

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

<p>In the Matter of the Filing by Commission Pipeline Safety Staff for Approval of a Penalty for a Pipeline Safety Violation by NorthWestern Corporation d/b/a NorthWestern Energy</p>	<p style="text-align:center">PS 11-002</p> <p>NorthWestern Energy's Response to Staff's Request for Commission Approval of Penalty</p>
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On December 19, 2011, South Dakota Public Utilities Commission Staff initiated a docket asking the Commission to approve a \$2000 penalty against NorthWestern Energy for a welding procedure violation. The violation occurred because NorthWestern Energy's contractor, Distribution Construction Company, exceeded the written welding procedures time-restraint requirement of no more than five minutes between welding passes. As outlined in Staff's filing, the violation of the procedure did not compromise or affect the quality or safety of the pipeline given additional quality control measures completed on the weld.

NorthWestern Energy is not disputing Staff's contention that the contractor allowed greater than five minutes between weld passes. Procedures are used in all facets of pipeline installation. NorthWestern Energy continually works to ensure proper procedures are followed by contractors. The construction of this pipeline has multiple safeguards in place to ensure the quality of the pipeline.

The weld in question was a butt weld. According to NorthWestern Energy's welding procedures, if five minutes is exceeded between passes on the weld, the weld must contain sufficient preheat before the second bead welding pass is completed. As noted in Staff's report, sufficient preheat was verified when Staff was on site. In addition, after completion of the weld, it was non-destructively tested with X ray by a third party according to American Petroleum Institute

1104 welding code, and the weld passed. The X-ray method is an additional layer of quality assurance. There is also a final layer of quality assurance, with a pressure test to be completed this spring prior to the pipeline becoming operational. Again, NorthWestern Energy plans to put additional pressure on the line beyond the pressure required by code to verify the quality of the welds.

As noted in Staff's filing, the quality and safety of the pipeline were not compromised because of this violation. NorthWestern Energy strongly agrees with Staff on this point and notes that once ultimately completed, the pipeline will go through a stringent pressure test to ensure high-quality standards.

Staff is calling this a repeat violation and therefore feels a fine is warranted. NorthWestern Energy does not agree with Staff's characterization of this incident as a repeat offense.

NorthWestern Energy has never had any notification of a 2007 violation. Allegedly, the 2007 violation was for a similar violation that happened during the construction of a pipeline to the Mina Ethanol Plant located ten miles west of Aberdeen. NorthWestern Energy only became aware of the 2007 occurrence after Staff notified it of the recent 2011 occurrence. NorthWestern Energy has no written documentation on record of this 2007 incident. NorthWestern Energy was given no formal warning of the Mina Ethanol Plant pipeline violation, and there certainly was no penalty that resulted from the 2007 incident.

NorthWestern Energy urges the Commission to look at all the facts before issuing a penalty. First, NorthWestern Energy has taken full responsibility for the current violation. Second, NorthWestern Energy has ensured and will continue to ensure that the safety of this pipeline is

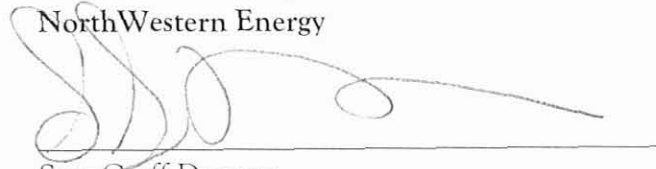
not and will not be compromised. Finally, NorthWestern Energy believes the 2011 incident is a first-time violation given the lack of notice of the 2007 violation.

WHEREFORE, NorthWestern Energy respectfully submits that this first-time violation should result in either a formal warning and/or a fine that is significantly below \$2,000 as suggested by Staff and more commensurate with a first-time violation.

Dated at Sioux Falls, South Dakota, this 17th day of January, 2012.

Respectfully submitted,

NorthWestern Corporation d/b/a
NorthWestern Energy



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Certificate of Service

Dori L. Quam hereby certifies that on this 17th day of January, 2012, a true and correct copy of the foregoing NorthWestern Energy's Response to Staff's Request for Commission

Approval of Penalty was served upon the following by electronic mail:

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