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January 25, 2012

via eFiling

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

Re: *In the Matter of the Petition for Declaratory Ruling of the South Dakota Public Utilities Commission regarding 49 C.F.R. § 192.3 – Docket PS11-001*

Dear Ms. Van Gerpen:

NorthWestern Corporation d/b/a NorthWestern Energy (NorthWestern) appreciates the South Dakota Public Utilities Commission's (Commission) recent decision in granting an extension in this matter at its January 17, 2011, meeting. The additional time allowed Staff, NorthWestern, and Montana-Dakota Utilities to establish a better understanding of the change requested by the Staff in its declaratory ruling filing and differences in the existing practices and Staff's suggested new interpretation.

NorthWestern and Staff both agree that the new Aberdeen pipeline is correctly classified at a distribution facility according to South Dakota past practice as stated on Page 2 of the Staff's filing requesting the declaratory ruling. NorthWestern believes that South Dakota's past practice is consistent with current federal guidelines.

It is our interpretation that Staff is asking the Commission for a declaratory ruling to determine if past practices used by the Commission in enforcing its duties under the Pipeline and Hazard Materials Safety Administration (PHMSA) to classify a natural gas pipeline as a transmission or a distribution line is the best approach in today's world. This determination is the totality of the transmission line definition as stated on Page 2 of the Staff's filing. NorthWestern would argue that Staff offers no evidence that the proposed change to the past practices used in South Dakota would provide any benefit other than it would be a change.

As discussed in the attached presentation, NorthWestern believes that the past practice for identifying transmission lines is appropriate and that it is within the Commission's authority to define the terms used when defining transmission versus distribution pipelines. NorthWestern also believes that the Aberdeen line in question qualifies as a distribution line under the

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Commission's past practice and is appropriately defined as a distribution center. We also argue that the proposed changes will result in additional maintenance costs, will provide little to no benefit in increased public safety, and will negatively impact the potential feasibility of future natural gas pipeline projects in South Dakota.

Thank you again for this opportunity to provide additional information for the Commission's consideration as it makes this important decision.

Sincerely,

/s/ *Bleau LaFave*

Bleau LaFave  
Director - Long-Term Resources

Attachment

cc: Service List