

South Dakota Intrastate Pipeline Company

RE: NG17-009

Patricia Van Gerpen
Executive Director
SD Public Utilities Commission
500 E. Capitol Avenue
Pierre, SD 57501

September 24, 2019

This letter is being submitted for filing in the above entitled matter as support of South Dakota Intrastate Pipeline Company's (SDIP) request for a rate adjustment due to unforeseen circumstances regarding SDIP's insurance costs. SDIP's insurance package runs from September 1 through August 31 of each year. SDIP has used an insurance broker, USI, for the last 26 years in order to secure the best possible insurance at the best possible rates. On May 26, 2019, SDIP was informed by USI that its long-standing general liability insurance provider, AIG, was no longer serving the energy sector. Through no fault of SDIP, as its claims experience rating is excellent and the best in its class, it needed to find a new general liability provider. USI and SDIP started the process of applications and inquiries immediately and continued those efforts throughout the summer. SDIP was in constant contact with USI and provided any information needed when asked. Many insurance companies would not provide a quote, wanted a minimum premium of \$150,000 or \$250,000 or had exclusions tied to their policies that stated there would be no coverage with an interruption of service of any kind. USI also involved their energy department in SDIP's search along with other companies in order to broaden the search for a new policy. All companies that provided a quote required that every single insurance line of SDIP be transferred to that company.

On August 26, 2019, USI informed SDIP of the new premium amounts with the recommended insurance companies, Hartford and James River. SDIP's insurance package totaled \$263,960.85. SDIP's premium for the previous year totaled \$134,443.00. As such, SDIP's insurance rates increased \$129,517.85. A less expensive insurance policy included an exclusion stating that SDIP would not have any coverage due to any interruption of service. USI and their energy department advised SDIP against that policy as it failed to provide coverage for any accidental loss of service. Consequently, SDIP's excess liability coverage has also increased since the premium for that coverage is driven by the general liability premium.

Counsel for SDIP and VP/COO Gordon Woods immediately contacted Staff with the Public Utilities Commission and met with Staff on August 27, 2019 to inform them of the substantial increase in insurance costs and the impact on SDIP. SDIP is making this filing with Staff's knowledge.

Attached to the correspondence are copies of the letters from USI describing the above information. (August 28, 2019/undated letter provided to Staff on September 10, 2019/September 11, 2019). SDIP asserts that the increased insurance cost constitutes a material increase based upon an otherwise unpredictable extraordinary expense and as such SDIP requests an adjustment to rates in order to cover this expense. In order to maintain insurance, SDIP bound insurance coverage with the new policy effective September 1, 2019. SDIP requests recoupment of such insurance expense from September 1, 2019 forward.

Thank you for your attention to this matter. SDIP requests that this be placed on the next available docket with the Commission.

Sincerely,


Lisa Murphy

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