



Northern Natural Gas Company
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402 398-7200

VIA EMAIL AND FIRST CLASS MAIL

January 3, 2017

Dear Representative or Senator:

Recent developments regarding the future of natural gas service to certain customers in your district may have come to your attention. I am writing to provide background information and offer a point of contact should you have any questions.

Background

Northern Natural Gas Company, based in Omaha, Nebraska, owns and operates an interstate natural gas pipeline that includes facilities within your legislative district. When building its pipelines, Northern agreed to pay landowners for an easement on which Northern installed the pipeline underneath their land. The easement often allowed the landowner a connection, commonly referred to as a farm tap. The landowner would then build a service line from the pipeline tap to the landowner's residence or buildings. Most of these farm taps were installed several decades ago. Since the installation of these facilities, gas supply and utility service have been provided by a local distribution company.

Recently, one of the local distribution companies that provides natural gas service to farm tap customers in the state, NorthWestern Energy, provided notice that it intends to cease providing natural gas utility service to most of the farm tap customers it serves (approximately 200), effective December 31, 2017. The farm taps involved include constituents within your district. As the public utility serving these farm tap customers, NorthWestern Energy has been responsible for providing natural gas distribution services, such as the procurement of the natural gas, measurement of the amount of gas delivered, odorizing the gas, and other utility functions, such as billing, leak detection, and emergency response in the event of a reported leak.

Northern has approximately 5,500 farm taps that span its 11 state service area. There is a state-regulated utility that provides utility service to each of these customers. Only in South Dakota are any of the customers faced with a termination of service by the state-regulated utility.

Status

In November 2016, the South Dakota Public Utilities Commission (Commission) opened a docket (Docket No. NG16-014) pursuant to its staff's request, to decide issues of jurisdiction in regard to the farm taps. A hearing on the matter was held December 14, 2016, and an order is currently scheduled to be issued January 17, 2017. One matter at issue is whether the Commission can require NorthWestern Energy to continue service or whether it has the ability to require Northern Natural Gas or any other company to do so. Northern is not aware of any other company willing and able to provide retail utility service, and Northern is not able to provide retail utility service. Northern is not, as defined by state law, a gas utility, nor does it provide gas service. As an interstate pipeline, Northern is regulated exclusively by the Federal Energy Regulatory Commission in Washington, D.C. and is not regulated by state commissions. Northern operates a large-diameter high-pressure natural gas pipeline system that spans 11 states and is designed to deliver natural gas to local distribution companies and large end-users. Northern articulated these points at the December hearing.

During the next couple weeks, in advance of the January 17, 2017, Commission meeting, representatives of Commission staff, Northern and NorthWestern Energy will meet on the issues.

Outreach to Affected Landowners

On December 15-16, 2016, Northern held informational meetings in Madison and Beresford to provide an opportunity for in-person discussions with the affected customers to inform them of the issues. The meetings were well attended – approximately 80 farm tap owners showed up to express their concerns and ask questions of Northern. As noted to the meeting attendees, the action for discontinuance of service originated with NorthWestern Energy; Northern is not a gas utility and does not provide gas service. Northern also explained that the Commission had opened a docket and conducted a hearing. Northern urged farm tap owners to become aware of, and engage in, the regulatory proceeding.

Safety Concerns

Commission staff has pointed out safety concerns related to the current service arrangement. Normally, a local distribution company would own a service line all the way to a customer's meter, which is generally located adjacent to a customer's house. For a farm tap, as previously described, the customer owns the service line and has been responsible for installing and maintaining it. NorthWestern Energy is responsible for responding to reports of leaks; however, no periodic leak survey is conducted on the customer's service line. Ultimately, the Commission will be deciding any future course of action regarding farm tap customers.

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Conclusion

Northern Natural Gas remains committed to honoring the farm tap easements. A necessary component of the service that customers currently receive is that a gas utility provide natural gas and perform the important safety functions of leak detection and emergency response, as NorthWestern Energy does today.

Please feel free to contact me by phone or email should you have any questions. This issue is important to the residents in your district, and Northern stands by to help explain the issues involved. I can be reached at (402) 398-7278 or by email at: laura.demman@nngco.com.

Sincerely,

A handwritten signature in black ink that reads "Laura Demman". The signature is written in a cursive, flowing style.

Laura Demman
Vice President, Regulatory and Government Affairs

Cc: South Dakota Legislature, Senators and Representatives for
Districts 2, 6, 7, 8, 9, 11, 12, 16, 17, 18, 22 and 25, via email
Filed in Docket NG16-014 at South Dakota Public Utilities Commission