



**PS11-001 Declaratory Ruling
Staff Position Presentation
Tuesday, January 31, 2012
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Outline

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PHMSA Pipe Classification Protocol

1. Apply the gathering definition from 192.3
2. If not gathering, apply the transmission definition from 192.3
3. If not transmission, then it is distribution

192.3 Definitions

- Gathering Line means a pipeline that transports gas from a current production facility to a transmission line or main.
- Transmission line means a pipeline, other than a gathering line, that: (1) Transports gas from a gathering line or storage facility to a gas distribution center, storage facility, or large volume customer that is not down-stream from a gas distribution center; (2) operates at a hoop stress of 20 percent or more of SMYS; or (3) transports gas within a storage field.
- * SMYS – specified minimum yield strength in psi

< 20 % SMYS Issue

- **In Staff's opinion, classifying all pipeline < 20 % SMYS as distribution is eliminating 2 out of 3 definitions of a transmission line**
- **This is more restrictive than federal code and not allowed by our statutes**

Description of Subject Pipeline

- The pipeline in question is a 6 inch diameter line about 6 miles long that originates at a NorthWestern town border station next to Northern Border's interstate transmission line and terminates at two large volume customers namely the new electric generating facility and the new beef processing plant.

Definition Application

- Gathering
 - No, not connected to production facility
- Transmission
 - 2 large volume customers downstream of this pipe, meets one criteria of transmission definition (1).

* Large volume customer is similar in volume to a distribution center or town for example.

Definition Application Continued

- Are the large volume customers upstream or downstream from a distribution center?
- *** A distribution center is not defined in code but interpretations state “a point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption opposed to those who purchase it for retail.”**

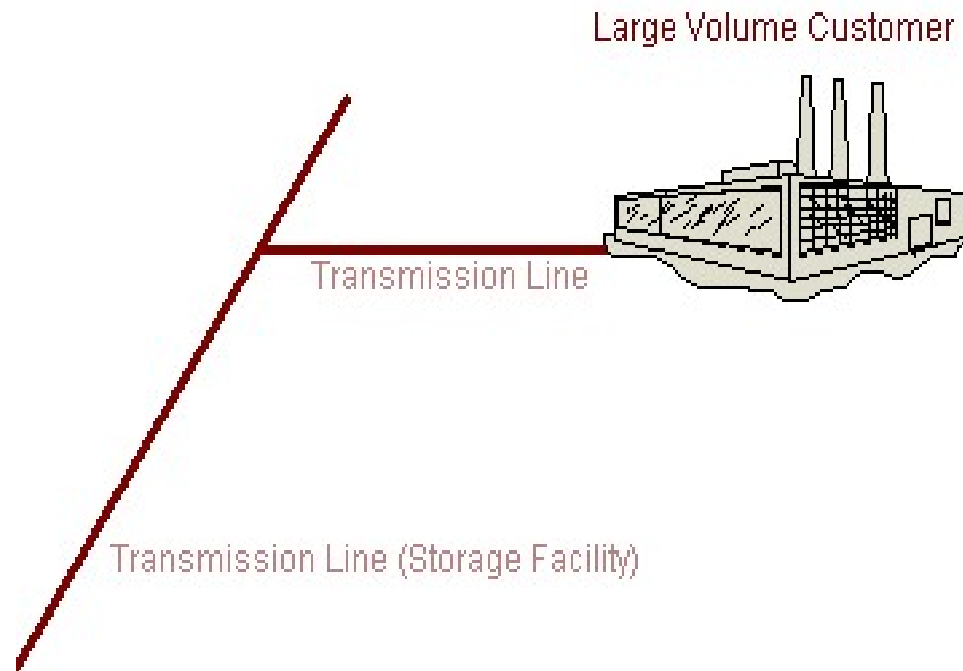
Staff's Proposed Definition for South Dakota

- A distribution center is a point where gas enters a pipeline used primarily to deliver gas to customers, EXCEPT **large volume customers**, who purchase it for consumption as opposed to resale. (Interp #20)
- REASON FOR THE EXCEPTION: The usage of, “distribution center” has a plural connotation thus requiring that there be more than one customer. As a result 1 large use customer is excepted from the definition of “distribution center.” (Interp #195.625 10)
- RESULT:
- As a result, unless a large volume customer is downstream from “a group of customers that use gas primarily for consumption” the line delivering gas is transmission.

SAMPLES

- A sample diagram of a transmission line feeding a large volume customer where the large volume customers are upstream of a distribution center is shown in the next slide
- Then a confidential diagram of the subject pipeline is presented

Transmission line transports gas from a storage facility to a ...



A pipeline that transports gas from a storage facility to a large volume customer is a transmission line.

This is a "transmission line," regardless of pressure. That is, the pipeline can be operating at 25 psi and it is a "transmission line" by definition.

2 or More Large Volume Customers

- Staff's position based on 192.3 # 45, Point # 2 is that two or more large volume customers served by the same line is still a transmission line and that the lack of a plural in the definition large volume customer is irrelevant. This interpretation was Exhibit 1 in Staff's rebuttal.

Operators will build over 20 % SMYS

- **In Staff's opinion, the Commission should not rule that all lines under 20 % SMYS are distribution because they are "safer". To do so does not follow 192.3 definitions**
- **Operators have stated they may still build under 20 % SMYS because they would rather put money into thicker pipe than siting costs**

Conclusions and Recommendations

- **Staff recommends the Commission rule the subject pipeline is transmission**
- **Staff recommends that the Commission adopt Staff's proposed definition of a distribution center**
- **If the Commission rules the subject pipeline is distribution, the basis should be a determination the large volume customers are downstream of a distribution center and not because the pipe is < 20 % SMYS**