BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF ASSOCIATED MILK PRODUCERS, INC. PIPELINE, INC. FOR APPROVAL OF CHANGE IN AN INTRASTATE NATURAL GAS TRANSPORTATION RATE	)))))	FINDINGS OF FACT AND CONCLUSIONS OF LAW; NOTICE OF ENTRY OF ORDER NG97-015

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). 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, at the same rate under Schedule FT. AMPIP also requested a waiver of ARSD rules 20:10:13:04 and 20:10:13:05. AMPIP proposed an effective date of October 5, 1997.

According to its application, there are three major reasons for the rate change. First, the proposed rate is a volumetric rate per Mcf rather than the current monthly fixed charge. A volumetric rate allows more 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. Second, a portion of the pipeline will be sold to the City of Freeman which changes the underlying cost data supporting the old rate. Third, after slightly more than a year of operation, more accurate cost data is now available. The proposed rate is $0.99 per Mcf. Both AMPI and Freeman have agreed to the proposed volumetric rate.

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.

Based on the evidence received at the hearing, the Commission makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. On September 5, 1997, AMPIP filed an application requesting a revision to its natural gas transportation rate and tariff so it may serve both AMPIP and a new municipal gas utility to be owned and operated by Freeman. Exhibit 1.

2. Although AMPIP's calculations indicated a rate of $.945 per Mcf, AMPIP requested that its current $.99 rate per Mcf be left in place until September 1, 2000, subject to refund. Tr. at 5, 18. AMPIP believed that the rate was reasonable since sales projections are less than anticipated in the near term and the pipeline is being operated just to recover costs. Tr. at 29. AMPIP further stated that any undercollections would be at the risk of the pipeline company. Tr. at 18.

3. AMPIP disagreed with Staff's recommendation that set the date in service back 18 months from AMPIP's proposed date in service. Tr. at 15. The effect of Staff's recommendation was that depreciation would begin earlier. Staff's recommendation was based on when the pipeline began operating, which was March of 1996. Tr. at 47-48.

4. Staff recommended a rate of $.9295 per Mcf based on a levelized cost of service of $199,112.00. Tr. at 34, 37; Exhibit 4; Exhibit 5. Staff recommended an interest rate of 9% for any refund, which is AMPIP's debt cost. Tr. at 44.

5. Staff recommended changes to AMPIP's proposed tariff which AMPIP agreed to at the hearing. Tr. at 24-25.

6. The mayor of Freeman stated that the city agrees with leaving the $.99 cent rate per Mcf until the year 2000. Tr. at 61.

7. The Commission finds that it will allow AMPIP to continue to charge its current rate of $.99 per Mcf until September 1, 2000, subject to refund at an interest rate of 9%. The Commission will allow this since any overcollections will be refunded with interest.

8. The Commission finds that AMPIP shall use a forecasted, 45 year levelized cost of service, calculated in the same manner as found on Exhibit 4.

9. The Commission finds that any undercollections by AMPIP are at the risk of AMPIP.

10. The Commission finds that depreciation on the facility will be calculated from the time the plant started being used in March of 1996.

11. The Commission finds that AMPIP shall refile the proposed tariffs that incorporates Staff's recommendations that AMPIP agreed to at the hearing. The revised tariffs shall be reviewed by Staff.

12. The Commission finds that AMPIP shall submit an application for a change in the intrastate natural gas transportation rate by March 1, 2000.

CONCLUSIONS OF LAW

1. 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.

2. The Commission concludes that allowing AMPIP to continue to charge its current rate of $.99 per Mcf until September 1, 2000, subject to refund at an interest rate of 9% is fair and reasonable. AMPIP shall also comply with the Commission's Findings of Fact 7 through 12, inclusive.

It is therefore

ORDERED, that AMPIP may continue to charge its current rate of $.99 per Mcf until September 1, 2000, subject to refund at an interest rate of 9%; and it is

FURTHER ORDERED, that AMPIP shall use a forecasted, 45 year levelized cost of service, calculated in the same manner as found on Exhibit 4; and it is

FURTHER ORDERED, that any undercollections by AMPIP are at the risk of AMPIP; and it is

FURTHER ORDERED, that depreciation on the facility will be calculated from the time the plant started being used in March of 1996; and it is

FURTHER ORDERED, that AMPIP shall refile the proposed tariffs that incorporate Staff's recommendations that AMPIP agreed to at the hearing and the revised tariffs shall be reviewed by Staff; and it is

FURTHER ORDERED, that AMPIP shall submit an application for a change in the intrastate natural gas transportation rate by March 1, 2000.

NOTICE OF ENTRY OF ORDER

PLEASE TAKE NOTICE that this Order was duly entered on the 2nd day of June, 1998. Pursuant to SDCL 1-26-32, this Order will take effect 10 days after the date of receipt or failure to accept delivery of the decision by the parties.

Dated at Pierre, South Dakota, this 2nd day of June, 1998.

CERTIFICATE OF SERVICE

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: Delaine Kolbo

Date: 6/2/98

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg

JAMES A. BURG, Chairman
(dissented on the charging of interest)

Pam Nelson

PAM NELSON, Commissioner

Laska Schoenfelder

LASKA SCHOENFELDER, Commissioner