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July 7, 2009

Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
523 East Capitol Avenue
Pierre, SD 57501-5070

Re: Request for Waiver from 49 C.F.R. § 192.625(a)

Dear Ms. Van Gerpen:

Pursuant to SDCL § 49-34B-24, enclosed is a request from NorthWestern Energy for a waiver concerning 49 C.F.R. § 192.625(a), federal code governing the odorization of natural gas distribution pipelines.

Please let us know if you have any questions regarding our request.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Pamela A. Bonrud".

Pamela A. Bonrud
Director – SD/NE Government and Regulatory Affairs

Attachments

cc: Melissa Baruth – Supervisor DOT, NorthWestern Energy
Sara Dannen - Corporate Counsel, NorthWestern Energy

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In regards to:

Docket No. ____

A request by NorthWestern Corporation d/b/a NorthWestern Energy for a permanent waiver from 49 C.F.R. § 192.625(a)

Pursuant to SDCL § 49-34B-24, NorthWestern Corporation d/b/a NorthWestern Energy (“NorthWestern”) respectfully requests a permanent waiver from 49 C.F.R. § 192.265(a). In support of its request, NorthWestern states as follows:

1) NorthWestern is a public utility providing electric and natural gas utility services to 137 (110 electric and 59 natural gas) South Dakota communities in east-central South Dakota.

2) 49 C.F.R pt. 192 consists of federal safety standards for the transportation of natural gas by pipeline. These standards are adopted for SDCL ch. 49-34B in SDCL § 49-34B-3.

3) 49 C.F.R. § 192.625(a) requires odorization of distribution lines, as noted below:

A combustible gas in a distribution line must contain a natural odorant or be odorized so that at a concentration in air of one-fifth of the lower explosive limit, the gas is readily detectable by a person with a normal sense of smell.

4) NorthWestern requests a permanent waiver of 49 C.F.R. § 192.625(a) to allow approximately 450 feet of natural gas pipeline in Edmunds County with the legal address of NE1/4, NE1/4, Section 28, T124N, R66W, to be an unodorized distribution pipeline. The line originates inside the Northern Border Pipeline property as shown in Attachment A. It then travels 450 feet west and south on an easement on private property to a regulator station leased by NorthWestern where it is odorized before

leaving the NorthWestern property. This is often referred to as station piping. Usually NorthWestern locates facilities for odorization within the station and there is a small portion, usually five to ten feet in length, of station piping between the origination/tap and odorization. In this situation, NorthWestern was unable to obtain permission from Northern Border Pipeline or to secure property immediately adjacent to the Northern Border Pipeline facilities. Due to the location of an established station owned by South Dakota Intrastate Pipeline, the land secured by NorthWestern was south and adjacent to the established South Dakota Intrastate Pipeline facility. Attachment B includes two photographs of NorthWestern's Regulator Station for the Commission's information.

5) With Commission approval of NorthWestern's request for a permanent waiver from 49 C.F.R. § 192.625(a), NorthWestern proposes the following monitoring, landowner notification, and maintenance procedures:

- ◆ According to federal code, if the 450 feet of natural gas pipeline is classified as transmission, it is required to be leak surveyed and patrolled annually. If the waiver is granted, NorthWestern agrees to leak survey and patrol the 450 feet of natural gas pipeline on a quarterly basis.
- ◆ NorthWestern agrees to annual notification to the property owners who retain ownership of the easement on the pipeline location and characteristics of natural gas. The property surrounding the easement is used for agricultural benefit. The closest residential dwelling is approximately one-half mile west of NorthWestern's Regulator Station.
- ◆ NorthWestern agrees to the installation of line markers, at the take off/origin of the natural gas pipeline and also at the end point on NorthWestern's Regulator Station property.

6) NorthWestern requests a permanent waiver since the NorthWestern Regulator Station resides 450 feet from where the line originates on the Northern Border Pipeline property.

7) Application of 49 C.F.R. § 192.625(a) without a waiver would require NorthWestern to classify this natural gas pipeline as a transmission pipeline on the condition of it not being odorized. As a transmission pipeline in a Class One Area, it is not required to be odorized per 49 C.F.R § 192.625(b)(1). In South Dakota, NorthWestern currently operates distribution natural gas pipelines but does not operate transmission natural gas pipelines, beyond the 450 feet in discussion. The small length of this line (less than one mile) requires no additional annual reporting by Pipeline and Hazardous Materials Safety Administration (PHMSA). *See* Attachment C, Instructions for Completing Form 7100.2-1 Annual Report for Gas Transmission and Gathering Systems. Since the natural gas pipeline in question is located in a Class One Area, there are no significant additional federal safety requirements imposed on the operator if this line is classified as distribution or transmission natural gas pipeline, unless the additional requirements noted above are imposed on the operator.

8) Approval of the waiver as requested with the additional requirements noted above imposes more stringent requirements on NorthWestern than if the line were classified as a natural gas transmission pipeline under federal pipeline safety standards.

9) 49 C.F.R. pt. 192 and SDCL ch. 49-34B contain provisions for requesting a waiver of pipeline safety provisions. Therefore, the rule subject to the petition for waiver is not specifically mandated by statute or another provision of law.

10) Approval of this request for waiver will result in additional leak surveying, pipeline monitoring, and property owner notification regarding the 450 feet of natural gas distribution pipeline compared to what would be achieved under the requirements of 49 C.F.R. § 192.625(b)(1).

11) The 450 feet of natural gas distribution pipeline under question in this request for waiver is constructed of four-inch steel line buried at a depth greater than 30 inches. The line operates at less than 20 percent SMYS (Specified Minimum Yield Strength) with a maximum allowable operating pressure of 1440 pounds per square inch (psi). The line became operational in 2008 to serve the Glacial Lakes Mina Ethanol plant.

12) Approval of this request for waiver will enable NorthWestern to classify and operate the 450 feet of natural gas pipeline as distribution pipeline with the added maintenance requirements of quarterly leak surveying, patrolling, and annual notification to the legal landowner.

13) NorthWestern is not aware of any persons who may be adversely impacted by the granting of this request for waiver.


NorthWestern welcomes the opportunity to respond to any questions concerning this request.

WHEREFORE NorthWestern respectfully requests the South Dakota Public Utilities Commission grant a permanent waiver of 49 C.F.R. § 192.625(a).

Dated at Sioux Falls, South Dakota, this 7th day of July, 2009.

Respectfully submitted,

NORTHWESTERN CORPORATION d/b/a
NORTHWESTERN ENERGY



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Affairs

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