



MONTANA PUBLIC SERVICE COMMISSION

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Greg Jergeson, Chairman
Doug Mood, Vice-Chairman
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Bob Raney
Ken Toole

DEC 05 2008

December 4, 2008

Mr. Jeff Wiese
Associate Administrator for Pipeline Safety
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
Pipeline Safety, PHP-1
1200 New Jersey Avenue, SE
Second Floor, E22-321
Washington, DC 20590

Dear Mr. Wiese,

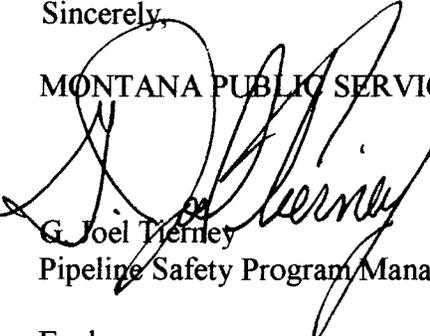
Enclosed for your review and consideration is a Notice of Commission Action (NCA) issued by the Montana Public Service Commission on December 2, 2008. The NCA grants a special permit for modifying how NorthWestern Energy (NWE) must comply with Title 49, C.F.R. § 192.481(a). The special permit was requested by NWE, an intrastate operator.

I understand that the Pipeline and Hazardous Materials Safety Administration has 60 days to consider this special permit.

Your review and consideration is appreciated.

Sincerely,

MONTANA PUBLIC SERVICE COMMISSION


G. Joel Tierney
Pipeline Safety Program Manager

Enclosure

Service Date: December 3, 2008

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER OF NorthWestern)	UTILITY DIVISION
Energy, Request for a Specific Special)	
Permit to the Requirements of 49 C.F.R.)	
§ 192.481)	DOCKET NO. D2008.11.133

NOTICE OF COMMISSION ACTION

On November 19, 2008, NorthWestern Energy (NWE) filed a request for a special permit in order to modify how NWE is required to comply with 49 C.F.R. § 192.481(a). The special permit requests that NWE be allowed to perform atmospheric corrosion inspections every four calendar years not to exceed 51 months rather than perform atmospheric corrosion inspections every three calendar years not to exceed 39 months. NWE's request for a special permit was noticed on the Commission's Agenda 08-11-25. No comments or concerns were received from interested persons.

The Commission enforces pipeline safety regulations contained in 49 C.F.R. Parts 191, 192, 193, and 199 for all jurisdictional intrastate natural gas pipeline operators. Authority for performing enforcement of the federal regulations is granted to the Commission under an agreement with the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) entered into pursuant to 49 U.S.C. § 60105. The Commission may grant a special permit to vary how a pipeline operator must comply with a safety standard "if the [special permit] is not inconsistent with pipeline safety" (49 U.S.C. § 60118). Special permits granted by the Commission are subject to final approval by PHMSA and must be submitted to PHMSA 60 days prior to a special permit's effective date.

NWE's special permit request stated that an analysis of corrosion rates based on their historical records indicated an atmospheric corrosion rate of 0.43 mils per year (mpy).

Additionally, NWE referenced the corrosion rate data cited by Montana-Dakota Utilities Co. in Docket D2007.1.11. The corrosion rates cited by MDU for rural arid climates, such as those found in Montana, indicated corrosion rates of less than one mil per year (mpy). MDU cited a worst case corrosion rate of 3 mpy and utilized this value for determining the minimum life expectancy of distribution pipe in an uncoated condition. In their special permit request, NWE performed a similar calculation and determined the minimum life expectancy of distribution pipe in an uncoated condition on their system was 18 years. This analysis was based on a corrosion rate of 3 mpy and a 50% pipe wall thickness reduction.

In addition to the corrosion rate analysis, NWE stated in their special permit request that “a meter set will be repainted when [there are] visible signs of rusting or paint chipping.” Based on the minimum life expectancy of distribution pipe left uncoated for 18 years and the application of a protective coating when there are signs of rust or paint chipping, NWE believes atmospheric corrosion inspections can be carried out at least every four calendar years not to exceed 51 months with no detriment to safely maintaining their distribution system pipelines.

On December 2, 2008, at a regularly scheduled and noticed work session, the Commission granted NWE’s special permit request to deviate from 49 C.F.R. § 192.481(a) by requiring NWE to perform atmospheric corrosion inspections outside of business districts at least every four calendar years but with intervals not to exceed 51 months. The effective date of this special permit is February 6, 2009, or the date the Commission receives affirmation of the granted special permit by PHMSA, whichever is sooner. Further, the Commission imposes the following conditions to ensure an equivalent level of pipeline safety is maintained:

- 1) Inside of business districts, atmospheric corrosion control monitoring must be conducted at least once every calendar year at intervals not exceeding 15 months.
- 2) NWE must identify, inspect, and notify the Commission of those areas requiring atmospheric corrosion control monitoring more frequently than once every three calendar years. These areas include the following “hot spots” where there are greater atmospheric corrosion rates:
 - a. Above ground pipelines where there is greater exposure to road salts and chemicals;
 - b. Areas where pipelines could have accelerated corrosion due to industrial chemicals in the atmosphere;

- c. Pipelines that may experience sweating due to pressure drop, such as regulator stations, metering correctors, and large customer's regulator/meter sets;
 - d. Inside regulator/meter sets that are subject to corrosive environments; and,
 - e. Other areas that show accelerated atmospheric corrosion.
- 3) NWE must perform distribution leakage surveys outside of business districts pursuant to 49 C.F.R. § 192.723(b)(2) but at an increased frequency of at least every four calendar years not to exceed 51 months.
- 4) This special permit is contingent upon circumstances that may require alternate safety measures as noted during routine inspections by Commission pipeline safety staff members.

Done and dated this 2nd day of December 2008 by a vote of 5 to 0.

BY THE MONTANA PUBLIC SERVICE COMMISSION

GREG JERGESON, Chairman
DOUG MOOD, Vice-Chairman
BRAD MOLNAR, Commissioner
ROBERT H. RANEY, Commissioner
KEN TOOLE, Commissioner



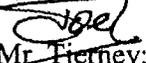
U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

FEB 3 2009

1200 New Jersey Ave., SE
Washington, DC 20590

Mr. G. Joel Tierney
Pipeline Safety Program Manager
Montana Public Service Commission
1701 Prospect Avenue
PO Box 202601
Helena, Montana 59620-2601

Dear Mr.  Tierney:

The Pipeline and Hazardous Materials Safety Administration (PHMSA) reviewed your letter of December 4, 2008, notifying us that the Montana Public Service Commission (MPSC) issued a Notice of Commission Action (NCA) to NorthWestern Energy (NWE) granting a special permit to modify compliance with §192.481(a), as adopted by Montana pursuant to rule 38.5.2202 of the Administrative Rules of Montana. NWE requested a special permit to be allowed to perform atmospheric corrosion inspections on its intrastate natural gas pipelines subject to MPSC regulation every four calendar years not to exceed 51 months, rather than every three calendar years not exceed 39 months.

The waiver granted by the MPSC requires NWE to conduct atmospheric corrosion control monitoring for pipelines outside business districts at least once every 4 calendar years but with intervals not to exceed 51 months. To ensure an equivalent level of pipeline safety is maintained, the Commission added the following four conditions to the waiver grant:

- 1) Inside of business districts, atmospheric corrosion control monitoring must be conducted at least once every calendar year at intervals not exceeding 15 months.
- 2) NWE must identify, inspect, and notify the Commission of those areas requiring atmospheric corrosion control monitoring more frequently than once every three calendar years. These areas include the following "hot spots" where there are greater atmospheric corrosion rates:
 - a. Above ground pipelines where there is greater exposure to road salts and chemicals;
 - b. Areas where pipelines could have accelerated corrosion due to industrial chemicals in the atmosphere;
 - c. Pipelines that may experience sweating due to pressure drop, such as regulator stations, metering correctors, and large customer's regulator/meter sets;
 - d. Inside regulator/meter sets that are subject to corrosive environments; and,
 - e. Other areas that show accelerated atmospheric corrosion.
- 3) NWE must perform distribution leakage surveys outside of business districts pursuant to 49 CFR Part 192.723(b)(2) but at an increased frequency of at least every four calendar years not to exceed 51 months.

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Mr. G. Joel Tierney

Montana Public Service Commission/NorthWestern Energy (NWE)

- 4) This waiver is contingent upon circumstances that may require alternate safety measures as noted during routine inspections by Commission pipeline safety staff members.

Additional correspondence indicated NWE would work with MPSC to identify and report back to them any necessary detail behind conditions above, including "hot spot" areas where more frequent atmospheric monitoring will occur. Based on these conditions, PHMSA has no objections to the NCA. If you wish to discuss this or any other pipeline safety matter, my staff would be pleased to assist you. Please call John Gale, Director of Regulations at 202-366-0434, for regulatory matters, or Alan Mayberry, Director of Engineering and Emergency Support at 202-366-5124, for technical matters. If you wish to discuss with personnel from our Western Region, please contact Chris Hoidal, Director of the PHMSA Western Region at 720-963-3171.

Thank you for your continued efforts in pipeline safety.

Sincerely,



Jeffrey D. Wiese
Associate Administrator for Pipeline Safety