BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

) MOTION FOR
IN THE MATTER OF THE GRAIN) DISBURSEMENT OF GRAIN
BUYER BOND OF PIPELINE FOODS,) BUYER BOND
LLC) GW21-004

Staff of the South Dakota Public Utilities Commission (Commission), pursuant to SDCL 49-45-19, and hereby recommends disbursement of the bond proceeds from the grain buyer bond of Pipeline Foods, LLC (Pipeline). Staff requests the Commission order the proceeds to be disbursed as described below. The six months to file a bond claim expires on February 28, 2022, therefore, Staff requests the Commission issue an Order Disbursing Proceeds of Grain Buyer Bond.

Pipeline held a \$50,000 grain buyer bond. The Commission has received the \$50,000 from the bonding company. The bonding company has filed a claim in the bankruptcy proceeding to recover the \$50,000 as well as bonds and insurance for transactions in other states.

I. Bond Claims

Pursuant to SDCL 49-45-19, on August 17, 2021, notice of the availability of the grain buyer bond was sent to individuals who had sold grain to Pipeline. Notice was sent to applicable newspapers for publication on August 20, 2021. Claim forms were sent to three producers. The claims are identified by initial below.

1. GF

a. 18,644.67 bushels of wheat sold on open ticket, totaling \$142,241.30.

¹ This number is lower than we have seen in past bond dockets due to the fact that Pipeline had no physical location in this state and, therefore, had fewer customers.

- b. GF returned claim form agreeing with Staff findings.
- c. Staff's recommended bond-eligible amount: \$142,241.30

2. MA

- a. 5,332.08 bushels of soybeans sold on open ticket, totaling \$109,852,31 per staff's original findings. The original findings were what was reflected on the claim form sent to the producer. Further investigation suggests Pipeline had erroneous information, and the claim would likely be less than \$25,000.
- b. MA did not return the claim form. Staff contacted MA to follow up. MA communicated that he did not intend to file a claim, as he had previously exercised his right to assign or sell his claim to a third party.
- c. Staff's recommended bond-eligible amount: \$0

3. TT

- a. TT had the following transactions:
 - i. 42 bags of soybeans weighing 50 pounds each, totaling \$1,386.
 - ii. 11 bags of corn prices at \$245 per bag, totaling \$2,695.
- b. TT filed a claim form claiming \$4,081. See Attachment 1.
- c. Staff's recommended bond eligible amount: \$1,386

II. Analysis of TT claims

As summarized above, TT filed a claim form documenting claims for 42 bags of soybeans and 11 bags of corn sold to Pipeline. Staff's analysis determined the 42 bags of soybeans to be eligible for bond coverage and the 11 bags of corn to be ineligible.

The 42 bags of soybeans were originally purchased by TT from Pipeline to use as seed. However, when the bags were returned, the transaction was processed as an open sale, and TT was given a scale ticket for the soybeans. The contract, attached hereto as Attachment 2, clearly states that title passed in White, SD.

Staff determined that the sale transaction dictates how the sale is treated for purposes of bond eligibility. The sale was processed as an open sale, and a scale ticket was issued. The way the soybeans were transported (in bags) is not relevant to the determination of bond coverage. Staff also determined that the purpose for which TT originally acquired the soybeans (as seed) is not relevant, because only the sale from TT to Pipeline is at issue. Because soybeans as grain and soybeans as seed are the same (unlike corn), it is not uncommon in Staff's experience for a buyer to accept returned soybeans as an open ticket grain purchase. It is clear from the documentation that title to the soybeans passed in South Dakota. Therefore, Staff recommends the Commission find the sale of soybeans to be eligible for bond coverage.

However, the 11 bags of corn were not processed as an open ticket sale. Rather, a bill of lading was issued for this transaction. The bill of lading listed the corn as organic seed corn. Because this transaction was treated as a sale of seed and because title appears to have passed in Minnesota, Staff recommends the Commission not include this in bond coverage.

III. Recommendation Disbursement

The bond amount is \$50,000. Three producers were known to have sold grain to Pipeline. Two of the producers returned claim forms, while the third chose to pursue a different method of recovery and not take part in the bond process. If the Commission agrees with Staff's recommendation regarding the TT transactions, the total bond claim amount is \$143,627.30. If the Commission determines TT's corn transaction should have been included, the total claim amount is \$146,322.30. Finally, if the Commission determines neither of the TT transactions to

be bond eligible, the total claim is \$142,241.30. Those alternatives and the resulting payouts are detailed in the following tables as Options A, B, and C, respectively.

Option A (Staff's Recommendation)

Producer	Claim	Portion of Total Claims	Bond Payment
GF	\$142,241.30	99.9%	\$49,950.00
MA	\$0	0	\$0
TT	\$1,386.00	0.001%	\$50.00
Total	\$143,627.30		\$50,000

Option B

Producer	Claim	Portion of Total Claims	Bond Payment
GF	\$142,241.30	97.2%	\$48,600
MA	\$0	0	\$0
TT	\$4,081.00	2.8%	\$1,400
Total	\$146,322.30		\$50,000

Option C

Producer	Claim	Portion of Total Claims	Bond Payment
GF	\$142,241.30	100%	\$50,000
MA	\$0	0	\$0
TT	\$0	0	\$0
Total	\$142,241.30		\$50,000

Dated this 24th day of February 2022.

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