



NorthWestern Energy

South Dakota Public Utility Commission - Docket PS25-002

Declaratory Ruling regarding the Proper Classification of Certain NorthWestern Energy Pipelines

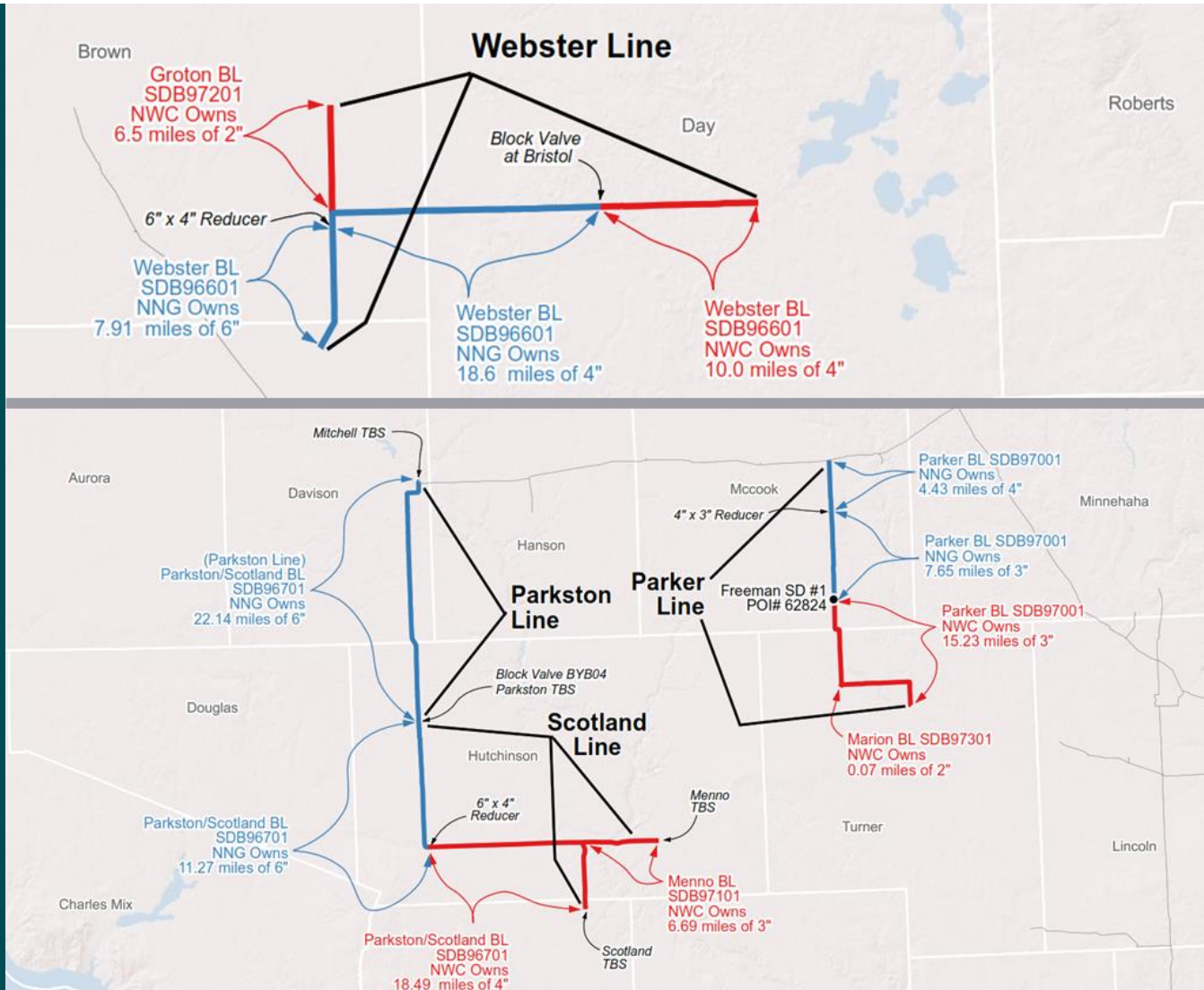
December 16, 2025

Executive Summary

NorthWestern Energy requests continued classification of four pipelines as Distribution lines.

Pipeline	Length	Year	Pressure	SMYS %	Odorized
Scotland / Menno	18.49 mi – 4” 6.69 mi – 3”	1994	330 – 590 psig	18%	Yes
Groton	6.5 mi – 2”	1992	590 psig	11%	Yes
Bristol	10 mi – 4”	1992	590 psig	17%	Yes
Marion / Parker	15.23 mi – 3”	1995	600 – 800 psig	18%	Yes

Distribution Operation for 30+ Years



- Enhance Safety – Reduces capital and maintenance costs
- Annually Federal Reporting to PHMSA as Distribution
- Regulatory Compliance

Hybrid Approach

DISTRIBUTION

*Odorization
Leak Survey
Conservative
pressure testing*

TRANSMISSION

*Under 20% SMYS
1104 Welding
Valve Placement*

Example practices but not all inclusive

Approved Past Practices

Freeman/AMPI Pipeline

- Was reclassified from a transmission line to a distribution line following the purchase of the line from NNG in 2007.
- The Pipeline Safety Program Manager was notified and responded approving the reclassification.

Crooks

- In PS09-005, the Crooks pipeline classification was challenged.
- The primary point for defining a “distribution center” was “a point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption as opposed to customer who purchase it for resale”
- Being under 20% SMYS and odorized, the line was classified as distribution through a settlement even though it did have some resale to Garretson.



Approved Past Practices

PS11-01 Declaratory Ruling

- PS11-01, the Aberdeen pipeline classification was challenged
- The Commission voted it was Distribution
 - Consideration such as: odorized, gas delivered to end user through a Distribution Center

Examples

- Staff provided several other examples in their original petition and attachments

Installation in 1990s



Expansion of Natural Gas

Distribution intent

Cooperative Agreement

Operating and Maintenance Agreement

Terms and Conditions

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.

1995 Maintenance Agreement

2018 Maintenance Agreement

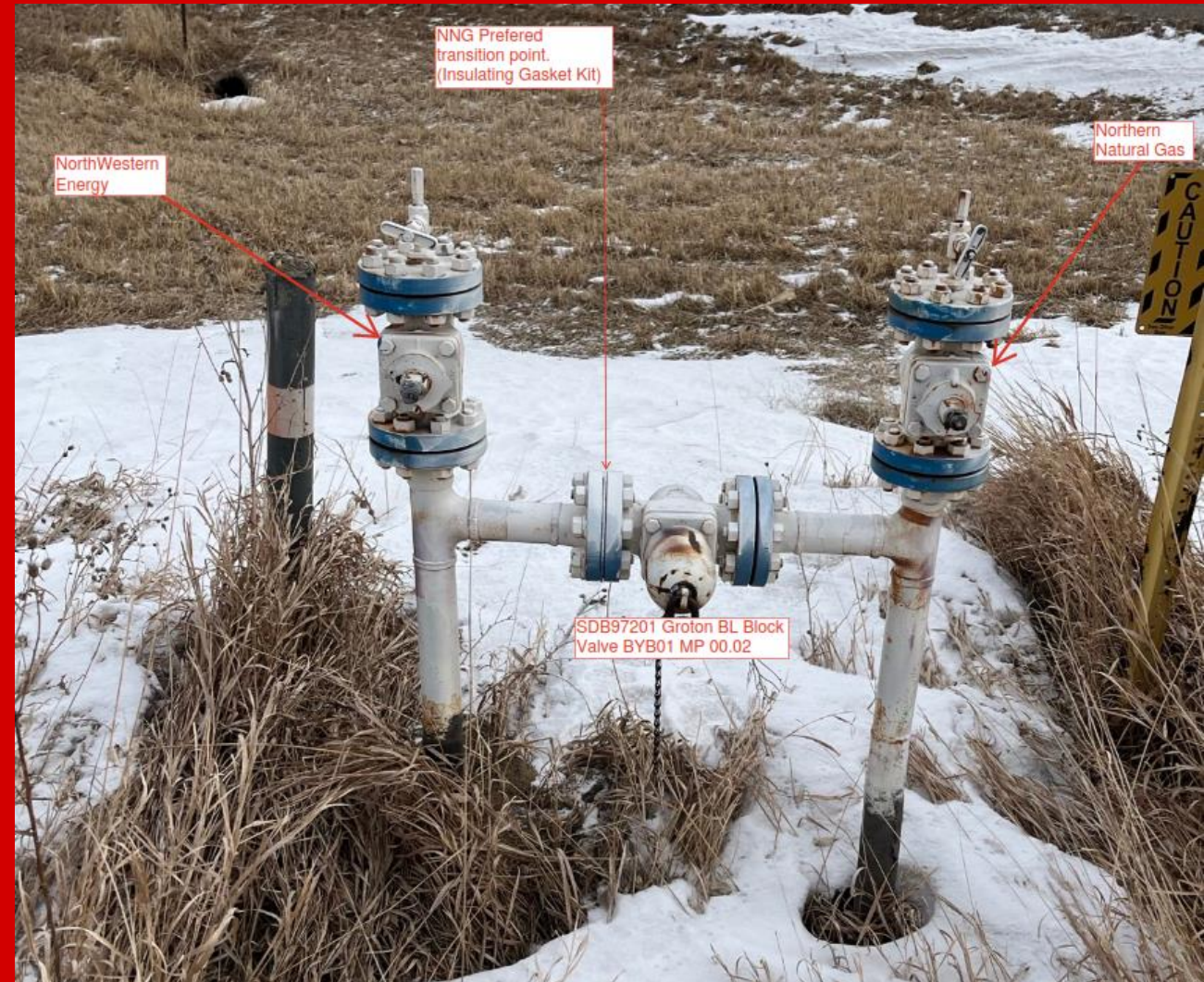
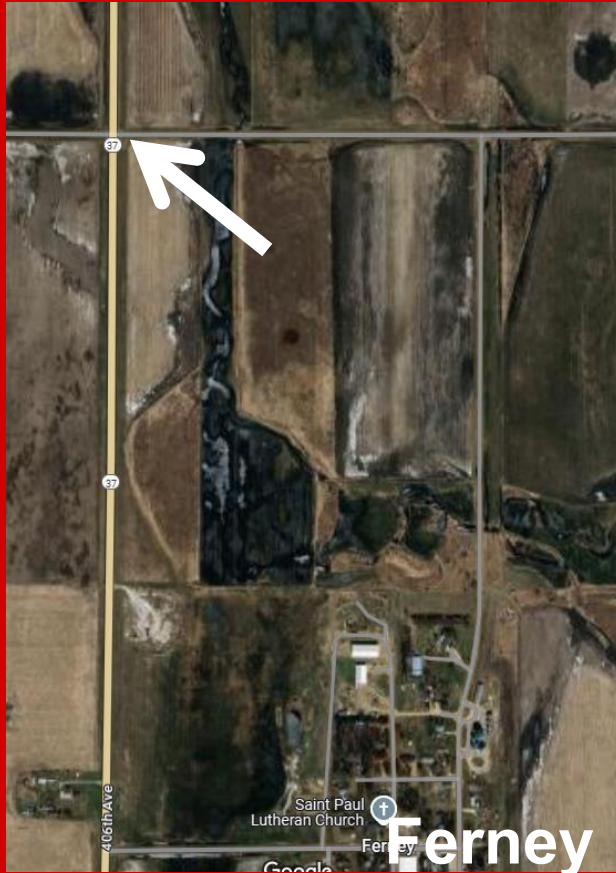
Terms and Conditions

Article 1 - General

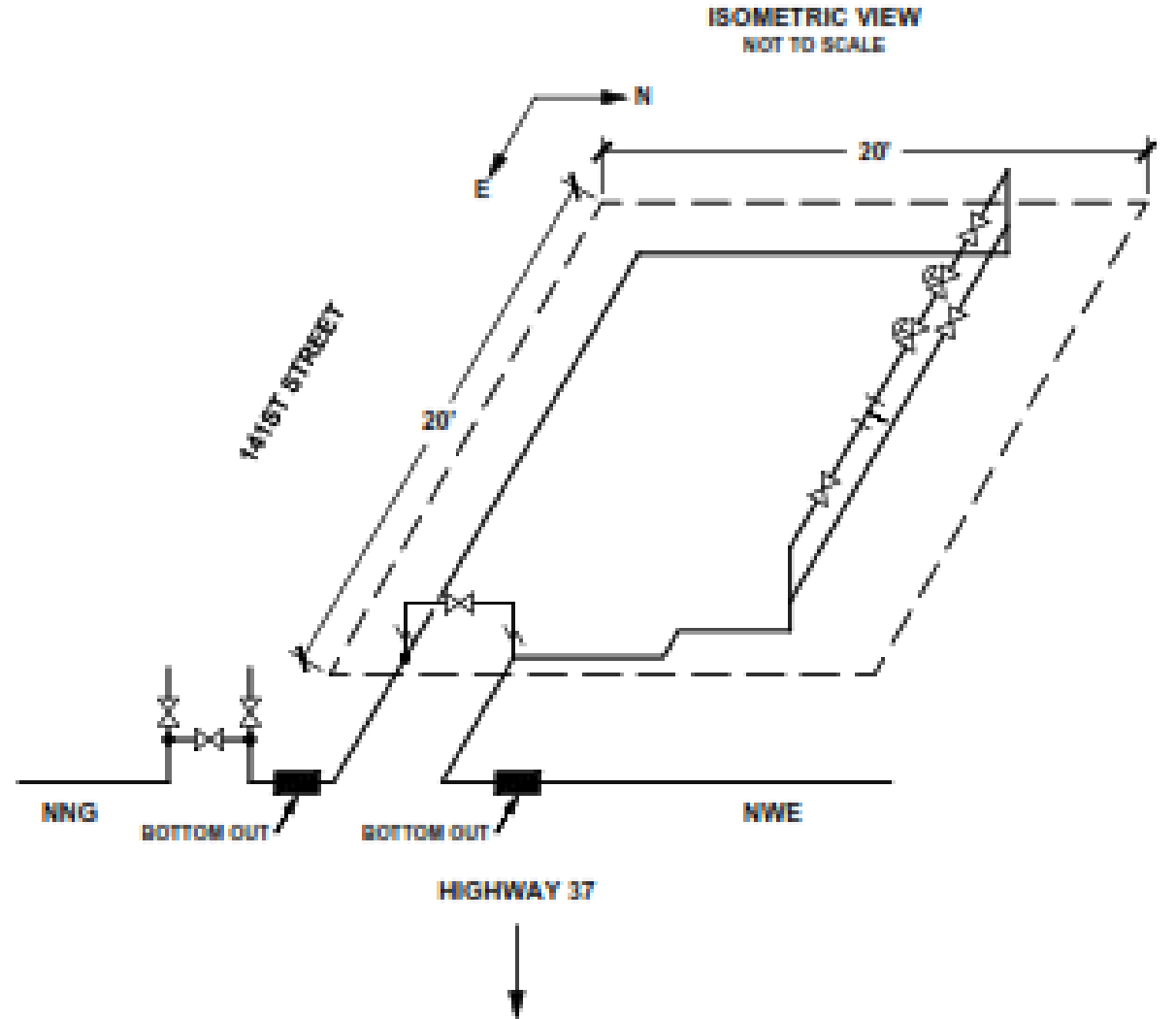
1.1 Regulations of Operator. It is the understanding of the Parties hereto that Operator is a Natural Gas Company as defined under the Natural Gas Act and in such capacity, is subject to the exclusive jurisdiction of the Federal Energy Regulatory Commission (FERC). NorthWestern represents that the Facilities 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.

Future Enhancements - Distribution Center

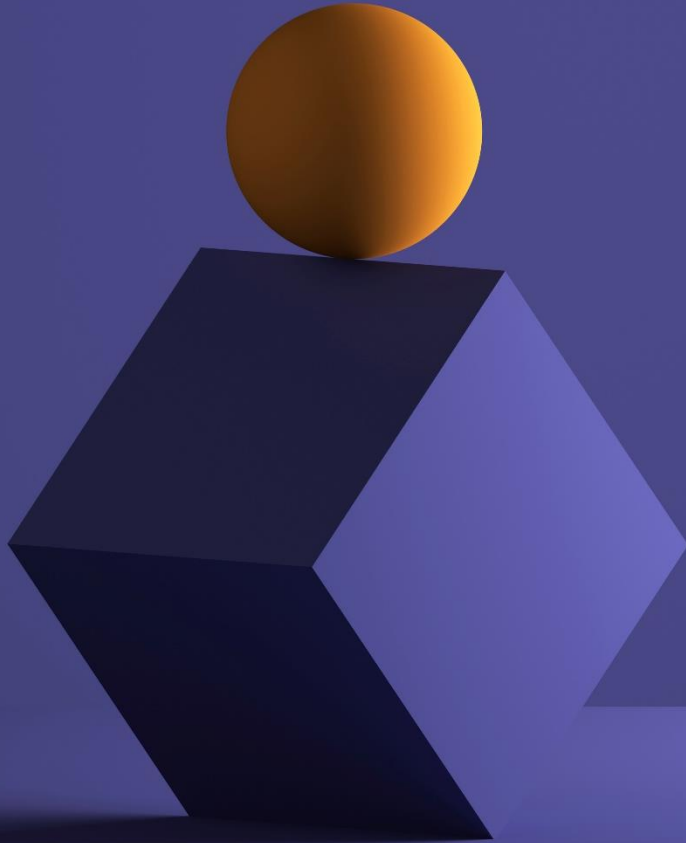
- ❖ Ownership transition at Groton block valve at Hwy 37 and 141st St



Future Enhancements - Distribution Center



Risks of Proposed Reclassification



**Not designed with
Transmission intent**

**Increased regulatory
burden**

**Higher costs for retail
customers**

Summary

- Designed, constructed, and operated as distribution lines.
- Federal and state reported as distribution since installation.
- Distribution classification supports safe, reliable, and affordable service while enabling infrastructure development.
- Reclassification as transmission would contradict design intent, add regulatory burdens, and increase costs.

Summary

- Longstanding regulatory treatment of similar pipelines
- Installation of Distribution Center provides further delineation between NNG (transmission) and NWE (distribution) assets
- Respectfully request the Commission affirms Distribution classification



Thank you

