



Legal Department
1111 South 103rd Street
Omaha NE 68124
Phone: 402-398-7003
Fax: 402-398-7426
jim.talcott@nngco.com

May 6, 2016

SENT VIA EMAIL

Mary Zanter
Pipeline Safety Program Manager
State of South Dakota Public Utilities Commission
500 East Capitol Ave.
Pierre, SD 57501

RE: Response to April 26, 2016 Email Correspondence

Dear Ms. Zanter:

In an email dated April 26, 2016, you requested from Northern Natural Gas Company ("Northern") a copy of the letter sent from Northern to its customers in South Dakota regarding 49 CFR 192.16, and threatened enforcement action "if the customer notification is not being sent." Based on our telephone conversation yesterday, we understand your inquiry relates to "farm tap" settings in the state of South Dakota through which Northern provides interstate transportation services, regulated by the Federal Energy Regulatory Commission ("Commission" or "FERC"), to a natural gas distribution company for distribution and sale by the natural gas distribution company to end use customers. Northern enjoys a positive relationship with state and local regulators as partners in maintaining a safe natural gas delivery system, and Northern has responded to previous inquiries from the South Dakota Public Utilities Commission ("SDPUC") with regard to farm tap settings. However, as explained below, Northern does not own, operate or maintain any facilities in the state of South Dakota subject to regulation by the SDPUC, and, therefore, Northern respectfully disagrees the SDPUC has authority to pursue any such enforcement action.

Northern is a "natural gas company" as that term is defined in the Natural Gas Act (15 U.S.C.A. § 717 et seq.) operating interstate natural gas transmission facilities subject to the jurisdiction of the Commission. Northern's typical farm tap setting consists of a tap, riser, valves, regulators and a meter. Northern owns, operates and maintains only the tap, riser, valves, regulators and meter to the custody transfer point to the local distribution company. The tap, riser, valves, regulators and meter owned, operated and maintained by Northern are part of Northern's interstate natural gas transmission facilities, which provide interstate natural gas transportation service to local distribution utilities pursuant to Northern's FERC Gas Tariff. End use customers purchase the gas from the local distribution company pursuant to the local distribution company's state approved tariff provisions. Northern does not design, construct, own, operate or maintain any facilities downstream of

the custody transfer point on Northern's Commission-regulated interstate transmission facilities.

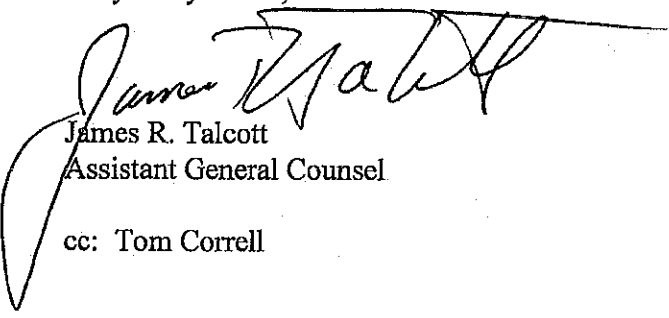
The Commission has long recognized farm tap facilities, used in the transportation and sale for resale of natural gas in interstate commerce, are subject to Commission jurisdiction under the Natural Gas Act. See, *Texas Gas Transmission Corporation*, Docket No. CP78-300, 11 FERC ¶ 61,111 (May 2, 1980); *Arkansas Louisiana Gas Company*, Docket No. CP80-503, 15 FERC ¶ 61,077 (April 27, 1981). The Commission regulations at 18 CFR § 157.211 authorize a blanket certificate holder (such as Northern, as it was granted such authority in FERC Docket No. CP82-401) "to acquire, construct, replace, modify, or operate any delivery point." Given the relatively low cost of farm tap facilities, Northern typically constructs and installs farm taps, as a delivery point, under its automatic blanket authority found in 18 CFR § 157.211. Northern reports the construction of farm taps in its annual report to the Commission (see, 18 CFR § 157.207(b)). As an interstate natural gas pipeline, Northern is authorized to remove (abandon) farm tap facilities or service under 18 CFR § 157.216(a)(1). Farm tap abandonments are reported annually in the aforementioned report.

Because Northern's farm tap facilities in the state of South Dakota are (a) used to transport gas and (b) subject to the jurisdiction of the Commission under the Natural Gas Act, such facilities are "interstate gas pipeline facilities" as defined in the Pipeline Safety Act (49 U.S.C.A. § 60101 (a)(6)) subject to the exclusive safety regulation of the Pipeline and Hazardous Material Safety Administration (PHMSA).

In summary, because all of the natural gas facilities Northern owns, operates and maintains in the state of South Dakota, including farm tap settings, are interstate natural gas facilities regulated by the Commission, and are subject to the exclusive safety jurisdiction of PHMSA, Northern respectfully disagrees with your view that the SDPUC has authority to pursue your inquiry.

Should you have any questions, please feel free to contact me.

Very Truly Yours,



James R. Talcott
Assistant General Counsel

cc: Tom Correll