

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

IN THE MATTER OF THE PETITION OF THE)	STAFF MEMORANDUM
PUC PIPELINE SAFETY PROGRAM)	
MANAGER AND STAFF FOR A)	PS25-002
DECLARATORY RULING REGARDING THE)	
PROPER CLASSIFICATION OF CERTAIN)	
NORTHWESTERN ENERGY PIPELINES)	

The PUC Pipeline Safety Program Manager and Staff (Staff) hereby submits this Memorandum with the hope that it will aid the Commission’s decision regarding the proper classification of certain NorthWestern Energy Pipelines.

I. INTRODUCTION

On September 23, 2025, Staff filed a Petition for a Declaratory Ruling (Petition) regarding four NorthWestern Energy (NorthWestern) pipelines in South Dakota. The Petition asks the Commission to determine the proper interpretation of 49 C.F.R. § 192.3 as it applies to these particular pipelines. The particular question to be answered is whether the lines should be classified as transmission lines or distribution lines.

On October 31, 2025, NorthWestern filed Comments for the South Dakota Public Utilities Commission which addressed NorthWestern’s position regarding this declaratory ruling. NorthWestern asked the Commission to rule that the four pipelines at issue be classified as high-pressure distribution lines and not transmission pipelines. In the Comments, NorthWestern argues that the pipelines are properly classified as high-pressure distribution lines because of historical practice across South Dakota, operational design, and public safety considerations.

II. DISCUSSION

Staff appreciates NorthWestern's participation in this docket and the information that has been provided. Staff does not disagree with any particular statement made in NorthWestern's Comments, and Staff is not adamant that the pipeline be classified either as distribution or transmission. However, Staff felt it necessary to bring the issue to the Commission's attention for consideration.

From Staff's perspective, the applicable laws allow for the pipelines at issue to be classified as either distribution or transmission lines. A distribution line, as defined by federal law, is a "pipeline other than a gathering or transmission line." 49 C.F.R. § 192.3. A transmission line is a pipeline or connected series of pipelines, other than a gathering line, that:

- (1) Transports gas from a gathering pipeline or storage facility to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center;
- (2) Has an MAOP of 20 percent or more of SMYS;
- (3) Transports gas within a storage field; or
- (4) Is voluntarily designated by the operator as a transmission pipeline.

Id. Subparts (2) through (4) are not applicable to the pipelines at issue here. The pipelines do not have an MAOP of 20 percent or more of SMYS, do not transport gas within a storage field, and NorthWestern does not wish to voluntarily designate these pipelines as transmission lines.

Subpart (1) is the most applicable prong by which these lines would be considered transmission pipelines. However, it is unclear to Staff at this point where the "distribution centers", if any, currently lie. A distribution center – as found in paragraph (1) of the definition for a transmission line, is defined as "the initial point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption, as opposed to customers who purchase it for resale, for example:

- (1) At a metering location;
- (2) A pressure reduction location; or
- (3) Where there is a reduction in the volume of gas, such as a lateral off a transmission line.”

Id.

NorthWestern is proposing, and will provide explanation at the meeting, about proposed construction of distribution centers which will “establish a clear separation between NorthWestern and NNG assets” NorthWestern Comments, p. 7. Prior to the addition of the definition of “distribution center” to the federal code in 2022, it was vague as to what that meant. Although the definition of distribution center is still somewhat confusing, the definition does seem to indicate that these lines could be considered distribution. However, the proposed distribution centers are not yet built; therefore, Staff can not definitively agree that the lines should be classified as distribution.

In Staff’s Petition, Staff outlined a brief history regarding Northern Natural Gas (NNG) and NorthWestern’s relationship with the pipelines at issue here. NorthWestern concurred with the historical overview. NorthWestern Comments, p. 4. It is due to this history of being treated as high pressure distribution lines by NWE and transmission lines by NNG that Staff is requesting the Commission’s decision regarding classification. This is the crux of Staff’s request for Commission guidance. From Staff’s perspective, there exists a logical inconsistency in treating two segments of pipeline differently where the only perceivable difference between the two segments is ownership. The lines that NorthWestern owns are not delineated in any way other than a valve between NNG and NorthWestern. The only difference between line A and line B is ownership. To help resolve this definition, NorthWestern is proposing additional changes at these transition points to help explain why it changes from transmission to distribution.

Staff believes that these lines can be operated with equal safety whether they operate as gas transmission lines or as gas distribution lines due to their location and operating history.

In conclusion, Staff requests the Commission rule, based on filings in docket PS25-002, and presentation made in the upcoming December 16, 2025, Commission meeting, whether the pipelines at issue are properly classified as transmission or distribution lines.

* Corrective note: Staff's Petition states, "These pipelines do not meet the state definition of a transmission pipeline as outlined in SDCL 49-41B-2.1 since they operate at less than 20% SMYS." Petition, p. 5. It is more precise to say these pipelines do not meet the definition of a transmission facility as outlined in SDCL 49-41B-2.1. This sentence was included to point out that the pipelines at issue here do not fall under the Commission's siting jurisdiction found in SDCL Chapter 49-41B. For the purposes of this declaratory ruling, there is no state definition of transmission pipeline vs. distribution pipeline.

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South Dakota Public Utilities Commission
December 9, 2025