibit No. 4

Transportation Service Tariff

### RATE SCHEDULE – FIRM TRANSPORTATION SERVICE

**1.0 Availability.** This Rate Schedule is available for the transportation of natural gas on a firm basis for any Shipper where (i) Transporter has determined that sufficient System capacity exists to provide the service requested by Shipper, and (ii) Shipper has executed a Transportation Service Agreement ("TSA") wherein Transporter agrees to transport gas for Shipper's account up to a specific maximum daily quantity.

**2.0 Gas Supply; Upstream Transportation, New Facilities.** Shipper shall be responsible for arranging for all natural gas supplies and interstate transportation of Shipper's gas on Northern to the point of receipt. Shipper must pay for all facilities required to physically connect to AMPIP's pipeline.

**3.0 Receipts and Deliveries.** The Point of Receipt for all gas transporter by Transporter under this Rate Schedule shall be at the interconnection of Transporter's System with Northern located near Marion, South Dakota. The Point(s) of Delivery shall be at the point(s) designated in the Exhibit A attached to Shipper's TSA.

**4.0 Rate and Charges.** The rates for service under this Rate Schedule are as follows:

	<u>Base Rate</u>	<u>Lost &amp; Unaccounted Gas Percentage</u>
Transportation Service	\$0.99/MMBTU	1%
Authorized Overrun Service	\$0.99 per Dkt	

However, Transporter has the right at any time and from time to time to file with the SDPUC to adjust the rates applicable to service under this Rate Schedule.

**1.0 Daily Tolerance; Penalty Provisions.** The daily tolerance level (+/-) from Shipper's daily scheduled volume shall be the daily variance established in Northern's Tariff. Unless otherwise agreed, in the event the daily quantity of gas delivered by Shipper deviates above or below the daily scheduled volume in excess of the Northern Tariff tolerance level, and Transporter is assessed charges or penalties by Northern, Shipper shall pay, in addition to the appropriate rates contained in this tariff, an amount equal to any payment AMPIP is required to make to Northern.

**2.0 General Terms and Conditions.** Any terms or conditions not specified in this Rate Schedule shall be determined consistent with Transporter's General Terms and Conditions, which are incorporated by reference into this Rate Schedule.

Exhibit No. 5

Statements Required By Chapter 20:10:13

AMPI Pipeline, Inc.  
List of Statements Included With This Filing or Not Applicable  
Pursuant to Chapter 20:10:13

<u>Rule</u>	<u>Statements</u>	<u>Explanation</u>
20:10:13:51	Statement A Balance Sheets	Not Applicable (1)
20:10:13:52	Statement B Income Statements	Not Applicable (1)
20:10:13:53	Statement C Earned Surplus	Not Applicable (1)
20:10:13:54	Statement D Cost of Plant	See Statement D
20:10:13:55	Schedule D-1 Plant Account Detail	See Statement D-1
20:10:13:56	Schedule D-2 Plant Additions, Retirements	See Statement D-2
20:10:13:57	Schedule D-3 Working Papers-Plant in Test Year	Not Applicable (1)
20:10:13:58	Schedule D-4 Working Papers-Plant for Previous Year	Not Applicable (1)
20:10:13:59	Schedule D-5 Working Papers-Capitalized Interest	See Statement D-5
20:10:13:60	Schedule D-6 Working Papers-Changes in Intangible Plant	Not Applicable (1)
20:10:13:61	Schedule D-7 Working Papers-Plant not Used and Useful	Not Applicable (1)
20:10:13:62	Schedule D-8 Working Papers-Property Records	Not Applicable (1)
20:10:13:63	Schedule D-9 Working Papers-Unapproved Acquired Plant	Not Applicable (1)
20:10:13:64	Statement E Accumulated Depreciation	See Statement E
20:10:13:65	Statement E-1 Working Papers-Change in Accumulated Depreciation	Not Applicable (1)
20:10:13:66	Schedule E-2 Working Papers-Depreciation Method	See Statement E-2
20:10:13:67	Schedule E-3 Working Papers-Allocation of Overall Accounts	Not Applicable (1)
20:10:13:68	Statement F Working Capital	Not Applicable (1)
20:10:13:69	Schedule F-1 Monthly M&S, Fuel Stocks, Prepayments	Not Applicable (1)
20:10:13:70	Schedule F-2 Monthly M&S Two Previous Years	Not Applicable (1)
20:10:13:71	Schedule F-3 Data Used for Working Capital	Not Applicable (1)
20:10:13:72	Statement G Rate of Return, Debt Capital, Preferred Stock Capital,	See Statement G
20:10:13:75	Common Stock Capital	
20:10:13:76	Schedule G-1 Stock Dividends, Splits, or Changes	Not Applicable (2)
20:10:13:77	Schedule G-2 Common Stock Information	Not Applicable (2)
20:10:13:78	Schedule G-3 Reacquisition of Bonds or Preferred Stocks	Not Applicable (2)
20:10:13:79	Schedule G-4 Earnings per Share for Claimed Rate of Return	Not Applicable (2)
20:10:13:80	Statement H Operating and Maintenance Expenses (O&M)	See Statement H
20:10:13:81	Schedule H-1 Adjustments to O&M	Not Applicable (1)
20:10:13:82	Schedule H-2 Cost of Power and Gas	Not Applicable (1)
20:10:13:83	Schedule H-3 Working Papers for Listed Expense Accounts	Not Applicable (1)
20:10:13:84	Schedule H-4 Working Papers-Interdepartmental Transactions	Not Applicable (1)
20:10:13:85	Statement I Operating Revenues	See Statement I
20:10:13:86	Statement J Depreciation Expense	See Statement J
20:10:13:87	Schedule J-1 Other Depreciation/Amortization Expenses	Not Applicable
20:10:13:88	Statement K Income Taxes	Not Applicable
20:10:13:89	Schedule K-1 Working Papers-Federal Income Taxes	See Statement K
20:10:13:90	Schedule K-2 Book vs. Tax Depreciation Differences	Not Applicable
20:10:13:91	Schedule K-3 Working Papers-Consolidated Fed. Income Taxes	Not Applicable
20:10:13:92	Schedule K-4 Working Papers-Current Tax Greater than Consolidated	Not Applicable
20:10:13:93	Schedule K-5 Working Papers- Allowance for State Income Taxes	Not Applicable
20:10:13:94	Statement L Other Taxes	See Statement L
20:10:13:95	Schedule L-1 Working Papers for Other Taxes	Not Applicable

AMPI Pipeline, Inc.  
List of Statements Included With This Filing or Not Applicable  
Pursuant to Chapter 20:10:13

<u>Rule</u>	<u>Statements</u>	<u>Explanation</u>
20:10:13:96	Statement M Overall Cost of Service	See Statement M
20:10:13:97	Statement N Allocated Cost of Service	See Statement N
20:10:13:98	Statement O Comparison of Cost of Service	Not Applicable
20:10:13:99	Schedule O-1 Derivation of Increased Rates	Not Applicable
20:10:13:100	Statement P Fuel Cost Adjustment Factor	Not Applicable
20:10:13:101	Statement Q Description of Utility Operations	See Statement Q
20:10:13:102	Statement R Purchases from Affiliated Companies	See Statement R

- (1) AMPIP requests waiver of this filing requirement and statement. AMPIP serves only two customers, AMPI and the City of Freeman, SD. Both customers concur with the proposed tariff and rate. AMPIP is proposing to continue charging at the existing rate. To reduce the rate case expenses associated with the filing, AMPIP seeks waiver of the filing statements which are normally required but which do not directly support the cost of service, Statement M. Also, because AMPIP has been operating only since late 1995, the statement data may not exist.
- (2) There have been no stock dividends, stock splits or changes in par or stated value. AMPIP has not issued any common or preferred stock or bonds. All AMPIP financial arrangements are met through loan agreements with AMPI.

AMPI Pipeline, Inc.

Cost of Plant - Rule 20:10:13:54

<u>Line No.</u>	<u>Functional Classification</u>	<u>Balance</u>
1	Distribution Plant	\$1,256,056

Line No 1 - Total distribution plant used in Statement M, Page 1 of 3, Line 1, Column C.  
Amount is determined on Schedule 4 of Exhibit 2.

**AMPI Pipeline, Inc.**

**Detailed Plant Accounts - Rule 20:10:13:55**

It is anticipated that all of the distribution plant will be included in Account 101.



**AMPI Pipeline, Inc.**

**Plant Additions, Retirements - Rule 20:10:13:56**

There are no material additions or retirements anticipated by AMPIP. However, as discussed elsewhere in this filing, a 7,675 foot portion of 6" polyethylene pipeline and metering equipment was sold to the City of Freeman Municipal Gas Utility. The sale is at net book value of \$111,600 representing no gain or loss on the sale assets. Since the amount is less than \$200,000, no express approval for sale of utility assets is required by the Commission.

## AMPI Pipeline, Inc.

**Capitalized Interest and Other Overheads During Construction - Rule 20:10:13:59**

Interest was capitalized into plant in service on the dates shown:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
12/31/95	Capitalized Interest - AMPI	\$ 4,975.72
1/31/96	Capitalized Interest - AMPI	9,805.35
2/29/96	Capitalized Interest - AMPI	9,230.61
	Total	\$ 24,011.68

**AMPI Pipeline, Inc.**

**Accumulated Depreciation - Rule 20:10:13:64**

AMPIP is depreciating the pipeline over 40 years at a rate of 2.45%. Statement M contains the overall cost of service study including depreciation expense and the effect of accumulated depreciation over the book life of the plant.

**AMPI Pipeline, Inc.**

**Working Papers on Depreciation and Amortization Method - Rule 20:10:13:66**

AMPIP utilizes straight-line depreciation for the pipeline at a rate of 2.45%, which is \$30,704 per year. Statement M, the overall cost of service study, includes depreciation expense and the effect of accumulated depreciation over the book life of the plant. Schedule 4 of Exhibit 2 shows the determination of the amount.

**AMPI Pipeline, Inc.**

**Rate of Return and Debt Capital - Rules 20:10:13:72 and 20:10:13:73**

Associated Milk Producers, Inc. (AMPI) will finance all debt for its subsidiary AMPI Pipeline (AMPIP). AMPI will provide all necessary operating capital for AMPIP at a rate of 9%.

## AMPI Pipeline, Inc.

## Operating and Maintenance Expense - Rule 20:10:13:80

The operating and maintenance expenses included in Statement M are as follows. The amounts are based on AMPIP books and records. In addition, because AMPIP has been in operation for a short period of time, some reasonable estimates have been included. Sources and notes are shown.

	Amount	Annual Escalator	1 Year Escalated Amount
	(A)	(B)	(C)
(1) Contracted Operating and Maintenance Day to day operations and maintenance of pipeline facility	\$12,000	2.0%	\$12,240
(2) AMPIP Operating and Maintenance Costs Training, readings, patrolling of line by local AMPI personnel	\$1,740	3.5%	\$1,801
(3) Pipeline Repair and Locating Costs Miscellaneous repair and locating costs	\$1,294	3.5%	\$1,339
(4) Corporate Services Management, clerical, accounting and tax work	\$6,710	3.5%	\$6,945
(5) Annual Audit Review Fees Outside legal and audit fees	\$500	3.5%	\$518
(6) Insurance Annual Fee	\$18,000	0.0%	\$18,000
(7) OPS Assessment Office of Pipeline Safety	\$1,500	0.0%	\$1,500
(8) Regulatory Fees Gross Receipts tax and DOT Pipeline Safety Assessment	\$325	0.0%	\$325
(8) Total	<u>\$42,069</u>	1.9%	<u>\$42,848</u>

## Sources and Notes:

Line 1, Column A: Per AMPIP contract with NSP NGS for pipeline operations and maintenance services.

Line 1, Column B: Contract escalator.

Continued.....

## AMPI Pipeline, Inc.

## Operating and Maintenance Expense - Rule 20:10:13:80

- Lines 1 - 8, Column C: Year 2 level of cost with escalator applied to year 1 historical-based amounts.
- Line 2, Column A: AMPIP direct costs of employee pipeline maintenance activities.
- Lines 2 - 5 Column B: Annual escalator based on anticipated inflation.
- Line 3, Column A: Miscellaneous repair and location costs. 1999 costs incurred is discounted to reflect base year equivalent amount.
- Line 4, Column A: Portion of AMPI corporate costs associated with the pipeline.
- Line 5, Column A: Audit fees based on actual results.
- Line 6, Column A: Insurance costs based on actual results; \$15,000 years 1997-1999, \$18,000 years 2000+.
- Line 7, Column A: OPS assessment based on actual results.
- Line 8, Column A: Regulatory fees based on actual results.
- Line 9, Columns A and C: Sum of year 1 and year 2, respectively, O&M costs from Lines 1 - 8.
- Line 9, Column B: Weighted annual O&M escalator based on expenses and individual escalators shown on Lines 1 - 8.

**AMPI Pipeline, Inc.**

**Operating Revenues - Rule 20:10:13:85**

Revenues of \$188,313 per year will be recovered from AMPI and the City of Freeman, South Dakota if the estimated annual throughput volumes are achieved. The amount is the result of applying the volumetric rate of \$0.99 per Mcf to the projected annual transportation volumes of 190,215 Mcf.



**AMPI Pipeline, Inc.**

**Depreciation Expense - Rule 20:10:13:86**

As described in Statement E, AMPIP proposes to utilize a 2.45% annual depreciation rate. Based on the total cost of the pipeline facilities, the annual depreciation amount will be \$30,704. The overall cost of service can be found in Statement M. Schedule 4 of Exhibit 2 shows the determination of depreciation expense.

**AMPI Pipeline, Inc.**

**Income Taxes - Rule 20:10:13:88**

AMPIP has no equity financing, and thus will not incur income tax expense. All costs will be deductible for income tax purposes. For cost of service purposes, book depreciation has been assumed to be equal to tax depreciation. Thus, deferred income taxes are not included in Statement M.

**AMPI Pipeline, Inc.**

**Other Taxes - Rule 20:10:13:94**

Estimated property taxes for pipeline in year 2000 were based upon actual liabilities in tax years 1996 through 1999. The estimate was developed by analysis of actual tax liabilities in the separate townships of the counties through which the pipeline passes. Property taxes for the pipeline in 2000 are estimated to be \$26,757 or an effective rate of approximately 2.13% on original cost investment (after the asset sale to Freeman). After year 2000, an annual escalator of 2.75% has been considered. The overall cost of service can be found in Statement M and in Exhibit 2.

**AMPI Pipeline, Inc.**

**Cost of Service - Rule 20:10:13:96**

The cost of service for AMPIP is shown on the following three schedules. These same schedules are replicated as Schedule 3, Pages 1 - 3, of Exhibit 2.

Page 1 of Statement M (Schedule 3 of Exhibit 2) shows development of the cost of service elements by year for 45 years. Column J reflects the present value of those amounts in total.

Page 2 of Statement M (Schedule 3 of Exhibit 2) depicts the determination of the levelized annual revenue requirements factor of 15.67%. In Column G, that factor applied to gross plant investment of \$1,256,056 yields annual revenue requirements of \$196,824.

Page 3 of Statement M (Schedule 3 of Exhibit 2) is a listing of sources and notes for the previous two pages.

Statement M - Cost of Service

Levelized Annual Revenue Requirement - See Page 3 of 3 for Sources and Notes  
Format as directed by SDPUC Order dated June 2, 1998, DOK NG 97-015

Capital Structure (CS):			
	Cost	Weight	Weighted Cost
(CS1) Equity	0.00%	0.00%	0.0000%
(CS2) Preferred Stock	0.00%	0.00%	0.0000%
(CS3) Long-term Debt	9.00%	100.00%	9.0000%
(CS4) Short-term Debt	0.00%	0.00%	0.0000%
(CS5)		100.00%	9.0000%

9.0000%  
Present Value  
of Revenue

Time Period	Year	Plant in Service Additions	Net Investment Rate-Base	Debt Return	Book Dep'n	Operating Expenses	Property Taxes	Total Revenue Requirement	Deficiency or (Excess)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
(1)	1996	1,256,056	1,233,028	84,007	23,028				
(2)	1997	0	1,202,324	109,591	30,704	39,069	27,043	206,407	189,364
(3)	1998	0	1,171,620	106,827	30,704	39,792	28,714	206,038	173,418
(4)	1999	0	1,140,916	104,064	30,704	40,529	25,006	200,303	154,670
(5)	2000	0	1,110,212	101,301	30,704	44,279	26,760	203,043	143,841
(6)	2001	0	1,079,508	98,537	30,704	45,098	27,496	201,835	131,179
(7)	2002	0	1,048,804	95,774	30,704	45,933	28,252	200,663	119,649
(8)	2003	0	1,018,100	93,011	30,704	46,783	29,029	199,526	109,148
(9)	2004	0	987,396	90,247	30,704	47,648	29,827	198,427	99,584
(10)	2005	0	956,692	87,484	30,704	48,530	30,648	197,366	90,873
(11)	2006	0	925,988	84,721	30,704	49,428	31,490	196,343	82,938
(12)	2007	0	895,284	81,957	30,704	50,343	32,356	195,361	75,709
(13)	2008	0	864,580	79,194	30,704	51,275	33,246	194,419	69,123
(14)	2009	0	833,876	76,431	30,704	52,224	34,160	193,519	63,122
(15)	2010	0	803,172	73,667	30,704	53,190	35,100	192,661	57,653
(16)	2011	0	772,468	70,904	30,704	54,174	36,065	191,847	52,669
(17)	2012	0	741,764	68,140	30,704	55,177	37,057	191,078	48,127
(18)	2013	0	711,060	65,377	30,704	56,198	38,076	190,355	43,986
(19)	2014	0	680,356	62,614	30,704	57,238	39,123	189,679	40,211
(20)	2015	0	649,652	59,850	30,704	58,297	40,199	189,051	36,768
(21)	2016	0	618,948	57,087	30,704	59,376	41,304	188,472	33,629
(22)	2017	0	588,244	54,324	30,704	60,475	42,440	187,943	30,766
(23)	2018	0	557,540	51,560	30,704	61,594	43,607	187,466	28,154
(24)	2019	0	526,836	48,797	30,704	62,734	44,806	187,042	25,771
(25)	2020	0	496,132	46,034	30,704	63,895	46,039	186,671	23,596
(26)	2021	0	465,428	43,270	30,704	65,078	47,305	186,357	21,611
(27)	2022	0	434,724	40,507	30,704	66,282	48,606	186,098	19,799
(28)	2023	0	404,020	37,743	30,704	67,509	49,942	185,898	18,145
(29)	2024	0	373,316	34,980	30,704	68,758	51,316	185,758	16,634
(30)	2025	0	342,612	32,217	30,704	70,030	52,727	185,678	15,254
(31)	2026	0	311,908	29,453	30,704	71,326	54,177	185,661	13,993
(32)	2027	0	281,204	26,690	30,704	72,646	55,667	185,707	12,841
(33)	2028	0	250,500	23,927	30,704	73,991	57,198	185,819	11,788
(34)	2029	0	219,796	21,163	30,704	75,360	58,770	185,998	10,825
(35)	2030	0	189,092	18,400	30,704	76,755	60,387	186,245	9,945
(36)	2031	0	158,388	15,637	30,704	78,175	62,047	186,563	9,139
(37)	2032	0	127,684	12,873	30,704	79,622	63,754	186,953	8,402
(38)	2033	0	96,980	10,110	30,704	81,095	65,507	187,416	7,727
(39)	2034	0	66,276	7,347	30,704	82,596	67,308	187,955	7,110
(40)	2035	0	35,572	4,583	30,704	84,125	69,159	188,571	6,544
(41)	2036	0	4,868	1,820	30,704	85,682	71,061	189,267	6,026
(42)	2037	0	0	219	4,868	87,267	73,015	165,370	4,830
(43)	2038	0	0	0	0	88,882	75,023	163,905	4,392
(44)	2039	0	0	0	0	90,527	77,086	167,614	4,121
(45)	2040	0	0	0	0	92,202	79,206	171,409	3,866
(46)	2041	0	0	0	0	93,909	81,384	175,293	3,627
(47) Project Totals		1,256,056		2,312,438	1,256,056	2,895,099	2,148,489	8,505,048	2,140,567

Statement M - Cost of Service

Levelized Annual Revenue Requirement - See Page 3 of 3 for Sources and Notes  
Format as directed by SDPUC Order dated June 2, 1998, Dok. NG 97-015

Levelized Annual Revenue Requirement - LARR					
(RR1)	\$81,583	\$30,368	\$50,655	\$34,116	\$196,722

LARR - As a % of Original Cost				
(RR2)	6.50%	2.42%	4.03%	2.72%

	9.0000% Present Value of Debt Return (A)	9.0000% Present Value of Book Depreciation (B)	9.0000% Present Value of Operating Expenses (C)	9.0000% Present Value of Current Property Taxes (D)	Present Value of Revenue Requirements or (Excess) (E)	Summary - LARR (F)	Amounts (G)
(1)	100,542	28,169	35,843	24,810	189,364	Return	6.50%
(2)	89,915	25,843	33,492	24,168	173,418	Depreciation	2.42%
(3)	80,357	23,709	31,295	19,309	154,670	O&M and Prop Taxes	6.75%
(4)	71,764	21,751	31,368	18,957	143,841	Total LARR	15.67%
(5)	64,043	19,955	29,311	17,870	131,179		
(6)	57,107	18,308	27,388	16,846	119,649		
(7)	50,880	16,796	25,592	15,880	109,148	Plant In Service	\$1,256,056
(8)	45,292	15,409	23,913	14,969	99,584		
(9)	40,280	14,137	22,345	14,111	90,873	Annual Requirement	\$196,824
(10)	35,787	12,970	20,879	13,302	82,938		
(11)	31,761	11,899	19,510	12,539	75,709		
(12)	28,156	10,916	18,230	11,820	69,123		
(13)	24,930	10,015	17,034	11,142	63,122		
(14)	22,045	9,188	15,917	10,503	57,653		
(15)	19,466	8,429	14,873	9,901	52,669		
(16)	17,163	7,733	13,897	9,333	48,127		
(17)	15,107	7,095	12,986	8,798	43,986		
(18)	13,274	6,509	12,134	8,294	40,211		
(19)	11,640	5,972	11,338	7,818	36,768		
(20)	10,186	5,479	10,595	7,370	33,629		
(21)	8,893	5,026	9,900	6,947	30,766		
(22)	7,743	4,611	9,250	6,549	28,154		
(23)	6,723	4,230	8,644	6,173	25,771		
(24)	5,819	3,881	8,077	5,820	23,596		
(25)	5,018	3,561	7,547	5,486	21,611		
(26)	4,310	3,267	7,052	5,171	19,799		
(27)	3,684	2,997	6,589	4,875	18,145		
(28)	3,132	2,749	6,157	4,595	16,634		
(29)	2,647	2,522	5,753	4,332	15,254		
(30)	2,220	2,314	5,376	4,083	13,993		
(31)	1,846	2,123	5,023	3,849	12,841		
(32)	1,518	1,948	4,694	3,629	11,788		
(33)	1,232	1,787	4,386	3,420	10,825		
(34)	982	1,639	4,098	3,224	9,945		
(35)	766	1,504	3,829	3,039	9,139		
(36)	579	1,380	3,578	2,865	8,402		
(37)	417	1,266	3,344	2,701	7,727		
(38)	278	1,161	3,124	2,546	7,110		
(39)	159	1,066	2,919	2,400	6,544		
(40)	58	978	2,728	2,262	6,026		
(41)	6	142	2,549	2,133	4,830		
(42)	0	0	2,382	2,010	4,392		
(43)	0	0	2,226	1,895	4,121		
(44)	0	0	2,080	1,786	3,866		
(45)			1,943	1,684	3,627		
(46)	887,722	330,436	551,189	371,220	2,140,567		

**AMPI Pipeline, Inc.**  
**Docket No. NG97-015**  
**Statement M - Cost of Service**  
**Levelized Annual Revenue Requirement**  
**Sources and Notes**

**Schedule 3**  
**Page 3 of 3**

**Schedule 3, Page 1 of 3:**

- Lines CS1 - CS5: AMPIP Cost of Capital. Debt only @ 9% Interest Rate
- Lines 2-46, Column A: Time Period for present value calculation.
- Line 1, Column B: Year in service. Present value is life cycle beginning in 1997.
- Line 1, Column C: Net pipeline capital expenditure. Reduced for sale of 7,675' to City of Freeman for \$111,600.
- Lines 1 - 46, Column D: Net pipeline investment reduced by accumulated depreciation for each year. The Commission directed that pipeline facilities be considered to be "in-service" March, 1996. Book depreciation was calculated at 9/12 for the "in-service" year.
- Line 1, Column E: The annual debt cost (9%) applied to the average of the BOY and EOY net plant investment (\$1,244,542) for 9/12 of the "in-service" year.
- Line 1, Column F: Book depreciation per AMPIP adjusted for sale of 7,675' to Freeman (9/12 of a year). See Schedule 4.
- Line 2, Column G: See Schedule 5. 1997-1999 is adjusted for lower insurance costs in first three years of operation.
- Lines 2-4, 5, 6-46, Column H: Lines 2-4 - Actual Property Taxes per AMPIP for years 1997-1999, 2000 property taxes (Line 5) are an estimate based on 1996-1999 actual cost experience; remaining years (Lines 6-46) are escalated using factor.
- Lines 2 - 46, Column I: Sum of Columns E - H for corresponding lines.
- Lines 2 - 46, Column J: Present Value of Column I @ Overall Cost of Capital (9%).
- Lines 3 - 46, Column E: Average net investment applied to debt cost (9%).
- Lines 3 - 46, Column F: Book depreciation per AMPIP adjusted for sale of 7,675' to Freeman. See Schedule 4.
- Lines 3 - 46, Column G: Operating expenses per Schedule 5, escalated at rate determined on Schedule 5.
- Lines 6 - 46, Column H: Property taxes per AMPIP adjusted for sale of 7,675' to Freeman. Escalated at 2.5% annually.
- Line 47: Check totals.

**Schedule 3, Page 2 of 3:**

- Line RR1: The levelized annual revenue requirements of the items reflected in the columns below.
- Line RR2: The percent of original cost (\$1,256,056) for the levelized revenue requirements shown on RR1.
- Lines 1 - 45, Columns A - D: Annual present value of each revenue requirement component shown. The nominal amounts are from Schedule 3, Page 2 of 3, Columns E - H.
- Lines 1 - 45, Column E: Annual present value of total revenue requirements. Matches Column J on Schedule 3, Page 1 of 3.
- Line 46, Columns A - E: Total of annual present value amounts for each column. These amounts are then discounted to arrive at the amounts shown on Line RR1.
- Columns F and G: Summary of Levelized Annual Revenue Requirements. Column F describes each component. Column G shows the LARR rate by component and the total. The LARR rate of 15.67% on Line 4, Column G is applied to the original cost of the pipeline shown on Line 7, Column G to arrive at the levelized annual revenue requirements shown on Line 9, Column G of \$210,892. This amount is carried forward to Schedule 2 to determine the pipeline rate.

**AMPI Pipeline, Inc.**

**Allocated Cost of Service: 20:10:13:97**

AMPIP generates all of its revenue by the transportation of natural gas for two customers, AMPI and the City of Freeman, South Dakota. Based on AMPIP's proposal to continue charging the existing transportation rate and the projected usage shown on Schedule 2 of Exhibit 2, AMPI will pay approximately 72% of the total revenue requirements and the City Utility approximately 23%. AMPIP will absorb the remaining 5% of the total revenue requirements. If AMPIP desires to add other services in the future, AMPIP will file with the Commission to establish rates, tariffs and cost allocations by class.



**AMPI Pipeline, Inc.**

**Description of Utility Operations: 20:10:13:101**

AMPIP operates an intrastate natural gas pipeline extending from a point on the existing Northern Natural Gas interstate pipeline located at township 101 North, Range 54 West, Section 24, in McCook County, South Dakota, south along 447th Avenue to Turner County #10, west along County #10 to Turner County #15, South along County #10 to State Highway #44 again west along Highway #44 to US 81 and then south along Highway 81. The pipeline ends at a district regulating station in the SE 1/4 of Section 26, township 99N, Range 56W in Hutchinson County.

The pipeline began operations in 1995 with the only customer being AMPI's milk processing plant in Freeman, SD. In 1997 transportation services were extended to serve a newly established municipal gas distribution utility in Freeman, SD. Besides being a transportation customer of AMPIP, the AMPI plant will also be a retail transportation customer of the City of Freeman. The City of Freeman concurred with the existing rate as filed in the initial proceeding. A copy of former mayor Michael Schultz's 1997 statement of concurrence is included with this application.

*In the future, AMPIP may install additional taps for deliveries to potential customers along the proposed route as customer requests arise. If necessary, AMPIP would file additional initial tariffs and rates as services may be added.*

## AMPI Pipeline, Inc.

## Purchases from Affiliated Companies: 20:10:13:102

AMPIP is a wholly-owned subsidiary company of AMPI. To minimize operating costs, AMPIP utilizes services from the parent company in its day to day operations. Below is an explanation of those services and the amounts charged to AMPIP. This information is also shown on Schedule 5 of Exhibit 2, herein, and is addressed by Mr. Smith in his testimony in Exhibit 2.

## Annual Charges from AMPI to AMPIP

AMPIP - O & M Costs	\$1,740
Training, readings, patrolling of line by local AMPI personnel	
Corporate Services	<u>\$6,710</u>
Management, clerical, accounting and tax work	
Total Charges to AMPIP from AMPI	\$8,450

AMPI direct costs and corporate services are provided as a means of minimizing resource requirements for both AMPI and AMPIP.

AMPIP - O & M costs are primarily AMPI personnel used for patrolling the pipeline and providing meter readings and other operating data. Because they are located in Freeman and charge only a portion of their time, it is the most inexpensive alternative for this service.

Corporate services are related to tax and reporting requirements of AMPIP and AMPI, as well as general management of the pipeline business as a subsidiary of AMPI. A portion of management and management support time is included, as well as professional internal services related to accounting, auditing, and reporting. As with the direct costs, because the services provided are a portion of various employees' time, and they are familiar with the business, using their services is the lowest cost and most effective alternative.

Affiliate rate of return data associated with the provision of the services discussed above is not available.

**WEEKLY FILINGS**

For the Period of March 30, 2000 through April 5, 2000

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact  
Delaine Kolbo within five business days of this filing.  
Phone: 605-773-3705 Fax: 605-773-3809

**CONSUMER COMPLAINTS**

**CT00-057 In the Matter of Complaint filed by Larry Mann, Rapid City, South Dakota, against MCI WorldCom, Sprint Communications Company L.P., USBI, Business Options, Inc., HOLD Billing Services and CEO Telecommunications, Inc. Regarding Unauthorized Switching of Services.**

The complainant alleges that he received his February 2000 phone bill and it was hundreds of dollars higher than it has ever been. He discovered that his calling card calls had been billed at casual rates because he was no longer with AT&T. His long distance services had been switched to MCI without his knowledge in 1997 and switched again on December 1, 1999, to Sprint and Business Options without his knowledge. The complainant states that he or his wife have never authorized anyone to switch his long distance provider to AT&T. The complainant alleges unauthorized charges from CEO Telecom/LD Services in June and July, 1999. The complainant requests that his rates be adjusted to the date his service was changed without his consent.

Staff Analyst: Charlene Lund  
Staff Attorney: Karen Cremer  
Date Docketed: 03/30/00  
Intervention Deadline: NA

**CT00-058 In the Matter of the Complaint filed by Brian Lerohl, Fairview, South Dakota, against Business Options, Inc. and HOLD Billing Services Regarding Unauthorized Switching of Services.**

Complainant reports that for the billing period ending February 13, 2000, his U S WEST bill contained charges of \$76.48 from HOLD Billing Services and Business Options. He reports that he never agreed to those services, either verbally or in writing. He alleges that the switching of his long distance services constitutes fraud and the claim made by William Brzycki from Business Options that his services were verified on March 13, 1996 is false. The complainant requests compensation for his time to resolve the issue at \$1152.00, plus travel time and expenses to come to Pierre at \$300.00, for a total compensation of \$1452.

Staff Analyst: Charlene Lund  
Staff Attorney: Camron Hoseck  
Date Docketed: 04/03/00  
Intervention Deadline: NA

**CT00-059 In the Matter of the Complaint filed by Terrell W. Reetz, Custer, South Dakota, against Crusade Communications Regarding Unauthorized Switching of Services.**

On April 4, 2000, the Complainant filed a complaint against Crusade Communications for switching his long distance service without authorization. He is seeking reimbursement for charges incurred and \$1000 as identified in SDCL 49-31-93.

Staff Analyst: Len Healy  
Staff Attorney: Karen Cremer  
Date Docketed: 04/05/00  
Intervention Deadline: NA

## NATURAL GAS

**NG00-004 In the Matter of the Application of Associated Milk Producers, Inc. Pipeline, Inc. to Continue Intrastate Natural Gas Transportation Rate and Eliminate Refund Condition.**

Application by Associated Milk Producers to continue the currently effective gas transportation rate which was initially approved in June of 1998 in Docket No. NG97-015. The June 2, 1998 Order required Associated Milk Producers to submit an application for a change in the intrastate natural gas transportation rate by March 1, 2000. Associated Milk Producers subsequently requested and the Commission granted an extension of the March 1, 2000 date to April 1, 2000.

Staff Analyst: Dave Jacobson/Keith Senger  
Staff Attorney: Karen Cremer  
Date Docketed: 04/3/00  
Intervention Deadline: 04/28/00

## TELECOMMUNICATIONS

**TC00-062 In the Matter of the Application of Concentric Carrier Services, Inc. for a Certificate of Authority to Provide Telecommunications Services, Including Local Exchange Services, in South Dakota.**

Concentric Carrier Services, Inc. submitted an application to provide facilities-based and resold local exchange and interexchange telecommunications services in South Dakota. The applicant seeks authority to provide all forms of telecommunications service to business and residential customers.

Staff Analyst: Keith Senger  
Staff Attorney: Camron Hoseck  
Date Docketed: 04/04/00  
Intervention Deadline: 04/21/00

**TC00-063 In the Matter of the Application of CRG International, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.**

CRG International, Inc. submitted an application to provide resold interexchange telecommunications services in South Dakota. The applicant proposes to offer switched inbound/outbound, dedicated inbound/outbound, travel card, directory assistance and operator services.

Staff Analyst: Keith Senger  
Staff Attorney: Karen Cremer  
Date Docketed: 04/05/00  
Intervention Deadline: 04/21/00

**TC00-064 In the Matter of the Application of essential.com, inc. for a Certificate of Authority to Provide Telecommunications Services, Including Local Exchange Services, in South Dakota.**

essential.com, inc. submitted an application to provide local exchange and interexchange telecommunications services in South Dakota. essential.com, inc. intends to provide local resale service in the exchanges of U S WEST and does not intend to provide service, at this time, in any rural telephone exchanges.

Staff Analyst: Heather Forney  
Staff Attorney: Camron Hoseck  
Date Docketed: 04/05/00  
Intervention Deadline: 04/21/00

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

<b>IN THE MATTER OF THE APPLICATION OF )</b>	<b>ASSESSMENT OF FILING</b>
<b>ASSOCIATED MILK PRODUCERS, INC. )</b>	<b>FEE</b>
<b>PIPELINE, INC. TO CONTINUE INTRASTATE )</b>	
<b>NATURAL GAS TRANSPORTATION RATE )</b>	<b>NG00-004</b>
<b>AND ELIMINATE REFUND CONDITION )</b>	

On April 3, 2000, the Associated Milk Producers, Inc. Pipeline, Inc. (AMPIP), a subsidiary of Associated Milk Producers, Inc. (AMPI), filed an application with the Public Utilities Commission (Commission). According to the application, the intent of the filing is to: (1) seek Commission authorization to continue to provide service at the rate approved in Docket No. NG97-015; (2) remove the potential refund obligation currently tied to the existing rate; and (3) conclude matters under this docket. Earlier proceedings in docket NG97-015 allowed AMPIP to serve both AMPI and the new municipal gas utility owned and operated by the City of Freeman, South Dakota, at a transportation rate of \$0.99 per Mcf to continue in effect until September 1, 2000, subject to refund. The rate commenced October 8, 1997. AMPIP is not proposing to change the existing transportation rate or the Transportation Service Tariff. AMPIP seeks a waiver of ARSD 20:10:13:04 and 20:10:13:05. AMPIP is also requesting that the refund obligation on the existing rate be terminated as it has not recovered its cost of service.

SDCL 49-1A-8 authorizes the Commission to require a deposit of up to one hundred thousand dollars (\$100,000) in the South Dakota Public Utilities Commission's (SDPUC) regulatory assessment fee fund to defray Commission expenses incident to analyzing and ruling upon this type of filing. The Commission has jurisdiction in this matter pursuant to SDCL Chapters 1-26, 49-1A, 49-34A and ARSD 20:10:01:15.02 and 20:10:01:15.03.

At its regularly scheduled meeting of May 17, 2000, the Commission considered this matter. The Commission found that pursuant to SDCL 49-1A-8, AMPIP shall be assessed a filing fee as requested by the executive director up to the statutory limit of \$100,000. It is therefore

ORDERED, that AMPIP shall deposit a filing fee, to be established by the executive director, in the SDPUC regulatory assessment fee fund and it shall deposit any additional amounts as requested by the executive director.

Dated at Pierre, South Dakota, this 23<sup>rd</sup> day of May, 2000.

<b>CERTIFICATE OF SERVICE</b>
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, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.
By: <u>Debra K. Kolbo</u>
Date: <u>5/25/00</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION

James A. Burg  
JAMES A. BURG, Chairman

Pam Nelson  
PAM NELSON, Commissioner

Laska Schoenfelder  
LASKA SCHOENFELDER, Commissioner

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

<b>IN THE MATTER OF THE APPLICATION OF</b>	)	<b>ORDER GRANTING</b>
<b>ASSOCIATED MILK PRODUCERS, INC.</b>	)	<b>AUTHORITY TO CONTINUE</b>
<b>PIPELINE, INC. TO CONTINUE INTRASTATE</b>	)	<b>INTRASTATE NATURAL</b>
<b>NATURAL GAS TRANSPORTATION RATE</b>	)	<b>GAS TRANSPORTATION</b>
<b>AND ELIMINATE REFUND CONDITION</b>	)	<b>RATE AND ELIMINATE</b>
	)	<b>REFUND CONDITION</b>
	)	<b>NG00-004</b>

On September 5, 1997, the Associated Milk Producers, Inc. Pipeline, Inc. (AMPIP), a subsidiary of Associated Milk Producers, Inc. (AMPI), filed with the Public Utilities Commission (Commission) an application requesting a revision to its natural gas transportation rate and tariff so it may serve both AMPI and a new municipal gas utility to be owned and operated by the City of Freeman, South Dakota (Freeman). AMPIP proposed an effective date of October 5, 1997.

By order dated October 3, 1997, the Commission allowed the transportation rate to go into effect on October 5, 1997, subject to refund and required AMPIP to deposit a filing fee pursuant to SDCL 49-1A-8. By amended order dated March 19, 1998, a hearing was scheduled for March 30, 1998, in Sioux Falls, South Dakota. The hearing was held as scheduled. At its May 12, 1998, meeting, the Commission considered this matter. The Commission ruled as follows: (1) AMPIP shall use a forecasted, 45 year levelized cost of service, calculated in the same manner as found on Exhibit 4; (2) the current \$.99 rate per Mcf shall be left in place until September 1, 2000, subject to refund at an interest rate of 9%; (3) any undercollections by AMPIP are at the risk of AMPIP; (4) depreciation on the facility shall begin when the plant was first used in March of 1996; (5) AMPIP shall refile the proposed tariffs that incorporate Staff's recommendations that AMPIP agreed to at the hearing for Staff's review; and (6) AMPIP shall submit an application for a change in the intrastate natural gas transportation rate by March 1, 2000. Chairman Burg dissented on the charging of interest.

On February 23, 2000, John Winter, Federal and Dakotas Regulatory Manager for Northern States Power Company (NSP), filed a request on behalf of AMPIP requesting an extension of the March 1, 2000, filing date to April 1, 2000. At its regularly scheduled February 29, 2000, meeting, the Commission unanimously voted to grant the request for an extension. On April 3, 2000, AMPIP filed its application.

At its regularly scheduled August 22, 2000, meeting the Commission considered the application. Commission Staff recommended authorizing AMPIP to continue to provide service at the rate approved by order dated June 2, 1998, and to remove any refund obligation due to overcollections from the period June 2, 1998, through September 1, 2000, and thereafter. Staff noted that there was no need for a waiver of administrative rules regarding the tariff schedule.

The Commission has jurisdiction over this matter pursuant to SDCL Chapters 1-26 and 49-34A, specifically 1-26-17.1, 49-34A-4, 49-34A-6, 49-34A-8, 49-34A-10, 49-34A-11, 49-34A-12, 49-34A-13, 49-34A-13.1, 49-34A-17, 49-34A-19, and 49-34A-21. The Commission unanimously voted to authorize AMPIP to continue to provide service at the rate approved by order dated June 2, 1998, and to remove any refund obligation due to overcollections from the period June 2, 1998, through September 1, 2000, and thereafter. It is therefore

ORDERED, that AMPIP shall continue to provide service at the rate approved by order dated June 2, 1998, and that any refund obligation due to overcollections from the period June 2, 1998, through September 1, 2000, and thereafter, is removed.

Dated at Pierre, South Dakota, this 25<sup>th</sup> day of August, 2000.

<b>CERTIFICATE OF SERVICE</b>	
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, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By:	<u><i>Alaine Kelbo</i></u>
Date:	<u>8/28/00</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

*James A. Burg*  
JAMES A. BURG, Chairman

*Laska Schoenfelder*  
LASKA SCHOENFELDER, Commissioner



August 30, 2000

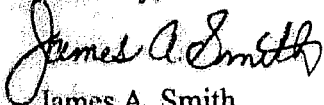
William Bullard, Jr.  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol  
Pierre, SD 57501

Re: AMPIP Intrastate Natural Gas Transportation Rate Filing  
Docket No. NG00-004  
Gas Transportation Tariff – Final Rates

Dear Mr. Bullard:

In compliance with the Commission's Order issued on August 25, 2000, in Docket No. NG00-004, AMPI Pipeline, Inc. submits for filing, an original and four conformed copies of its rate schedule for firm natural gas transportation service, First Revised Sheet No. 16, Gas Transportation Service Tariff SDPUC No. 1, to be effective September 1, 2000. If you require additional information, please contact me at 612-330-7816, or by fax, 612-330-7601.

Sincerely,



James A. Smith  
NSP Sr. Regulatory Consultant, on behalf of  
AMPI Pipeline, Inc.

**RECEIVED**

SEP 05 2000

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

## RATE SCHEDULE - FIRM TRANSPORTATION SERVICE

1.0 Availability. This Rate Schedule is available for the transportation of natural gas on a firm basis for any Shipper where (i) Transporter has determined that sufficient System capacity exists to provide the service requested by Shipper, and (ii) Shipper has executed a Transportation Service Agreement ("TSA") wherein Transporter agrees to transport gas for Shipper's account up to a specific maximum daily quantity.

2.0 Gas Supply; Upstream Transportation, New Facilities. Shipper shall be responsible for arranging for all natural gas supplies and interstate transportation of shipper's gas on Northern to the point of receipt. Shipper must pay for all facilities required to physically connect to AMPIP's pipeline.

3.0 Receipts and Deliveries. The Point of Receipt for all gas transported by Transporter under this Rate Schedule shall be at the interconnection of Transporter's System with Northern Located near Marion, South Dakota. The Point(s) of Delivery shall be at the point(s) designated in the Exhibit A attached to Shipper's TSA.

4.0 Rates and Charges. The rates for service under this Rate Schedule are as follows:

	<u>Base Rate</u>	<u>Lost &amp; Unaccounted Gas Percentage</u>
Transportation Service	\$0.99/MMBTU	1%
Authorized Overrun Service	\$0.99 per Dkt	

However, Transporter has the right at any time and from time to time to file with the SDPUC to adjust the rates applicable to service under this Rate Schedule.

5.0 Daily Tolerance; Penalty Provisions. The daily tolerance level (+/-) from Shipper's daily scheduled volume shall be the daily variance established in Northern's Tariff. Unless otherwise agreed, in the event the daily quantity of gas delivered by Shipper deviates above or below the daily scheduled volume in excess of the Northern's Tariff tolerance level, and Transporter is assessed charges or penalties by Northern, Shipper shall pay, in addition to the appropriate rates contained in this tariff, an amount equal to any payment AMPIP is required to make to Northern.

6.0 General Terms and Conditions. Any terms of conditions not specified in this Rate Schedule shall be determined consistent with Transporter's General Terms and Conditions, which are incorporated by reference into this Rate Schedule.