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January 12, 2007

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JAN 18 2007

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Mr. Martin Bettman
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501

Re: Request for Waiver of a portion of 49 CFR, Part 192.479, 192.4.81(a)

Dear Mr. Bettman:

This letter defines certain existing conditions as they relate to the gas pipeline safety regulations, and requests a specific Waiver of Part 192.481 to allow atmospheric corrosion inspection frequency at least once every 4 calendar years, but with intervals not to exceed 51 months. Section 192.481 subsection (a) requires inspection of onshore pipe exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years not to exceed 39 months. This waiver would allow for the atmospheric corrosion survey to be conducted concurrent with our current 4 year leak survey interval without jeopardizing the integrity of the pipeline or public safety.

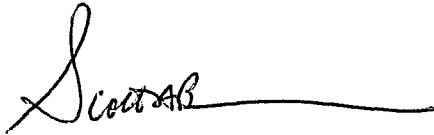
This waiver will apply to exposed natural gas pipelines according to Part 192.479 for Montana-Dakota Utilities; operating in North Dakota, South Dakota, Montana, and Wyoming, and Great Plains Natural Gas Co.; operating in Minnesota and North Dakota.

As stated in the attached, Illinois Commerce Commission Order, Docket 05-0113, Corrosion rates in the Midwest are low relative to other areas of the country. Research shows extending the atmospheric corrosion survey requirements to four years does not jeopardize the integrity of the pipeline nor public safety. In 2005 Montana-Dakota's corrosion leaks accounted for less than four percents of all jurisdictional leaks whereas Great Plains' corrosion leaks accounted for less than three percent of all jurisdictional leaks. Historically Montana-Dakota corrosion leak frequency is four percent or less for years 2003 and 2004. Great Plains' historical corrosion leak frequency for years 2003 and 2004 is less than two percent.

To insure pipeline integrity and public safety, Montana-Dakota and Great Plains current leak survey frequency is conducted once every four years exceeding the frequency interval requirement as stated in Part 192.723 (2). Accordingly, conducting the atmospheric corrosion survey in conjunction with the leak survey, benefits pipeline integrity and public safety due to increased leak survey frequency and locates potential leaks by conducting visual inspections to identify problem areas before leaks occur. Additionally, by using a leak survey technician, the operator qualification program requirements focus on below ground facilities in addition to visual inspections of above ground facilities.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott AB", followed by a long horizontal line extending to the right.

Scott Besmer
Sr. Staff Engineer

C: Doug Lee – General Office
Dave Goodin – General Office
Tamie Aberle – General Office

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Central Illinois Public Service Company :
d/b/a AmerenCIPS, :
Central Illinois Light Company :
d/b/a AmerenCILCO and : 05-0113
Illinois Power Company :
d/b/a AmerenIP :
Application for a Partial Waiver of 49 :
CFR Sections 192.481 and 192.723. :

ORDER

By the Commission:

On February 24, 2005, Union Electric Company d/b/a AmerenUE,¹ Central Illinois Public Service Company d/b/a AmerenCIPS, Central Illinois Light Company d/b/a AmerenCILCO, and Illinois Power Company d/b/a AmerenIP (collectively "Petitioners") filed with the Illinois Commerce Commission ("Commission") an Application for Waiver ("Application") seeking approval of a partial waiver of Sections 192.481 and 192.723 of Title 49 of the Code of Federal Regulations ("CFR"). Section 192.481 concerns atmospheric corrosion control and monitoring. Subsection (a) provides that each natural gas pipeline operator must inspect each onshore pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years, but with intervals not exceeding 39 months. Petitioners propose to extend the frequency of atmospheric corrosion inspections to at least once every four calendar years, but with intervals not exceeding 51 months. Section 192.723 pertains to a leakage survey with leak detector equipment in areas outside of business districts as frequently as necessary, but at least once every five calendar years at intervals not exceeding 63 months. If a partial waiver of Section 192.481 is granted, Petitioners will increase the frequency of leak survey inspections to at least once every four calendar years at intervals not exceeding 51 months.

After considering evidence offered by Petitioners and Commission Staff ("Staff"), on July 13, 2005, the Commission entered an Interim Order granting Petitioners the requested relief subject to the requested concurrence as discussed below. Enforcement of these and other minimum federal safety standards is granted to the Commission under an agreement with the Office of Pipeline Safety within the United States Department of Transportation ("DOT") Pipeline and Hazardous Materials Safety Administration ("PHMSA"), entered into pursuant to Section 60106 of Title 49 of the United States Code ("USC"). The Commission may grant waivers of the safety

¹ On or about May 2, 2005, the AmerenUE Illinois service territory was transferred to AmerenCIPS in accordance with the Commission's Order on Reopening in Docket No. 03-0657. As such, AmerenUE is no longer a party to this docket.

standards in accordance with 49 USC 60118(d). The federal standards codified under 49 CFR Sections 191.23, 192, 193, and 199 have been adopted by the Commission in 83 Ill. Adm. Code 590, "Minimum Safety Standards for Transportation of Gas and for Gas Pipeline Facilities."

In the Interim Order the Commission found that any impact associated with the lessened frequencies of the atmospheric corrosion inspections is outweighed by the benefits associated with the increased distribution leakage surveys. The Commission made other related findings which supported its conclusion that the request for the partial waiver should be granted, subject to the condition that Petitioners continue to train qualified meter readers to report atmospheric corrosion as well as any abnormal operating conditions discovered when reading gas meters.

The Commission directed the Office of the Clerk to forward the Interim Order to DOT, specifically PHMSA, as this agency has enforcement authority with regard to the subject rules. In a letter dated September 19, 2005, DOT notified the Commission that PHMSA objected to the waiver, staying the waiver pursuant to 49 USC 60118(d). The September 19, 2005 letter, however, also informed the Commission that it may appeal the matter by providing any new information from the Petitioners as justification to show granting the partial waiver provided an equivalent level of safety.

Thereafter, a status hearing was convened on October 27, 2005, whereupon a schedule was developed for the submission of additional testimony and evidence by Petitioners in support of the partial waiver. A second evidentiary hearing was held on January 18, 2006. Jerome Themig, Manager of Gas Compliance and Training, Gas Operations Support, Ken Davis, Pipeline Integrity Coordinator, and Scott Black, Gas Engineer, Gas Operations Support, offered additional testimony on behalf of Petitioners. Rex Evans, Program Manager of the Pipeline Safety Program within the Energy Division of the Commission's Public Utilities Bureau, offered additional testimony on behalf of Staff.

Mr. Davis' testimony provided additional justification as to why the waiver should be granted to extend the atmospheric corrosion survey. He explained that the rate of atmospheric corrosion in the Midwest is extremely low and extending the survey beyond three calendar years will not impact the integrity of the above ground facilities. Mr. Davis added that the rate of atmospheric corrosion in the Midwest is low relative to other areas in the country, particularly the coastal areas. He relied upon studies performed by the American Society for Testing Materials in support for his position. He also provided other support for the low Midwest corrosion rate, relying upon information provided by the National Association of Corrosion Engineers. Mr. Davis testified that by utilizing the most aggressive corrosion rates in the Midwest for each study cited, projections can be made to determine the number of years until there is a 70% wall loss, if pipeline steel becomes exposed to atmosphere, which then requires remediation actions per the CFR. Using this information, he concluded the minimum life expectancy of distribution pipe, if left uncoated, is 24 years before replacement is required. Therefore, Petitioners assert, extending the frequency of the atmospheric corrosion study beyond three years will provide sufficient opportunity to ensure that the integrity of the above ground facilities remains in tact.

Mr. Black testified that the atmospheric corrosion survey will benefit from the use of leak survey technicians due to Petitioner's operator qualification programs, quality assurance program, and a focus on the inspection of above ground facilities. In this regard, Mr. Black explained the operator qualification program and the oversight provided for contract leak survey technicians. He stated that a benefit of using leak survey technicians to perform the atmospheric corrosion survey is that they primarily focus not only on the survey of below ground facilities, but also conduct a detailed visual inspection of above ground facilities while performing the survey. The leak survey technicians' training enables them to pay particular attention to the above ground piping at the soil-to-air interfaces, in splash zones, at deck penetrations, under disbonded coatings, and around pipe supports or any other location where atmospheric corrosion may occur.

Mr. Themig testified that if PHMSA has any reservation about the partial waiver of Section 192.481, Petitioners are agreeable to inspect for atmospheric corrosion on a four year interval and in each of the fifth, sixth, seventh, and eighth years, report the results of inspections to PHMSA and Staff, with a comparison to the previous survey. He indicated that this would allow PHMSA to evaluate the effectiveness of the atmospheric corrosion survey and improve the remediation program during the second cycle of the survey. If the results are not favorable to the second cycle, then PHMSA may call into question the waiver to extend atmospheric corrosion inspections beyond the present three year requirement. Mr. Themig noted further that the request to move the atmospheric corrosion inspection to four years does not provide a positive cash benefit to Petitioners. He stated that moving to a four year leak survey will increase operation and maintenance costs. However, the importance of having a more effective atmospheric corrosion survey and remediation program outweighs the increased cost. Finally, Mr. Themig addressed a concern he learned from PHMSA regarding the inspection of facilities that may experience sweating due to pressure drop. He stated that such facilities are normally the large customer metering facilities and pressure control stations of which all are visited at least once annually for calibration or inspection, which includes inspection for atmospheric corrosion. In addition, Mr. Themig stated that Petitioners would continue their practice of atmospheric corrosion monitoring as part of the annual inspections of regulator stations, metering correctors, and above ground emergency drops.

In response to the additional evidence offered by Petitioners, Mr. Evans agreed that atmospheric corrosion surveys can be extended beyond the current three year requirement without jeopardizing the integrity of the pipeline. He also agreed with Mr. Black that the leak survey technician is the best individual to conduct a detailed visual inspection of above ground piping without the distraction of completing other duties, such as meter reading. Mr. Evans was also of the opinion that if PHMSA reviews the previously filed testimony, along with the supplemental testimony provided by Petitioners, it should find the partial waiver consistent with pipeline safety and, in fact, enhances the safety of Petitioners' natural gas distribution pipeline system. With regard to the September 19, 2005 PHMSA letter, specifically the statement therein that operators should maintain their preventive measures to identify potential leaks by conducting visual inspections for atmospheric corrosion and find problem areas before

leaks occur, rather than rely on discovering leaks after they occur, Mr. Evans offered that the statement should not be construed to imply that Petitioners are abandoning their visual inspections. He noted that meter readers will continue to be trained and qualified to recognize and report atmospheric corrosion abnormalities when found.

On February 23, 2006, the Commission entered a Second Interim Order finding that in light of the additional evidence, any negative impact associated with the lessened frequencies of the atmospheric corrosion inspections is outweighed by the benefits associated with increased distribution surveys. The supplemental testimony offered by Petitioners and Staff support the conclusion in the Second Interim Order that extending the atmospheric corrosion inspections from three years to four years will not affect the integrity of Petitioners' natural gas distribution system. The Commission further found convincing the studies and other evidence put forth by Petitioners indicating that corrosion rates in the Midwest are low relative to other areas of the country and given even the most aggressive corrosion rate, a four year inspection period is adequate to ensure detection of any abnormalities in above ground gas pipelines. Additionally, the Commission supported the use of the more qualified leak survey technicians as the appropriate personnel to not only confirm the leak survey but also to provide detailed inspections of above ground facilities for atmospheric corrosion. This is due to the training and qualification testing they receive, the quality assurance inspections administered by Ameren Services Company, and the other monitoring activities performed by Ameren Services Company as detailed in this record.

With regard to Petitioners' offer to inspect for atmospheric corrosion on a four year interval and in each of the fifth, sixth, seventh, and eighth years, as explained by Mr. Themig and supported by Mr. Evans, the Commission concluded in the Second Interim Order that implementing this proposal will provide valuable information on the effectiveness of Petitioners' alternative inspection program. In the event that any unanticipated results are observed, Staff can recommend to the Commission that it reconsider the partial waiver of Section 192.481(a).

As required by 49 USC 60118(d), the Commission directed the Office of the Clerk to forward the Second Interim Order to the PHMSA. PHMSA advised via letter dated October 3, 2006, that after evaluation of the Commission's Second Interim Order, it does not object to the waiver with the following conditions imposed:

1. Outside of business districts, atmospheric corrosion control monitoring must be conducted at least once every four calendar years at intervals not exceeding 51 months.
2. Inside of business districts, atmospheric corrosion control monitoring must be conducted at least once every calendar year at intervals not exceeding 15 months.
3. Operators must identify, inspect, and notify the Commission of those areas requiring atmospheric corrosion control monitoring more frequently than once every three calendar years. These

areas include “hot spots” where there are greater atmospheric corrosion rates.

- a. Above ground pipelines where there is greater exposure to road salts and chemicals;
- b. Areas where pipelines could have accelerated atmospheric corrosion due to industrial chemicals in the atmosphere;
- c. Pipelines that may experience sweating due to pressure drop, such as regulator stations, metering correctors, and large customer’s regulator/meter sets;
- d. Inside regulator/meter sets that are subject to corrosive environments; and
- e. Other areas that show accelerated atmospheric corrosion.

Upon review of PHMSA’s October 3, 2006 letter, Petitioners agreed to abide by the conditions as stated therein and enumerated herein. Such agreement was reflected on the record by counsel for Petitioners at a hearing held on October 26, 2006. Staff affirmed its agreement with the aforesaid conditions at that same hearing.

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Petitioners are engaged in the transmission, distribution, transportation, and sale of natural gas to customers at retail in Illinois, and as such are public utilities within the meaning of the Public Utilities Act, 220 ILCS 5/1-101, et seq.;
- (2) the Commission has jurisdiction over Petitioners and the subject matter herein;
- (3) the recitals of facts and conclusions reached in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of facts;
- (4) the request for a partial waiver of 49 CFR 192.481(a) should be granted subject to the conditions that (1) Petitioners continue to train and qualify Meter Readers to report atmospheric corrosion as well as any abnormal operating conditions discovered when reading gas meters, (2) Petitioners increase the frequency by which they conduct distribution leakage surveys governed by Section 192.723(b)(2) as described in the prefatory portion of this Order, and (3) Petitioners conduct the inspections and report the results to Staff as described by Mr. Themig in his supplemental testimony and at the hearing;

- (5) the request for partial waiver of 49 CFR 192.481(a) should be granted subject to the conditions set forth in PHMSA's October 3, 2006 letter, and enumerated herein;
- (6) this partial waiver of 49 CFR 192.481(a) does not lengthen or change any other required leak survey interval; e.g., for business districts or cathodically unprotected service lines;
- (7) the partial waiver of 49 CFR 192.481(a) should become effective upon entry of this Order;
- (8) the Office of the Clerk should be directed to serve this Order on the Secretary of DOT, the Regional Director of the Central Region of the PHMSA, and the Associate Administrator of the Office of Pipeline Safety within the PHMSA.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the partial waiver of 49 CFR 192.481(a) requested by Central Illinois Public Service Company d/b/a AmerenCIPS, Central Illinois Light Company d/b/a AmerenCILCO, and Illinois Power d/b/a AmerenIP is hereby granted; said waiver to be effective upon entry of this Order.

IT IS FURTHER ORDERED that the partial waiver of 49 CFR 192.481(a) is subject to the conditions identified in Findings (4) and (5).

IT IS FURTHER ORDERED that the Office of the Clerk shall serve this Order on those individuals identified in Finding (8).

IT IS FURTHER ORDERED that subject to the provisions of 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 29th day of November, 2006.

(SIGNED) CHARLES E. BOX

Chairman