BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

In the Matter of the Petition of the Pipeline Safety Program Manager and Staff for a Declaratory Ruling Regarding the Proper Classification of Certain NorthWestern Energy Pipelines	)))))	Docket PS25-002 NorthWestern Energy Comments

NorthWestern Energy Public Service Corporation d/b/a NorthWestern Energy ("NorthWestern") respectfully submits the following comments in this docket. NorthWestern's comments address the classification of four natural gas pipelines discussed in the Petition for a Declaratory Ruling ("Petition") submitted to the South Dakota Public Utilities Commission ("Commission") by the Pipeline Safety Program Staff ("Staff"). As discussed more fully below, NorthWestern urges the Commission to find that the four natural gas pipelines are classified correctly as high-pressure distribution lines and not transmission pipelines.

Introduction of NorthWestern's Position

The four pipelines in question were designed, constructed, and historically operated as high-pressure distribution lines. The Commission should continue to classify these pipelines as high pressure distribution.

This classification is supported by:

- Historical design and operational intent aligned with distribution standards;
- Consistent reporting of these assets as distribution in Form 7100 filings to Pipeline Hazardous Materials Safety Administration ("PHMSA") and the South Dakota Pipeline Safety Program ("SDPSP");
- Payment of applicable state assessment fees based on distribution classification; and

- Compliant with all distribution requirements, including odorization, and incorporated applicable transmission standards, such as welding and valve spacing, where appropriate

The classification of high-pressure distribution pipelines is a historical practice across South Dakota, as acknowledged by Staff in its Petition. The four pipelines in question operate below the 20% of Specified Minimum Yield Strength (SMYS), consistent with South Dakota's historical high pressure distribution classification as detailed in Staff's Petition. They adhere to all federal and state requirements of a distribution pipeline.

NorthWestern also outlines its commitment for future infrastructure improvements, including the development of enhanced distribution centers, to provide clear separation between NorthWestern and NNG's assets which will offer pressure reduction and overpressure protection. Reclassifying these pipelines as transmission would impose unnecessary regulatory burdens, increase initial investment cost, and potentially hinder infrastructure development. NorthWestern respectfully requests the Commission affirm the distribution classification of the subject pipelines in alignment with historical practice, operational design, and public safety considerations.

Line Attributes

This docket pertains to the classification of four specific pipelines. Below is a summary of the attributes for each pipeline owned and operated by NorthWestern. In 2024, NorthWestern and Staff completed a comprehensive inspection of all maintenance records associated with the pipelines and there were no noted violations or outstanding issues found from this inspection.

Scotland/Menno Branch Line fed from the Northern Natural Gas ("NNG") "Parkston" line near Tripp:

- 18.49 miles of 4-inch steel pipeline
- 6.69 miles of 3-inch steel pipeline
- Operation Pressure: 330 – 590 psi
- Maximum Allowable Operating Pressure (MAOP): 590 psi
- Stress Level: 18% SMYS
- Year Installed: 1994
- Odorized: Yes

Groton Branch Line fed from NNG "Webster" line near Ferney:

- 6.5 miles 2-inch steel pipeline
- Operation Pressure: 590 psi
- Maximum Allowable Operating Pressure (MAOP): 590 psi
- Stress Level: 11% SMYS
- Year Installed: 1992
- Odorized: Yes

Bristol Branch Line (runs from Bristol to Webster) fed from the NNG "Webster" line near Bristol:

- 10 miles 4-inch steel pipeline
- Operation Pressure: 590 psi
- Maximum Allowable Operating Pressure (MAOP): 590 psi
- Stress Level: 17% SMYS
- Year Installed: 1992
- Odorized: Yes

Marion/Parker Branch Line fed from NNG "Parker" Line, approximately 2 miles east of Canistota:

- 15.23 miles 3-inch steel pipeline
- Operation Pressure: -600 -800 psi
- Maximum Allowable Operating Pressure (MAOP): 800 psi
- Stress Level: 18% SMYS
- Year Installed: 1995
- Odorized: Yes

Historical Agreements with NNG

NorthWestern concurs with the historical overview provided by Staff in the Petition. As noted, the pipeline infrastructure was constructed in the early 1990s under a series of agreements between NorthWestern and NNG. This initiative enabled NorthWestern to extend its natural gas distribution system to numerous smaller communities, farms, and colonies throughout the state. In 1995, the parties entered into a maintenance agreement. While the agreement has been modified over time, the original intent and operational aspects of the 30-year relationship have been maintained throughout.

Under the terms of both the original and revised agreements, NorthWestern acknowledges and treats the subject assets as distribution assets and an extension of its natural gas distribution system. NorthWestern has designated these facilities for exclusive use by its distribution customers. This is reflected in the following provisions of the agreements with NNG.

1995 Maintenance Agreement

Article 1 - General

1.1 Regulations of Operator.' It is the understanding of the Parties hereto that in executing this and related documents, Operator is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act. NWPS represents that the facilities which it owns which are the subject of this Agreement are not subject to FERC jurisdiction, and are not used for interstate transportation of Natural Gas by NWPS, and are considered an extension of NWPS' distribution system. All of the gas delivered through the portion of pipeline owned by NWPS is for consumption by its distribution customers.

2018 Maintenance Agreement

Article 1 - General

1.1 Regulations of Operator. It is the understanding of the Parties hereto that Operator is a Natural Gas Company as defined under the Natural Gas Act and in such capacity, is subject to the exclusive jurisdiction of the Federal Energy Regulatory Commission (FERC). NorthWestern represents that the Facilities are not subject to FERC jurisdiction, and are not used for interstate transportation of natural gas by NorthWestern, and are considered an extension of NorthWestern's distribution system. All of the gas delivered through the Facilities is for consumption by NorthWestern's distribution customers.

Pipeline Classification Position

NorthWestern agrees with Staff's assertion that a company may elect to treat a pipeline with more stringent transmission standards, even if it qualifies as a distribution line. Historically, NNG operated as a transmission company, while NorthWestern functioned exclusively as a distribution company in South Dakota until 2011 when it purchased the Milbank pipeline that crossed from South Dakota into Minnesota. Each entity classified its respective pipeline segments based on its operational expertise and asset profile.

Since installation, NorthWestern has consistently reported the subject pipelines as distribution assets in its annual Form 7100 filings to PHMSA and the SDPSP.[1] NorthWestern has also paid the applicable state assessment fees based on the classification of distribution facilities.

[1] NorthWestern recently learned that NNG similarly filed annual Form 7100 reports with PHMSA for the pipeline segments owned by NorthWestern. NorthWestern's maintenance agreement with NNG had provisions for operational responsibilities such as locating services, cathodic protection readings, and value maintenance, however, it did not include any requirement requesting or authorizing NNG to submit such filings on NorthWestern's behalf. NorthWestern is unsure why NNG reported these pipelines as transmission in their filings as the maintenance agreements clearly indicate that such facilities are part of NorthWestern's distribution system.

Operational Factors Supporting Distribution Classification

As stated in the Petition, and including its attachments, South Dakota's longstanding practice has been to classify pipelines operating below 20% of SMYS as high-pressure distribution lines. This practice has enabled utilities to design and operate systems with enhanced safety, regardless of the customer type.

Over the past 30 years, NorthWestern constructed multiple steel pipelines (2", 4", 6", and 8" diameters) to serve communities, rural customers, residential developments, and distribution load growth. Each pipeline was designed with a Maximum Allowable Operating Pressure ("MAOP") below the 20% SMYS. This stress rating below 20% enhances safety while reducing capital and maintenance costs.

While NorthWestern adheres to distribution standards, it also incorporates transmission-level practices where appropriate. Design and construction differences between transmission and distribution pipelines are outlined in Attachment 1 to Staff's Petition. For example, NorthWestern applies transmission-grade safety measures such as valve placement based on class location, API 1104 welding standards, and non-destructive testing. At the same time, NorthWestern maintains distribution standards for odorization and conservative pressure testing. This hybrid approach ensures maximum safety and cost efficiency without imposing unnecessary regulatory burdens on pipelines not designed or intended to operate at higher SMYS levels.

If the proposed reclassification standards are adopted, utilities may be compelled to increase MAOP and SMYS to justify project costs, leading to thinner wall designs and elevated safety risks. While increased maintenance may mitigate some risks, the consequences of a release from a higher SMYS pipeline can be more severe.

In 2011, a third-party strike on a NorthWestern pipeline during a drainage tile installation resulted in a tear, not a rupture, due to the pipeline's low SMYS rating. With a transmission classification, the pipeline may have been constructed with thinner walls and higher SMYS, potentially resulting in a rupture and greater risk to life and property.

Current classification practices also offer enhanced corrosion tolerance and environmental stress resistance due to thicker pipe walls. Financially, the proposed changes could render certain projects economically unfeasible, limiting infrastructure development and economic growth in South Dakota.

Attachment 1 to the Petition outlines the current code requirements distinguishing transmission and distribution pipelines as of 2025. NorthWestern has consistently prioritized safety and incorporated transmission-level practices when beneficial to pipeline integrity and public protection. These practices though do not in and of themselves make these pipelines at issue here transmission pipelines.

The Petition's definitions also highlight the role of distribution centers in delineating operational boundaries between pipeline operators. As NorthWestern transitions out of its maintenance agreements with NNG, it is committed to enhancing infrastructure by constructing a distribution center to separate NNG and NorthWestern ownership in each of the respective pipeline segments. These facilities will not only establish a clear separation between NorthWestern and NNG assets but will also introduce additional layers of pressure protection downstream from NNG's facilities.

South Dakota

As noted in the Petition, the use of high-pressure distribution pipelines is neither unique to the pipelines under review in this docket nor exclusive to NorthWestern. Staff provided in

their Petition provided multiple examples demonstrating that this practice of classifying certain pipelines as high-pressure distribution is widely utilized by operators across South Dakota.

In 2007, when NorthWestern acquired the Associated Milk Producers Incorporated ("AMPI") and Freeman Distribution systems, NorthWestern requested that the AMPI pipeline be reclassified from transmission to distribution. Prior to NorthWestern's ownership, the pipeline was operated by two separate entities—AMPI and the City of Freeman. (See Petition, Attachment 8.) This reclassification aligned with NorthWestern's operational model and the broader industry practice in South Dakota of treating less than 20% SMYS pipelines as distribution assets.

Conclusion

NorthWestern appreciates the opportunity to provide comments and clarification regarding the classification of the subject pipelines in this docket. As demonstrated throughout this filing, the pipelines were designed, constructed, and operated as high-pressure distribution lines, consistent with South Dakota's historical practice.

NorthWestern has consistently reported these assets as distribution in its federal and state filings, maintained operational standards aligned with distribution classification, and incorporated transmission-level safety measures, where appropriate. The current classification approach has enabled NorthWestern to deliver safe, reliable, and affordable service to its customers while supporting infrastructure development across the state.

Reclassifying these pipelines as transmission would not only contradict their original design and operational intent but could also introduce unnecessary regulatory burdens, increase costs, and hinder future investment in rural and community-based pipeline systems.

NorthWestern remains committed to working collaboratively with Staff and other stakeholders to ensure pipeline safety and regulatory compliance. We respectfully request that the Commission affirm the distribution classification of the subject pipelines and maintain the flexibility that has historically supported safe and efficient utility operations in South Dakota.

Respectfully submitted this 31st day of October, 2025.

NORTHWESTERN ENERGY

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