WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 22, 2009

Mr. Jay Skabo, Vice President, Operations
Montana Dakota Utilities Company/
Great Plains Natural Gas Company
400 North Fourth Street
Bismarck, ND 58501-4092

CPF 3-2009-1006W

Dear Mr. Skabo:

On June 18-22, 2007, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) and Minnesota Office of Pipeline Safety pursuant to Chapter 601 of 49 United States Code inspected the Great Plains Natural Gas (GPNG) integrity management (IM) plan and procedures in Fergus Falls, Minnesota.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

§192.911 What are the elements of an integrity management program?

An operator's initial integrity management program begins with a framework (see §192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (ibr, see §192.7) for more detailed information on the listed element.)

1. §192.911(b) A baseline assessment plan meeting the requirements of §192.919 and §192.921.
Item 1A: §192.921(a) Assessment methods. An operator must assess the integrity of the line pipe in each covered segment by applying one or more of the following methods depending on the threats to which the covered segment is susceptible. An operator must select the method or methods best suited to address the threats identified to the covered segment (See §192.917).

The GPNG integrity management program (IMP) plan, Section 4, indicates baseline assessments will be completed on each identified high consequence area (HCA) no later than October 31, 2006 and, in addition, lists what the baseline assessment plan must include; but a baseline assessment plan was not prepared.

2. §192.911(k) A management of change process as outlined in ASME/ANSI B31.8S, section 11.

Item 2A: ASME/ANSI B31.8S Section 11(d) Management of change ensures that the integrity management process remains viable and effective as changes to the system occur and/or new, revised, or corrected data becomes available. Any change to equipment or procedures has the potential to affect pipeline integrity. Most changes, however small, will have a consequent effect on another aspect of the system. For example, many equipment changes will require a corresponding technical or procedural change. All changes shall be identified and reviewed before implementation. Management of change procedures provides a means of maintaining order during periods of change in the system and helps to preserve confidence in the integrity of the pipeline.

GPNG’s plan concerning management of change requirements was not followed. A new interconnect to serve an ethanol plant off of MN Highway 210, west of Fergus Falls, was not reviewed for potential IMP impacts prior to installation.


Item 3A: ASME/ANSI B31.8S Section 12.2(b)(3) Results of the integrity management program and the quality control program shall be reviewed at predetermined intervals, making recommendations for improvement.

No annual review or 3-year evaluation of the GPNG plan was conducted, as required by Section 13 of the GPNG plan. No documentation of the reviews was made available to the PHMSA inspection team.

Under 49 United States Code, §60122, you are subject to a civil penalty not to exceed $100,000 for each violation for each day the violation persists up to a maximum of $1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement
action or penalty assessment proceedings at this time. We advise you to correct the items identified in this letter. Be advised that failure to do so will result in GPNG being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to CPF 3-2009-1006W.

Sincerely,

[Signature]
Ivan A. Huntoon
Director, Central Region
Pipeline and Hazardous Materials Safety Administration