

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

In the Matter of the Application of
South Dakota Intrastate Pipeline
Company for Authority to Increase its
Natural Gas Transportation Rates

Docket No. NG17-009

**SOUTH DAKOTA INTRASTATE
PIPELINE COMPANY'S RESPONSE
TO RING-NECK ENERGY & FEED,
LLC'S PETITION TO INTERVENE**

South Dakota Intrastate Pipeline Company ("SDIP") hereby submits this response to Ring-Neck Energy & Feed, LLC's ("Ring-Neck") Petition to Intervene filed on February 15, 2018. Although Ring-Neck has been aware of this docket for a number of months, SDIP understands that Ring-Neck now seeks to intervene, well past the July 31, 2017 intervention deadline, after having been suggested to do so by commission staff. Although SDIP, through counsel, voiced its objection to commission staff to having this matter heard by the commission on February 22, 2018, this matter was placed on the agenda over SDIP's objection and without SDIP waiving the 10-day notice requirement and without a good cause determination by the commission. (ARSD 20:10:01:22.02). Without waiving its right to object to proceeding in this matter, SDIP submits the following response.

1. On or about March 11, 2015, SDIP entered into a Transportation Agreement with Ring-Neck. (Attached hereto as Exhibit A).
2. The Transportation Agreement provided at Article II Section 2.1 that it was contingent upon all necessary approval from the South Dakota Public Utilities Commission for an Interruptible Gas Tariff as submitted by SDIP.
3. The delivery of gas was to commence on September 1, 2016. (Exhibit A at 7.2).
4. The Transportation Agreement included a charge of \$0.32/dkt for the contract period, which required commission approval as indicated in Article II Section 2.1.
5. The Transportation Agreement at Article II Section 2.2 provides that "This Transportation Agreement is contingent upon the parties entering into a separate Interconnect Agreement."

6. The Transportation Agreement at Article II Section 2.3 provides the obligation to transport is “contingent upon sufficient capacity in the System after taking into account obligations of Transporter to transport gas to others.”
7. The Transportation Agreement at Article XII Section 12.1 further provides that “Ring-neck Energy’s receipt of gas is secondary to that of Transporter’s obligations under current contracts, firm transportation customers, current tariffs or any subsequent modifications of current contracts, current tariffs or new tariffs related to current contracts or current tariffs to transport gas in the pipeline.” Ring-Neck acknowledged in Section 12.1 that it may experience an interruption of service or a cessation of service, including a reduction in capacity or no capacity.
8. As a result of Ring-Neck not meeting the requirement for the initial delivery of gas in the pipeline, which was to occur on September 1, 2016, on or about February 15, 2017 SDIP notified Ring-Neck that the Transportation Agreement was no longer valid. (Attached hereto as Exhibit B).
9. As recent as July 2017 it was questionable whether or not Ring-Neck’s ethanol facility would be constructed.
10. Subsequent to the notification to Ring-Neck, SDIP, through counsel and without waiving SDIP’s rights to claim the Transportation Agreement was no longer valid, agreed to work with Ring-Neck on an Interconnect Agreement. At this time, no Interconnect Agreement has been finalized.
11. On February 14, 2018, MDU advised SDIP that MDU was seeking to extend the agreement with SDIP for the maximum daily delivery quantity of the pipeline.¹ Based upon this recent notification, SDIP asserts that Ring-Neck will need to separately address any and all of its gas needs with MDU. SDIP objects to using this docket as the method to determine what rate should exist for Ring-Neck based upon gas provided by MDU. Based upon MDU’s February 14, 2018 notification to SDIP, Ring-Neck’s intervention in this docket serves no legitimate purpose.

¹ SDIP disputes whether MDU can extend the term of the transportation agreement with SDIP for a fixed 5-year term since MDU previously indicated it wasn’t extending the agreement, however, as the sole existing customer, the South Dakota Public Utilities Commission (the “Commission”) may determine that MDU has the right to the use of the maximum daily delivery quantity of the pipeline.

12. SDIP, MDU and staff are holding settlement discussions on February 21-22, 2018 in an effort to resolve the issues in this docket. Granting Ring-Neck's petition will unduly prejudice the rights of SDIP and other parties attempting to resolve the issues in this docket by potentially delaying the ultimate resolution in this docket and implementation of the rate increase SDIP believes is supported by the record.
13. In summary, SDIP respectfully asserts that the Transportation Agreement is null and void and that Ring-Neck has failed to (and indeed, cannot) clearly and concisely set out facts supporting its petition to intervene consistent with ARSD 20:10:01:15.03. Furthermore, in light of the potential for undue prejudice, granting Ring-Neck's petition to intervene would be contrary to ARSD 20:10:01:15.02. Ring-Neck's petition to intervene should therefore be denied.
14. If intervention is granted over SDIP's objection, the currently scheduled hearing in this docket will need to be continued to resolve a number of outstanding issues, including but not limited to the viability of Ring-Neck's project, the precise timing of Ring-Neck's need for natural gas service, the precise volume of natural gas service needed by Ring-Neck, the appropriate provider of natural gas service to Ring-Neck (e.g., SDIP or MDU), and if SDIP provides service to Ring-Neck, the appropriate tariff structure and rate to be charged for that service. Delaying the rate increase requested by SDIP in this proceeding will unduly prejudice SDIP - principles of judicial economy, as referenced by Ring-Neck in its petition, should not override the need of SDIP to increase rates. This is especially true here, where Ring-Neck has not submitted any evidence supporting its claims that it will require natural gas service in November 2018 at a volume of 5,500 dekatherms per day.

SDIP respectfully requests that intervention be denied and that Ring-Neck be directed to negotiate service from MDU in order to address Ring-Neck's alleged need for natural gas.

Date: February 21, 2018

Respectfully submitted,

/s/ Paul E. Bachand

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