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Mark Hewett
President and CEO

June 2, 2017

VIA ELECTRONIC MAIL

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070

Re: Farm Tap Customers
Docket No. NG16-014, *In the Matter of the Commission Staff's Petition for
Declaratory Ruling Regarding Farm Tap Customers*

Dear Ms. Van Gerpen,

Thank you for your letter dated June 2, 2017. In response, I offer the following.

- Regarding the impact of the pending appeal on the jurisdiction of the South Dakota Public Utilities Commission (Commission), if, with the involvement of the Commission, a permanent solution is crafted to maintain service to customers, I commit that Northern Natural Gas (Northern) will withdraw its appeal. I do not want the appeal to get in the way of the Commission providing guidance and leadership on a sustainable result for service to farm tap customers. As you are well aware, the regulatory structure provides incentive for a utility to invest capital in a natural gas distribution system, and you need only to allow this existing regulatory structure to function unhindered in order to address the safety issues that have been raised regarding customer-owned farm tap distribution facilities. I urge you to be a constructive participant in finding a solution, rather than discouraging, either directly or indirectly, a utility from providing service downstream of the interstate pipeline facilities.
- Regarding concerns about settlement confidentiality, the discussions that have occurred among Northern, NorthWestern Energy (NorthWestern) and Commission staff have not been about the issues addressed in the declaratory ruling docket, NG16-014, but rather, have been an effort to resolve the question of continued service to affected farm tap landowners. No settlement privilege was invoked, nor could any outcome of the discussions affect the Commission's interpretation of the issues in the declaratory ruling. Therefore, it does not seem that concerns regarding settlement privilege should be a barrier.

- In the proposed structure outlined in my letter dated May 31, 2017, Northern has exceeded the requirements of the easement language. Your letter asserts the easement “requires Northern to provide a vendee,” which is incorrect. You also acknowledge that the Commission does not have jurisdiction over the terms of the easement or easement obligations, so I will not go into a lengthy description of why your interpretation regarding a vendee is wrong. Rather, I offer that the easement language allows Northern to utilize a vendee, if desired, to meet obligations under the easement, and those obligations do not include providing local utility service. Certainly no one would expect that Northern’s interstate transportation customers should bear the costs of providing local utility service, a service Northern is not authorized to provide, and never committed to provide, to the approximately 200 farm tap customers in South Dakota.

Northern is committed to finding a practical, permanent solution for affected farm tap customers. My invitation for meaningful, effective engagement, in light of the concessions and explanations above, remains open. I want to remove any barriers that would prohibit the Commissioners from working on a solution for affected customers.

Please contact me if the Commissioners are willing to engage on behalf of their constituents.

Sincerely,



Mark Hewett
President and CEO

cc: Kristie Fiegen, Chairperson
Gary Hanson, Vice Chairperson
Chris Nelson, Commissioner