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September 1, 2006

Public Utilities Commission
500 E Capitol
Pierre SD 57501-5070

Re: South Dakota Intrastate Pipeline Company
Rate Increase-Letter of Transmittal

Dear Commission:

Pursuant to ARSD 20:10:13:39, enclosed please find a Petition seeking the Commission's authority for South Dakota Intrastate Pipeline Company to amend its rate schedule to provide for an increase in its transportation charge to its only customer, Montana-Dakota Utilities Company from \$2.398/dk to \$2.533/dk. Accompanying the Petition are exhibits reflecting recitals stated in the Petition.

South Dakota Intrastate Pipeline Company proposes to make the change in its rate effective as of October 15, 2006.

Copies of the Petition and accompanying exhibits have been sent to Robert Moorman, Vice President of Gas Supply, Montana-Dakota Utilities, 400 North 4th Street, Bismarck, North Dakota 58501. Montana Dakota is South Dakota Intrastate Pipeline's only customer.

South Dakota Intrastate Pipeline Company proposes to increase its transportation cost to Montana-Dakota Utilities approximately \$0.135/dk on its presently existing pipeline.

Since the original transportation charge was established, and subsequently amended by the Commission, the Federal Government has required natural gas pipeline companies to expend greatly increased numbers of dollars to meet increased safety concerns as a result of the passage of the Pipeline Safety Improvement Act of 2002 (49 USC Section 6300 et.seq.) The increased safety costs, as well as public education programs, pipeline integrity management, pipeline operator qualification programs mandated by the Federal Government significantly impact SDIP, and said impact is beyond the control of SDIP. The annual base safety assessment costs levied by the Federal Government against SDIP have risen from approximately \$15,000.00 in 2001 to \$30,030.00 in 2006. In addition thereto, specific safety requirements imposed by the government in the years 2004, 2005 and 2006 were approximately \$66,000.00, \$122,000.00 and \$54,000.00 over and above the base safety assessments.

As previously stated, Montana-Dakota Utilities is the only customer of South Dakota Intrastate Pipeline Company and thus will be the only entity directly affected by the proposed change in the transportation charge. Based upon past performance, the amount of increase to Montana-Dakota Utilities for transportation of its gas to Pierre and intermediate locations will amount to approximately \$148,500.00 per year.

Sincerely,

A handwritten signature in dark ink, appearing to read "James Robbennolt", with a long, sweeping horizontal stroke extending to the right.

JAMES ROBBENNOLT
Attorney at Law

JR/kd

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED
SEP 05 2006
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF THE SOUTH DAKOTA INTRASTATE
PIPELINE COMPANY TO AMEND RATE
SCHEDULE PURSUANT TO ITS AMENDED
AND RESTATED TRANSPORTATION
AGREEMENT.

PETITION

COMES NOW, South Dakota Intrastate Pipeline Company, by and through its attorney of record James Robbennolt, and petitions the Public Utilities Commission for permission to allow the Utility to increase its transportation fee to its sole customer, Montana-Dakota Utilities from \$2.398 per dk to \$2.533 per dk pursuant to Paragraph 8.1 of the Transportation Agreement entered into between South Dakota Intrastate Pipeline company and Montana Dakota Utilities company on March 8, 1993. This Petition is also filed pursuant to Paragraph 8.1 of the MDU Transportation Agreement and the Findings of Fact and Conclusions of Law entered by this Commission in file #NG00-001.

Paragraph 8.1 of the Transportation Agreement previously cited states "it is agreed, however, that transporter may seek Commission approval of a change in rates, where such change is made necessary by any mandated changes in Federal or State taxes or catastrophic event or series of events which seriously threatens the ability of Transporter to provide safe and adequate gas service to shippers as required by law".

Since the last filing by South Dakota Intrastate Pipeline Company for a Transportation rate increase, the Federal Government has required natural gas pipeline companies to expend greatly increased numbers of dollars to meet increased safety concerns as a result of the passage of the Pipeline Safety Improvement Act of 2002

(49USC Section 6300 et. seq.). See Exhibit "A", attached hereto and made a part hereof by this reference.

These increased safety costs, as well as public education programs, pipeline integrity management, pipeline operator qualification programs mandated by the Federal Government significantly impact SDIP. See Exhibit "B", attached hereto and made apart hereof by this reference.

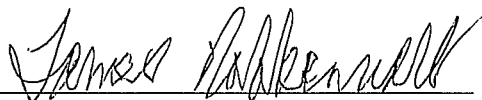
Pursuant to SDCL 49-34A-12 and 49-34A-14 SDIPC requests that the Commission allow the new rate be put into effect after the required 30-day notice is given to MDU subject to the Commission's authority to suspend the new rate. Exhibit C, the new tariff sheets.

If the Petition for Amendment is granted, the return on equity realized by SDIP would be approximately 10 percent, which is significantly less than the 14 percent previously approved by the Commission in SDIP's original rate filing.

This Petition is also filed pursuant to SDCL Section 49-34A-25.

Petitioner respectfully requests that the Commission grant its proposed rate increase.

Dated this 1st day of Sept., 2006.



James Robbenolt
Attorney for Petitioner
505 W. 9th Street, #101
Sioux Falls, SD 57104
(605) 336-6775

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 15th day of Sept., 2006, he mailed a true and correct copy of the foregoing Petition to

Robert Moorman
Vice President of
Gas Supply
Montana-Dakota Utilities
400 No. 4th Street
Bismarck, North Dakota 58501

and that said mailing was by U. S. mail, first class with postage thereon prepaid and mailed at the U. S. Post Office in Sioux Falls, South Dakota.


James Robbennolt

Montana-Dakota Utilities
Robert Moorman
Vice President of Gas Supply
400 North 4th Street
Bismarck, ND 58501

**AMENDED
NOTICE OF PROPOSED RATE INCREASE
TO AFFECTED CUSTOMERS:**

Dear Mr. Moorman:

Please be advised that SD Intrastate Pipeline Company will seek permission from the SD Public Utilities Commission to increase its natural gas transmission rate to you, its only customer, by increasing the transportation charge from 2.398/dk to 2.4533/dk as is reflected in the Petition which accompanies this as well as other documents. Pursuant to statute you have the right, as the only customer of SDIP to file a written objection to the rate increase and you may request that the Public Utilities Commission suspend the rate increase and hold a public hearing to determine if such rate increase should be allowed.

If you have any questions or comments please don't hesitate to contact the undersigned.

Dated at Sioux Falls, South Dakota this ____ day of September, 2006.

James Robbennolt
Attorney at Law
505 W. 9th Street, #101
Sioux Falls, SD 57104
(605) 336-6775