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December 13, 2016

SENT VIA EMAIL

Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
500 East Capitol Ave.
Pierre, SD 57501

Re: Docket No. NG16-014
Response to South Dakota Public Utilities Commission Staff's Reply Brief

Dear Ms. Van Gerpen:

Northern Natural Gas Company ("Northern") hereby files the following comments in response to the Reply Brief of the staff of the South Dakota Public Utilities Commission ("Staff"), dated December 12, 2016, in the above referenced docket, Staff stated that Northern had not provided proof that "it is under a blanket [Federal Energy Regulatory Commission ("FERC")] certificate for the farm taps in South Dakota." This statement is not accurate. On August 17, 2016, in a response to an email from Staff, Northern documented that FERC has jurisdiction over the Northern facilities that serve the farm taps in South Dakota (Attachment A).

Northern explained in the August 17, 2016 email that Northern's facilities at farm taps are covered by the blanket certificate Northern received in FERC Docket No. CP82-401 ("Blanket Certificate") (Attachment B). Under the Blanket Certificate, Northern may construct, operate and abandon certain facilities, including farm taps (Subpart F of Part 157 of the Commission's Regulations – Interstate Pipeline Blanket Certificates and Authorization Under Section 7 of the Natural Gas Act for Certain Transactions and Abandonment (18 C.F.R. §§157.201 – 157.218)). Section 157.211 of the FERC's regulations governs the construction and operation of delivery points by interstate pipelines. Northern is able to install delivery points under its automatic blanket authorization, except in situations where the construction of a delivery point would result in a bypass of a local distribution company. Abandonment of a farm tap is governed by Section 157.216 of the FERC's regulations. Prior to Order No. 603¹ which was issued by the FERC in 1999, Section 157.211 specifically referenced "right-of-way grantor taps."

¹ *Revision of Existing Regulations Under Part 157 and Related Sections of the Commission's Regulations Under the Natural Gas Act*, 87 FERC ¶61,125 (1999).

§157.211. Sales Taps. (a) *Construction and operation—(1) Automatic authorization.* The certificate holder may construct and operate sales taps for the delivery of gas to an end-user, if: (i) The natural gas is ultimately delivered to, and consumed by, a right-of-way grantor; and (ii) Not more than 200 MMBtu of natural gas per day are to be delivered to the right-of-way grantor.

Pipelines were required to file a prior notice² for all delivery points except for taps where the gas was “ultimately delivered to, and consumed by, a right-of-way grantor.” Thus, it is clear from the FERC’s regulations, construction of taps for right-of-way grantors could be constructed under Northern’s automatic authorization. Following Order No. 603, Section 157.211 was broadened to provide automatic authorization to acquire, construct, replace, modify, or construct any delivery point, not just delivery points for right-of-way grantors.

Given the specific federal regulations that govern the construction, operation and abandonment of delivery points, including farm taps, and aided by the submission by Northern of evidence of its compliance with those regulations, Northern respectfully requests Staff’s comments that Northern has not proved its position be considered in light of the foregoing.

Northern trusts this information satisfies Staff’s desire for additional proof; however, if additional information is desired, please contact me.

Respectfully submitted,



J. Gregory Porter
Vice President, General Counsel

² 18 C.F.R. §157.205 sets forth the process for a prior notice filing before the FERC.