

**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 Rate**

Docket No. NG17-009

**DIRECT TESTIMONY
AND EXHIBITS
OF
GORDON WOODS**

**ON BEHALF OF SOUTH DAKOTA INTRASTATE
PIPELINE COMPANY**

June 29, 2017

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DIRECT TESTIMONY OF GORDON WOODS

1 **I. INTRODUCTION AND SUMMARY**

2 **Q. Please state your name and business address.**

3 A. My name is Gordon Woods. My business address is South Dakota Intrastate Pipeline
4 Company, 1415 Airport Road, Pierre, SD, 57501.

5 **Q. What is your occupation and by whom are you employed?**

6 A. I am vice president and chief operating officer for South Dakota Intrastate Pipeline
7 Company (“SDIPC”).

8 **Q. Please describe your education.**

9 A. I graduated from Lake Orion High School, Lake Orion, MI in 1981.

10 **Q. Please describe your professional experience.**

11 A. I have been employed by SDIPC for 24 years. In that time I have been in charge of the
12 pipeline operations, which include all aspects of compliance with federal and state
13 regulations, supervising personnel activities, overseeing operator qualifications, drug testing,
14 integrity management, public safety/public awareness programs. I was also self-employed
15 between 1988 and 1992 as an independent contractor building a golf course, and prior to
16 that I worked as a welder for 2 years in a fabrication shop from 1986 through 1988. From

1 1981 to 1986 I worked for ANR Pipeline Co. in the HIOS system as a mechanic and
2 operator.

3 **Q. On whose behalf are you testifying?**

4 A. SDIPC.

5 **Q. What is the purpose of your Direct Testimony?**

6 A. The purpose of my testimony is to summarize and provide support for the Operations &
7 Maintenance (“O&M”) expenses generally that support SDIPCs filing in this matter. In
8 addition, I will explain SDIPC’s pipeline integrity program and the expenses incurred under
9 that program.

10 II. EXPENSES

11 **Q. Did SDIPC include detailed information on its O&M expenses with its petition to
12 increase rates?**

13 A. Yes. The detailed information is set forth in Statement H. In SDIPC’s view, the
14 expenses listed include the reasonable and prudent costs of operating and maintaining
15 SDIPC’s assets to ensure the safe and reliable delivery of natural gas to its customer,
16 MDU. In addition, SDIPC is requesting a downward adjustment from 2016 book costs
17 associated with its pipeline integrity management program, as described in greater detail
18 below.

19 III. PIPELINE INTEGRITY

20 **Q. Does SDIPC have a pipeline integrity management program?**

21 A. Yes. The most recent version is dated 12-2016 (“SDIPC IMP”).

22 **Q. Were the costs of developing and implementing the SDIPC IMP contemplated when
23 SDIPC entered into the Transportation Agreement with MDU?**

1 A. No.

2 **Q. What costs has SDIPC incurred to implement the SDIPC IMP?**

3 A. Since 2002, SDIPC has incurred \$1,024,548.69 to implement the SDIPC IMP. The
4 individual items detailing and supporting this figure are contained in Exhibit (GW-1)
5 attached my testimony.

6 **Q. Have any of the costs to develop, revise, and implement the SDIPC IMP been**
7 **recovered under SDIPC's current transportation rate with MDU?**

8 A. No.

9 **Q. What is SDIPC proposing in this rate case with respect to pipeline integrity?**

10 A. As detailed in Statement M, costs associated with the SDIPC IMP totaled \$160,456 in
11 2016. In 2015, these costs totaled \$165,859.

12 **Q. Are 2016 costs representative going forward?**

13 A. Yes, with a qualification. Costs associated with the SDIPC IMP are somewhat volatile
14 year over year, with significant costs incurred roughly every six years. Based on our
15 review, current average annual costs are roughly \$78,520. This is based on our analysis
16 and projections of anticipated costs over the 2017-2018 time period, which we expect
17 will total approximately \$157,040 (or \$78,520 annually). We are therefore
18 recommending a reduction of \$81,936 to the test year cost.

19 **Q. Does this conclude your testimony?**

20 A. Yes.

21