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Kristie Fiegen, Vice Chair
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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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January 18, 2012

Patricia Van Gerpen

SD PUC Executive Director

500 E. Capitol Ave

Pierre, SD 57501

Re: PS11-002

Dear Ms. Van Gerpen,

Commission Staff respectfully disagree with statements NorthWestern Energy (NWE) made in its recent filing. Specifically, Staff disagrees with (i) the description of NWE weld procedure and (ii) NWE's denial of notice regarding the previous violation of the procedure at issue.

In its January 17, 2012 filing, NWE wrote according to its welding procedures, "if five minutes is exceeded between passes on the weld, the weld must contain sufficient preheat before the second bead weld pass is completed." Attached is the actual welding procedure at issue. The procedure is confidential. The language at issue says, "5 MINUTES MAXIMUM BETWEEN BEAD AND HOT PASS – ALL OTHER PASSES AS SOON AS PRACTICAL." The procedure does not provide for the preheat exception NWE asserts "if five minutes is exceeded."

Staff recognizes its current inspection procedures are different than those utilized by the previous pipeline department manager. While Staff disagrees NWE, "has never had any notification of a 2007 violation" it acknowledges NWE may have, "no written documentation on record." Prior pipeline safety management did not issue written reports to pipeline managers. It was standard, accepted Commission procedure in 2007 for the pipeline inspector to verbally discuss issues with the pipeline representative on site at the inspection. In this case, internal records show the 2007 infraction was discussed with Loren Nelich of NWE's Aberdeen office. No written report was issued.

In an effort to make the inspection process more transparent and improve communication, the Commission adopted pipeline inspection rules in 2009. The 2009 rules now require the pipeline inspector to issue a written

inspection report to the pipeline operator. As a result the current violation is recorded differently than the 2007 violation. Different inspection procedures, however, do not result in lack of notice.

Staff stands by its recommendation. Specific pipeline procedures, as NWE stated, are used and required for all aspects of pipeline installation, operation and maintenance. Welding procedure violations are serious, and this violation is a repeat offense.

Staff will be present for Commission discussion of this issue at its January 31, 2011 meeting.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kara Semmler".

Kara Semmler

Staff Attorney