

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE FILING BY)	MOTION TO AMEND THE
MONTANA-DAKOTA UTILITIES CO., A)	COMMISSION ORDER
DIVISION OF MDU RESOURCES GROUP,)	
INC. FOR APPROVAL OF A WAIVER)	PS07-001

COMES NOW, Commission Staff through its attorney, Kara Semmler, to request the Commission amend its order.

On January 18, 2007, the Public Utilities Commission (Commission) received a filing from Montana-Dakota Utilities Company (MDU) for approval of a waiver of a portion of 49 C.F.R. Part 192.479 and 192.481(a). MDU requests a specific waiver of Part 192.481(a) to allow atmospheric corrosion inspection frequency at least once every four calendar years, but with intervals not to exceed 51 months. Section 192.481 subsection (a) requires inspection of onshore pipe exposed to atmosphere for evidence of corrosion at least once every three calendar years, but with intervals not exceeding 39 months. This waiver would apply to exposed natural gas pipelines according to Part 192.479.

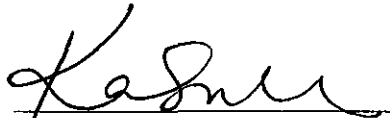
At its regularly scheduled meeting on November 12, 2008, the Commission considered this matter. The Commission Ordered, "a partial waiver of SDCL 49-34B-3, adopting 49 CFR 192.481(a), regarding the frequency of atmospheric corrosion inspection, is hereby approved to allow atmospheric corrosion inspection frequency of at least once every four calendar years, but with intervals not to exceed 51 months, conditioned upon PHMSA's review and consent. This waiver is further conditioned upon the following: (1) that the four year interval be applied outside of business districts while a one year interval apply inside business districts; (2) that regulator stations and emergency valves be monitored for atmospheric corrosion when maintained or patrolled; and (3) that the operator notify the Commission of hot spots where there are greater corrosion rates requiring monitoring more frequently than once every three years."

On March 13, 2009, Commission Staff received correspondence from PHMSA regarding final approval of the Commission's Order. PHMSA is concerned regarding the qualification of the leak survey technicians. See the attached letter from PHMSA.

Staff respectfully requests the Commission add the following condition to the current Commission Order:

“MDU shall incorporate additional training relative to atmospheric corrosion evaluation for leak survey technicians responsible for functions of its requested waiver.”

Dated this 17th day of March, 2009

A handwritten signature in black ink, appearing to read "Kara Semmler", written over a horizontal line.

Kara Semmler, PUC Staff Attorney



U.S. Department
of Transportation

**Pipeline and Hazardous
Materials Safety
Administration**

1200 New Jersey Avenue, SE
Washington, D.C. 20590

MAR 13 2009

Mr. Nathan D. Solem
Acting Pipeline Safety Program Manager
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Dear Mr. Solem:

The Pipeline and Hazardous Materials Safety Administration (PHMSA) reviewed your letter of December 3, 2008, notifying us that the South Dakota Public Utilities Commission (SDPUC) conditionally approved a partial waiver (Order PS07-001) requested by Montana-Dakota Utilities Company (MDU) for its intrastate natural gas operations in South Dakota. MDU requested that the SDPUC modify compliance with 49 CFR 192.481(a) as adopted by South Dakota pursuant to section 49-34B-3 South Dakota Codified Law and allow MDU to perform atmospheric corrosion inspections on its intrastate natural gas pipelines subject to SDPUC regulation every four calendar years with intervals not to exceed 51 months, rather than every three calendar years with intervals not to exceed 39 months.

PHMSA did not object to the waiver within 60 days of its effective date and therefore the waiver may take effect. We regret the delay in responding to your notification. However, PHMSA is issuing this letter, per your request, to provide you with PHMSA's concern regarding the MDU waiver.

The waiver granted by the SDPUC allows MDU to conduct atmospheric corrosion control monitoring and leakage surveys at least once every four calendar years with intervals not to exceed 51 months for pipelines outside of business districts. To ensure an equivalent level of pipeline safety is maintained, SDPUC imposed the following conditions to the granted waiver:

- 1) Inside of business districts, atmospheric corrosion control monitoring must be conducted at least once every calendar year at intervals not exceeding 15 months;
- 2) Atmospheric corrosion control monitoring of regulator stations, essential and emergency valves, and other above ground piping that may be monitored pursuant to 49 CFR 192.721, will be conducted at the same time the above facilities are maintained or patrolled; and
- 3) MDU must identify, inspect, and notify SDPUC of those areas requiring atmospheric corrosion control monitoring more frequently than once every three calendar years. These areas include the following "hot spots" where there are greater atmospheric corrosion rates:
 - a. Above ground pipelines where there is greater exposure to road salts and chemicals;
 - b. Areas where pipelines could have accelerated corrosion due to industrial chemicals in the atmosphere;

Mr. Nathan D. Solem
(South Dakota Order PS07-001)

- c. Pipelines that may experience sweating due to pressure drop, such as regulator stations, metering correctors, and large customers' regulator/meter sets;
- d. Inside regulator/meter sets that are subject to corrosive environments; and,
- e. Other areas that show accelerated atmospheric corrosion.

Based on these conditions, PHMSA has no objections to the waiver. However, PHMSA does have one concern regarding the qualifications of the technicians who conduct leak surveys relative to the waiver. MDU did not specify the credentials of those conducting the atmospheric corrosion check. This issue is important as many of the atmospheric corrosion checks are performed by personnel who conduct surveys in addition to their daily work, such as reading meters. In general, these personnel are not focused on looking for ground transitions and piping conditions, which can be used as indicators of atmospheric corrosion. PHMSA would like to see the incorporation of a condition that requires additional training relative to atmospheric corrosion evaluation, for leak survey technicians who perform functions covered by the waiver.

If you wish to discuss this or any other pipeline safety matter, my staff would be pleased to assist you. Please call John Gale, Director of Regulations at 202-366-0434, for regulatory matters, or Alan Mayberry, Director of Engineering and Emergency Support at 202-366-5124, for technical matters. If you wish to discuss with personnel from our Western Region, please contact Ivan Huntoon, Director of the PHMSA Central Region at 816-329-3800.

Thank you for your continued efforts in pipeline safety.

Sincerely,

A handwritten signature in black ink, appearing to read "William H. Gale" with a stylized flourish at the end.

for
Jeffrey D. Wiese
Associate Administrator for Pipeline Safety