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Patricia Van Gerpen
Executive Director
Public Utilities Commission
500 East Capitol Avenue
Pierre, South Dakota 57501

RE: **MONTANA-DAKOTA NATURAL GAS INCIDENT**
Docket No: PS08-001
Our file: 0069

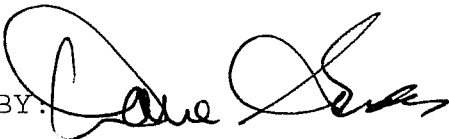
Dear Patty:

Accompanying this letter is Montana-Dakota's Response to Staff's Pipeline Safety Report. Please file the enclosure.

With a copy of this letter, a copy of the Response is being served upon the service list as indicated in the Certificate of Service which accompanies the response. Thank you very much.

Yours truly,

MAY, ADAM, GERDES & THOMPSON LLP

BY: 

DAG:mw

Enclosure
cc/enc: Service List
MDU Personnel

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

IN THE MATTER OF THE FILING OF)	DOCKET NO. PS08-001
THE INVESTIGATION OF THE NATURAL)	
GAS INCIDENT OF FEBRUARY 20, 2008,)	MONTANA-DAKOTA'S RESPONSE
ON MONTANA-DAKOTA UTILITIES CO.'S)	TO STAFF'S PIPELINE
SYSTEM IN PIERRE, SOUTH DAKOTA)	SAFETY REPORT

In response to Commission Staff's Pipeline Safety Staff Report, Montana-Dakota Utilities Company ("Montana-Dakota") offers the following reply:

Root Cause

Montana-Dakota believes the Root Cause of the gasket failure was erosion of the gasket material directly due to the excessive amount of debris introduced from the South Dakota Intrastate Pipeline Company ("SDIP") pipeline. No evidence supports a determination that the flange was not torqued according to manufacturer's specifications and rated accordingly to Part 192.195 (b)(1) or that a lack of torque caused or contributed to cause the gasket erosion. Montana-Dakota does not believe a mitigation plan is needed for this because it already follows manufacturers' specifications. As shown on the photograph of the gasket following the incident, the gasket was worn away in several locations as a clear result of the sandblast effect. The presence of a location

in which the wear pattern did not reach the outer side of the gasket before other sections failed supports this conclusion. Moreover, the wear pattern is inconsistent with a conclusion that the gasket failed because of inadequate torque causing a "blow-out" of the gasket.

The system is designed and operates to withstand normal operating conditions and did not fail, and would not have failed, under normal operating pressures. The failure was caused by the abnormal operation of SDIP's pigging operation and the resulting debris that entered the system. It is no coincidence that the gasket failed at the precise time the debris entered Montana-Dakota's system from the SDIP pipeline. The sandblasting effect could only have been caused by the high velocity gas stream and the debris load contained within the noncompliant gas.

Prevention of Reoccurrence

Montana-Dakota ensured that proper equipment, exceeding industry standards, was in place to deal with an upstream failure of the pipeline equipment. Under both industry practice and its tariff the operator was responsible to deliver pipeline quality gas to the Montana-Dakota delivery points on SDIP's pipeline system. SDIP's tariff requires it to deliver gas that is free from sand, dust or other substances that would be injurious to pipelines or

the transmission of gas. Due to SDIP continually delivering gas that was out of compliance with its tariff, Montana-Dakota in 2006 installed a strainer and a one micron filter downstream of the SDIP equipment that delivers gas into the Pierre border station. By installation of the filter downstream of the SDIP facility Montana-Dakota located appropriate equipment in place to deal with conventional, expected and unexpected pipeline operation.

Montana-Dakota is obligated to design its system to SDIP's Maximum Allowable Operating Pressure (MAOP). It is neither realistic nor obligatory for Montana-Dakota to design its system for any pressure greater than the established MAOP. SDIP's tariff specifies that the gas delivered to Montana-Dakota *"shall not contain sand, dust, gums, crude oil, impurities or other objectionable substances which may be injurious to pipelines or may interfere with the transmission of the gas."* As stated above, our company installed a filter downstream of the SDIP station because the gas being received at the Pierre border station contained debris (noncompliant gas) that was affecting the operation of the station pressure regulation equipment and in the past had affected the distribution of gas to Montana-Dakota customers within the city of Pierre. For the reasons set forth below, Montana-Dakota agrees with Staff's recommendations in its May 22, 2008, Pipeline Safety

Report that SDIP be required to locate and accurately predict the arrival of the second pig, locate and cut out the second pig, coordinate any pig arrivals with Montana-Dakota, install a pig receiving station further upstream, and modify SDIP's system to handle the debris load and pressure gradient with no downstream effect on Montana-Dakota. Montana-Dakota has attempted to get SDIP to address these issues, with no success.

As outlined below, proper action was not taken by SDIP to remove the pipeline pigs from its pipeline once the location of the pig(s) became unknown. Prior to the date of the incident, Montana-Dakota had expressed its concern to SDIP of the potential problems that could occur if the pig arrived unexpectedly at the Pierre border station without any operational response by SDIP. SDIP's failure to remove the pig from the pipeline, its reliance on increased pressure differential across the pig created by increased gas flows through the pipeline during the heating season, as well as the failure to monitor the location of the pig, resulted in the unexpected and unmonitored arrival of the pig into the Pierre border station. Furthermore, failure to address and prevent the excessive rust and debris introduced into Montana-Dakota's system from the pig's arrival resulted in the multiple equipment failures.

Based on the unwarranted conclusion that Montana-Dakota should design its system to function without failure in any circumstance that a pig arrives unexpectedly, Staff has recommended that the Commission order Montana-Dakota to prepare a mitigation plan addressing at least four elements. Neither the Pipeline Safety Act nor any applicable tariff requires the company to anticipate that SDIP will fail to operate its pipeline as the law and industry standards require. Furthermore, while Montana-Dakota agrees that the building heater should, and will, be moved, the remaining plan elements suggested by staff are not supported by the evidence. The company had already installed equipment to deal with an upstream failure that was not only industry compliant, but which exceeded industry standards.

Chronological order of events

The events culminating in the Pierre Town Border Station Fire Incident were as follows:

- December 1, 2006, SDIP inserted a bristle pipeline cleaning device, commonly referred to as a pig, at the Mina takeoff from Northern Border Pipeline in an attempt to clean its pipeline prior to sending a smart pig through the pipeline. The pig became lodged in a valve setting and was not removed until the following summer

at which time the pipeline was cut and the pig was removed from the valve. Montana-Dakota had issued a letter to SDIP (and copied the Commission) dated December 13, 2006, expressing Montana-Dakota's concern and requesting a plan of action to remove the pig. SDIP responded that it intended to leave the pig in the pipeline until the following summer. Its response also recognized that it was ". . . keenly aware of it's [sic] obligation to transmit gas in [a] safe manner . . ." and would ". . . operate in a manner that is reliable and safe . . ."

- On October 22, 2007, SDIP inserted another pig in its pipeline at the inlet of Valve 63. Shortly thereafter the location of the pig became unknown.
- On February 5, 2008, SDIP inserted again another pig, which emitted a signal to track the movement of the pig, in an attempt to dislodge and move the first pig through the pipeline. The location of this pig also became unknown after it was in the pipeline for a period of time.

- On the morning of Friday February 15, 2008, Montana-Dakota employees, Jay Skabo, Pat Darras and Bob Morman, called SDIP for an update on the location of the lost pigs and to express concern of the cold front that was forecast to move into the South Dakota area. SDIP employee Gordy Woods stated that SDIP believed the pigs were stuck between Onida and Pierre and they had recorders on the line to monitor pressures. Mr. Woods stated that both pigs were cup pigs and the second one was a hollow body style. He said they would continue to manipulate pressures to try and free the pig, but he would not commit to positive action to find and remove it before next summer. He mentioned that stopple fittings were available to assist in removal of the pig once it was located in the pipeline.
- February 20, 2008, around 7:30 a.m. central time, Mr. Woods called local Montana-Dakota employee Dan Stover and informed him of a blowing relief valve at the Pierre border station. Mr. Woods was at the station changing filters in SDIP's scrubbers at the time after he had received an alarm from the station indicating an

abnormal operating condition. When Mr. Stover arrived at the station he opened the door and the fire started.

- On February 21, 2008, around 11:30 a.m. central time Montana-Dakota employees Jay Skabo, Pat Darras, Bob Morman, Bruce Brekke (via phone) called Gordy Woods to discuss a plan of action going forward. Montana-Dakota was manually controlling the flow and pressure of the gas into the Pierre station hoping to have a regulator and scrubber in place by the evening. SDIP was monitoring the differential pressure across the scrubber, which was one pound that morning, and planned to open and check for debris later that day. Mr. Woods mentioned that he thought the second pig had passed the 10 mile valve east of Pierre. SDIP had noticed an increase in the pressure drop that morning from 30 to 150 psi between Mobridge and Pierre. Mr. Woods indicated that he would be monitoring the pressures and would call Montana-Dakota immediately upon any alarms or unusual conditions. On the morning following the pressure drop of 150#, Montana-Dakota personnel witnessed a pressure drop of 190# and Montana-Dakota did not receive any notice from SDIP. On February 28, 2008,


Montana-Dakota corresponded by letter to SDIP requesting written updates on the location of the pig and a written detailed plan concerning measures to be taken upon its arrival. Montana-Dakota has yet to receive a response to this important request.

Montana-Dakota believes SDIP violated industry standards and safe practices, violated its own tariffs and ignored its obligation to the public at large when it did not address these concerns in 2006-2007, and again when it did not address those same concerns when two pigs were stuck in 2007-2008. Montana-Dakota's level of frustration and concern continues to grow with each violation. To date, SDIP has made no significant effort to locate and remove the second pig. Underlying this scenario, Montana-Dakota is concerned that SDIP's approach and procedure has been based on a "least cost" operating philosophy. That is, the company's employment of the operating factors used to draw in the pigs, rather than bearing the expense of venting gas to control the pressure differential and flow to actively control the movement of the pigs, which is industry standard, have caused two unsafe and costly incidents. In the future SDIP must adopt a safe and proactive operational philosophy.

Staff concludes its report by stating that the Commission should issue a Notice of Concern to Montana-Dakota that a recurrence due to inadequate mitigation plans may be viewed as a probable violation of the Federal Pipeline Safety Act. As previously stated, the occurrence giving rise to this docket has nothing to do with any deficiency on the part of Montana-Dakota, and everything to do with SDIP's failure to observe good pipeline operation practices and heed Montana-Dakota's multiple requests that it coordinate with the company and use proper methods to locate and remove the lost pigs. Montana-Dakota strongly disagrees with Staff's suggestion.

Dated this 1st day of July, 2008.

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CERTIFICATE OF SERVICE

David A. Gerdes of May, Adam, Gerdes & Thompson LLP hereby certifies that on the 1st day of July, 2008, he served electronically a true and correct copy of the foregoing Petition to

Intervene in the above-captioned action to the following at their last known addresses, to-wit:

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A handwritten signature in black ink, appearing to read "David A. Gerdes", is written over a horizontal line.

David A. Gerdes