

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. P-46
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**ORDER ESTABLISHING PROCEDURAL SCHEDULE AND
PROPOSING TO TAKE OFFICIAL NOTICE AND NOTICE OF HEARING**

(Issued March 6, 2008)

On September 20, 2007, MidAmerican Energy Company (MEC) filed a petition and exhibits with the Utilities Board (Board) for amendment of Pipeline Permit No. 966, for the Red Oak-Shenandoah Lateral in Montgomery and Page Counties, Iowa. MEC requests an increase in the maximum allowable operating pressure (MAOP) for the pipeline from 350 to 450 pounds per square inch gauge (psig). MEC filed amendments to its petition for amendment on October 8, November 14, and November 21, 2007. On December 13, 2007, MEC filed a petition for renewal of Pipeline Permit No. 966, which was set to expire on December 20, 2007. MEC filed an amendment to its petition for renewal on January 15, 2008.

The Red Oak-Shenandoah Lateral (Red Oak Lateral) was originally constructed in 1932 and reconstructed and modified several times. Predecessor agencies of the Board issued a number of permits, permit amendments, and permit renewals for the Red Oak Lateral. The Iowa State Commerce Commission (Commerce Commission), a predecessor agency of the Board, issued Pipeline Permit No. 966 to Iowa Power & Light Company, a predecessor company of MEC, on

December 20, 1982. The permit was for a 25-year term and expired on December 20, 2007. It appears from documents in the Board file that the Commerce Commission issued a new permit to Iowa Power & Light Company in 1982 because the company had not filed for renewal of the permit prior to its expiration date.

The Red Oak-Shenandoah Lateral transports natural gas from a connection with a Natural Gas Pipeline Company of America (NGPL) pipeline north of Red Oak, Iowa, to regulator stations that feed distribution systems in the towns of Red Oak, Coburg, Essex, and Shenandoah. A regulator station fed by the steel portion of the Red Oak Lateral supplies gas at 60 psig to the plastic portion of the Red Oak Lateral, which transports natural gas to the town of Stanton. In addition, a distribution main fed by the distribution system in Shenandoah supplies natural gas to the town of Farragut, and the Red Oak Lateral supplies natural gas to several rural customers along its route. The Red Oak Lateral consists of 14.17 miles of 8-inch diameter steel pipeline, 10.0 miles of 6-inch diameter steel pipeline, 0.58 miles of 4-inch diameter steel pipeline, and 5.27 miles of 4-inch diameter plastic pipeline.

The steel portion of the pipeline must have a pipeline permit from the Board because it operates at a pressure greater than 150 psig and because it meets the definition of a transmission line. 199 IAC 10.16; 49 CFR 192.3. The pipeline meets the definition of a transmission line because it transports natural gas from another transmission line to distribution centers (the distribution systems in Red Oak, Coburg, Essex, and Shenandoah), and because at the proposed new MAOP of 450 psig, the 8-inch diameter portion of the pipeline will operate at more than 20 percent of

specified minimum yield strength (SMYS). 199 IAC 10.16; 49 CFR 192.3. The plastic portion of the pipeline must have a pipeline permit because it meets the definition of a transmission line in 49 CFR 192.3. It meets the definition of a transmission line because it transports natural gas from a transmission line to a distribution center (the distribution system in Stanton). 199 IAC 10.16; 49 CFR 192.3.

On February 22, 2008, the Board assigned this proceeding to the undersigned administrative law judge to establish a procedural schedule and exercise the authority provided in 199 IAC 7.3.

THE BOARD'S AUTHORITY AND JURISDICTION

The Board has the authority to grant permits for pipelines in whole or in part upon terms, conditions, and restrictions as to safety requirements, and as to location and route, as it determines to be just and proper. Iowa Code §§ 479.12, 479.18, and 479.23 (2007).

To obtain renewal and amendment of Pipeline Permit No. 966, the petitioner must show that the services it proposes to render will promote the public convenience and necessity. Iowa Code §§ 479.12, 479.23; 199 IAC 10.8. The petitioner must also satisfy the financial requirements of Iowa Code § 479.26.

The conduct of this case is governed by Iowa Code chapters 17A and 479, and by Board rules at 199 IAC 10.

THE ISSUES

Pursuant to Iowa Code §§ 479.7 and 479.8, and 199 IAC 10.6 and 10.8, this matter will be set for a public hearing for the presentation of oral and documentary evidence and the cross-examination of witnesses concerning the public convenience and necessity issue, any safety issues, any pipeline location and route issues, the financial issue, and issues raised by objectors or any other party.

PREPARED TESTIMONY AND EXHIBITS

All parties will be given the opportunity to present and respond to evidence and argument on all issues, and to be represented by counsel at their own expense. Iowa Code § 17A.12(4). The proposed decision and order that the administrative law judge will issue in this case must be based on evidence contained in the record and on matters officially noticed in the record. Iowa Code § 17A.12(8). Unless contrary arrangements are made on the record at the hearing, all evidence will be received at the hearing, and the record will be closed to any further evidence at the conclusion of the hearing.

The submission of prepared evidence prior to hearing will help to identify disputed issues of fact to be addressed at the hearing. Prepared testimony contains all statements that a witness intends to give under oath at the hearing, set forth in question and answer form. When a witness who has submitted prepared testimony takes the stand, the witness does not ordinarily repeat the written testimony or give a substantial amount of new testimony. Instead, the witness is cross-examined by the

other parties concerning the statements already made in writing. The use of prepared testimony prevents surprise at the hearing and helps each party to prepare adequately for the hearing so that a full and true disclosure of the facts can be obtained. Iowa Code §§ 17A.14(1), 17A.14(3), and 479.11. This procedure also tends to diminish the length of the hearing and spares the parties the expense and inconvenience of additional hearings.

MEC must submit prepared testimony and exhibits prior to the hearing in accordance with the procedural schedule set forth in this order. At a minimum, MEC's prepared testimony must address the issues listed above. In addition, in its prepared testimony, MEC must address the issues listed in Mr. Jeffrey O'Neal's staff reports dated December 20, 2007, and January 24, 2008.

MEC has the burden to prove that the proposed pipeline meets all of the statutory and regulatory requirements discussed above. Failure to file adequate prepared testimony and exhibits to support the petition for a pipeline permit may result in delays of these proceedings or in denial of the requested permit.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate) and any objectors may also file prepared testimony and exhibits before the hearing in accordance with the procedural schedule set forth in this order.

Parties other than MEC who choose not to file prepared testimony and exhibits before the hearing will not be precluded from participating in the proceedings. If an objector, for example, does not intend to present evidence going substantially beyond the information contained in the letter of objection, it is unnecessary for the

objector to file prepared testimony. However, when a party has a substantial amount of information to present to the Board about the petitions, if the information has not been previously disclosed to the Board, it should be presented in the form of prepared testimony and exhibits according to the procedural schedule established below.

PARTY STATUS

MEC and the Consumer Advocate are currently the parties to this proceeding. Iowa Code §§ 17A.2(8) and 475A.2(2). As of the date of this order, no objectors have filed an objection to the petitions. MEC does not request the right of eminent domain for the pipeline.

Any person who files an objection pursuant to Iowa Code §§ 479.9 and 479.10 and 199 IAC 10.5 will be presumed to be a party to this proceeding unless it is established at hearing that the objector has no right or interest that may be affected by the grant or denial of the petition. Iowa Code § 479.9. Therefore, objectors should be prepared to give evidence that will explain the nature of their specific rights or interests they believe should be protected, and that will show how these rights or interests will be affected by the pipeline or the grant of a permit. As has already been noted, to the extent that the evidence goes substantially beyond information already communicated to the Board in an objection letter, it should be reduced to writing and filed as prepared testimony according to the procedural schedule established below.

Because objectors are presumed to be parties up to the time of the hearing, objectors will receive copies of all documents filed in this docket by other parties after their own objections have been filed with the Board. If a person files an objection after some or all of the prepared testimony and exhibits have been filed with the Board by other parties, the objector should make direct contact with the parties to obtain a copy of those materials. The official file of this case will be available for inspection at the Board's Records and Information Center, 350 Maple Street, Des Moines, Iowa, and copies of documents may be obtained for a small fee. 199 IAC 1.9(1).

Objections must be filed no less than five days prior to the date of hearing. Late-filed objections may be permitted if good cause is shown. 199 IAC 10.5. Objections must be made in writing and filed with the Executive Secretary of the Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

After an objector has filed a letter of objection, all further communications from the objector to the Board having to do with this case (including motions or prepared testimony and exhibits) should be sent to the Executive Secretary. A party (including objectors) must file an original and ten copies of each communication with the Executive Secretary and the party must send one copy to each of the other parties to this case, except that three copies must be sent to the Consumer Advocate. 199 IAC 1.8(4) and 7.4(6). Along with the communication being sent, the party must file with the Board a certificate of service that conforms to 199 IAC 2.2(16), which verifies that a copy of the document was served upon the other parties.

These procedures are necessary to comply with Iowa Code § 17A.17, which prohibits ex parte communication. Ex parte communication is when one party in a contested case communicates with the judge without the other parties being given the opportunity to be present. In order to be prohibited, the communication must be about issues of fact or law in the case. Calls to the Board to ask about procedure or the status of the case are not ex parte communication. Ex parte communication may be oral or written. This means the parties in this case may not communicate about issues of fact or law in this case with the undersigned administrative law judge unless the other parties are given the opportunity to be present, or unless the other parties are provided with a copy of the written documents filed with the Board.

The parties should examine Iowa Code chapter 479 and Board rules at 199 IAC 10 and 199 IAC 1.8, 7.1(3), 7.22, 7.26, and 7.27 for other substantive and procedural statutes and rules that apply to this case. There is a link to the Iowa Code and the administrative rules on the Board's Web site at www.state.ia.us/iub.

PROPOSAL TO TAKE OFFICIAL NOTICE

Mr. Jeffrey L. O'Neal, utility regulatory engineer for the Board, has prepared two reports in the form of memos dated December 20, 2007, and January 24, 2008, concerning MEC's petitions. Copies of these reports are attached to this order. Pursuant to Iowa Code § 17A.14(4), the undersigned administrative law judge proposes to take official notice of the reports and of the facts contained therein, thus making them a part of the record of this case. Iowa Code § 17A.12(6)(c). Any party

objecting to the taking of official notice of the reports must file such objection as soon as possible, and no later than five days prior to the hearing. The parties will have the opportunity to contest any information contained in the reports in prepared testimony and at the hearing. Mr. O'Neal will be present at the hearing and available for cross-examination regarding his reports.

IT IS THEREFORE ORDERED:

1. Each person who files a letter of objection to MEC's petitions in this docket will be presumed to be a party in the proceeding unless it is established at the hearing that the objector has no right or interest that may be affected by the pipeline or the grant or denial of the requested permit renewal and amendment.

2. Objections must be made in writing and filed with the Executive Secretary of the Board, 350 Maple Street, Des Moines, Iowa 50319-0069, no later than five days before the hearing. Objectors must file an original and ten copies of all subsequent communications to the Board with the Executive Secretary. The communications must be served on the other parties and accompanied by a certificate of service as discussed in this order.

3. The following procedural schedule is established:

a. On or before March 27, 2008, MEC must file prepared direct testimony and exhibits regarding its petitions for renewal and amendment of Pipeline Permit No. 966 as discussed in this order. If MEC chooses to file a prehearing brief, it must be filed by March 27, 2008.

b. If any party wishes to be connected to the hearing by telephone conference call, or to have a witness connected by telephone conference call, the party must notify the Board as soon as possible, and no later than April 17, 2008, so that appropriate arrangements can be made.

c. If the Consumer Advocate or any objector chooses to file prepared responsive testimony or a brief, it must do so on or before April 17, 2008.

d. If it chooses to file prepared rebuttal testimony, MEC must file it on or before April 24, 2008.

e. A public hearing for the presentation of evidence and the cross-examination of witnesses concerning the issues identified in this notice of hearing will be held beginning at 10 a.m. on Wednesday, May 7, 2008, in Conference Room 3, Iowa Utilities Board offices, 350 Maple Street, Des Moines, Iowa 50319. Each party must provide a copy of its prepared testimony and exhibits to the court reporter at the hearing. Persons with disabilities who will require assistive services or devices to observe this hearing or participate in it should contact the Board at (515) 281-5256 no later than five days prior to the hearing to request that appropriate arrangements be made.

4. Required number of copies. All parties must file an original and ten copies of all documents filed with the Board. 199 IAC 1.8(4), 7.4(4).

5. The undersigned administrative law judge proposes to take official notice of Mr. O'Neal's reports dated December 20, 2007, and January 24, 2008, which are attached to this order, and of the facts contained therein. Any party objecting to the taking of official notice of the reports should file such objection as soon as possible, and must file such objection no later than ten days prior to the hearing.

6. Pursuant to Iowa Code §§ 17A.12(1) and 199 IAC 10.4, a copy of this order will be served by ordinary mail upon MEC and will be delivered to the Consumer Advocate. No person has filed an objection to the petitions as of the date of this order.

7. Board staff will provide MEC with a notice to be published and MEC must publish the notice pursuant to Iowa Code § 479.7 and 199 IAC 10.4. The statute and rule require MEC to file proof of publication prior to or at the beginning of the hearing. It would be helpful if MEC filed proof of publication prior to the hearing. Failure to publish notice and file proof of publication as required will result in delay of the hearing.

UTILITIES BOARD

/s/ Amy L. Christensen
Amy L. Christensen
Administrative Law Judge

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa, this 6th day of March, 2008.

**Department of Commerce
UTILITIES DIVISION
SAFETY & ENGINEERING SECTION**

TO: Docket No. P-46

FROM: Jeffrey L. O'Neal

DATE: December 20, 2007

**SUBJ: Staff Review of MidAmerican Energy Company Petition for
Amendment of Pipeline Permit for Red Oak - Shenandoah Lateral
in Montgomery and Page Counties, Iowa.**

On September 20, 2007, MidAmerican Energy Company (MEC) filed a petition for amendment of Pipeline Permit No. R966 pursuant to Iowa Code Chapter 479 for its Red Oak - Shenandoah Lateral in Montgomery and Page Counties, Iowa. The petition requests an increase in the maximum operating pressure for the steel portion of the pipeline from 350 psig to 450 psig. By letters dated September 27, 2007, October 30, 2007, and November 15, 2007, I advised MEC of petition deficiencies requiring correction, and requested additional information on certain items. On October 8, 2007, November 14, 2007, and November 21, 2007, MEC filed revisions to the petition and exhibits and provided additional information.

The Red Oak - Shenandoah Lateral transports natural gas from a connection with a Natural Gas Pipeline Company of America (NGPL) pipeline to regulator stations that feed distribution systems in the towns of Red Oak, Coburg, Essex, and Shenandoah. A regulator station fed by the steel portion of this pipeline supplies gas at 60 psig to the plastic portion of the Red Oak - Shenandoah Lateral, which transports gas to the town of Stanton. A distribution main fed by the distribution system in Shenandoah supplies gas to the town of Farragut. In addition, several rural customers along the route of the Red Oak - Shenandoah Lateral are supplied gas from the pipeline.

The steel portion of the pipeline was constructed in 1953 and 1956. (This replaced a previous steel pipeline.) A 700-foot section of 6-inch steel pipeline was replaced in 1994 due to a washout at a stream crossing. The plastic portion of the pipeline was installed in 1993.

The Red Oak - Shenandoah Lateral consists of 14.7 miles of 8-inch diameter steel pipeline, 10.0 miles of 6-inch diameter steel pipeline, 0.58 miles of 4-inch diameter steel pipeline, and 5.27 miles of plastic pipeline. Pipeline Permit No. R966, issued December 20, 1982, currently limits the maximum operating pressure of the steel portion of the pipeline to 350 psi. An amendment to the

permit was issued on August 5, 1993, allowing construction, operation and maintenance of approximately 5.4 miles of plastic pipeline, with a maximum operating pressure of 60 psi, to supply gas to the town of Stanton, east of Red Oak. Exhibit C-3 shows the MAOP of the plastic pipeline will remain at 60 psig. MEC has not requested an increase in the maximum operating pressure for the plastic pipeline.

The steel portion of the pipeline requires a pipeline permit because it operates at a pressure greater than 150 psig, and because it meets the definition of a transmission line under 49 CFR § 192.3. It meets the definition of a transmission line because it transports gas from another transmission line (and ultimately from gathering lines and/or storage facilities) to distribution centers (the distribution systems in Red Oak, Coburg, Essex and Shenandoah), and because at the proposed new maximum operating pressure of 450 psig, the 8-inch diameter portion of the pipeline will operate at more than 20 percent of specified minimum yield strength (SMYS.) The plastic portion of the pipeline requires a pipeline permit because it meets the definition of a transmission line under § 192.3. It meets the definition of a transmission line because it transports gas from a transmission line (and ultimately from gathering lines and/or storage facilities) to a distribution center (the distribution system in Stanton). (See 199 IAC 10.16.)

Natural gas pipelines must comply with the federal pipeline safety standards of 49 CFR Part 192, which have been adopted by the Board in 199 IAC 10.12(1)b. The petition filing shows MEC will conduct an uprating under the provisions of 49 CFR 192 Subpart K to increase the maximum allowable operating pressure (MAOP) of the steel portion of this pipeline established in compliance with 49 CFR Part 192 from 350 psig to 450 psig.

It is my understanding the MEC has partially completed the uprating test on this pipeline, and plans to complete the test after the first of the year. If the petition for amendment is granted, MEC will need to complete an uprating test as required by 49 CFR Part 192 before it can operate the pipeline at the higher pressure. *It is recommended MEC be asked to describe the status of the uprating test in its prefiled testimony. It is also recommended MEC be required to file a copy of the documentation of the uprating and the documentation for the new MAOP after the uprating has been completed.*

On October 9-11, 2007, I inspected this pipeline for compliance with pipeline safety standards adopted by the Board. This included a field inspection of the route of the pipeline. On October 30, 2007, I filed a report regarding this inspection, in which I cited probable violations of §§ 191.13 and 191.17 regarding reporting the Red Oak – Shenandoah Lateral as a distribution main rather than a transmission line on its DOT annual reports, § 192.150 regarding a 700-foot section of pipe that was replaced in 1994 and should have been constructed to provide for passage of internal inspection devices, and § 192.199(e) regarding a regulator inside a valve pit that was not vented outside the pit. I also requested

additional information regarding two items related to documentation for compliance with § 192.905. By letter dated November 29, 2007, MEC responded to the probable violations and requests for additional information. The letter states MEC will correct the probable violations of §§ 191.13 and 191.17 when it files its annual report for 2007. I consider this to be an acceptable response. Staff intends to follow up to confirm these probable violations are corrected as planned. Regarding the probable violation of § 192.150, MEC's response states it is prepared to correct this deficiency by July 1, 2008. MEC goes on to suggest that subject to our agreement, the improvements be deferred and included in future upgrades or improvements to the line. Staff intends to follow up with MEC to determine whether this qualifies for an exception under the provisions of § 192.150(b)(8) or 192.150(c). If it does not, it appears the rule requires that the deficiency be corrected. Based on MEC's statement it is prepared to correct the deficiency by July 1, 2008, I consider MEC's response to be acceptable. The letter describes the action MEC has taken action to correct the probable violation of 192.199(e). Based on the letter I consider this probable violation to be corrected. The letter also provided acceptable responses to the requests for additional information, stating MEC will provide the requested documentation no later than February 1, 2008. Staff plans to follow up on this item. None of the outstanding probable violations are of a nature that would cause me to recommend the petition for amendment to increase the maximum operating pressure be denied or delayed until corrective action has been completed.

During the safety inspection, I reviewed MEC's documentation for the current MAOPs for the Red Oak - Shenandoah Lateral. Records showed the MAOP of the steel pipeline was 350 psig, and the MAOP of the plastic pipeline was 60 psig. Operating records showed the steel pipeline was being operated at 300 psig. The plastic pipeline is operated at 60 psig.

Most of the route is on agricultural land planted in row crops. The route also includes some untilled land, a few small areas of timber, and a wildlife management area. North of Essex the route is mostly fairly hilly. South of Essex the route is flat to gently rolling. The field inspection included inspection the route of the pipeline, plus inspection of above ground facilities such as regulator stations fed by this pipeline, above ground stream crossings, and farm taps, plus mainline valves in pits. Exhibit B appears to accurately show the location of the pipeline. The entire route appears to be in a Class 1 location as defined by Federal Minimum Safety Standards in 49 CFR Part 192, as is stated in Exhibit C of the petition filing. Class 1 is the lowest population density classification.

192.553(c) requires a pipeline operator who uprates a pipeline to establish a written procedure that will ensure the requirements of the safety standards are complied with. MEC filed a copy of its written plan as an attachment to Exhibit C, titled "Uprating Procedure." MEC's written plan appears to comply with the requirements of the pipeline safety standards adopted by the Board.

The uprating procedure states MEC will review the operating and maintenance history of the pipeline, ensure all pipe and components in the pipeline have adequate pressure ratings for the increased pressure, and conduct an initial leak survey of the pipeline if a leak survey has not been completed in the last year. Any potentially hazardous leaks will be repaired. The procedure requires the pressure in the pipeline be increased in 50 psig increments from the current 350 psig maximum operating pressure up to a test pressure of 550 psig, plus a final 20-psig increment to the final test pressure of 570 psig. After each pressure increase, the pipeline will be surveyed for leaks, and any potentially hazardous leaks will be repaired before the next pressure increase. The uprating test activities must be documented, and MAOP records for the pipeline must be revised to document the new MAOP.

With a test pressure of 570 psig, the new MAOP will be limited by the test pressure to not more than 518 psig in a Class 1 location (570 psig divided by a factor of 1.1) or not more than 456 psig in a Class 2 location (570 psig divided by a factor of 1.25.) See § 192.619(a)(2)(ii). The pipeline is in a Class 1 location, so the test pressure is higher (more conservative) than is required by the pipeline safety regulations.

Exhibit F states the uprating is necessary to enable MEC to serve the newly constructed Green Plains Renewable Energy Ethanol Plant in Shenandoah. *It is recommended MEC be asked to address in its prefiled testimony the capacity of the pipeline at its current operating pressure, the capacity needed to supply the existing customers plus the new ethanol plant, and the capacity of the pipeline after the proposed pressure increase.*

I have reviewed the petition for amendment of pipeline permit and the included exhibits. It appears from the information presented that the proposed pressure increase would comply with the pipeline safety requirements adopted by the Board. The filing appears in sufficient order to set a date for hearing. This report identifies, in *italic type*, items it is recommended MEC be asked to address in its prefiled testimony. If the petition for amendment is approved, MEC will need to satisfactorily complete an uprating test procedure under the requirements of 49 CFR Part 192 before it can operate the pipeline at the increased maximum operating pressure approved in the amended permit.

Pipeline Permit No. R966 will expire on December 20, 2007. On December 12, 2007, MEC filed a Petition for Renewal of Pipeline Permit in this docket. The existing permit will expire before a hearing can be held regarding the petition for amendment. An issue that may need to be addressed is whether the permit can be amended after it has expired, without renewing the permit either before or at the same time as the petition for amendment is acted upon.

**Department of Commerce
UTILITIES DIVISION
SAFETY & ENGINEERING SECTION**

TO: Docket No. P-46

FROM: Jeffrey L. O'Neal

DATE: January 24, 2008

**SUBJ: Staff Review of MidAmerican Energy Company Petition for
Renewal of Pipeline Permit for Red Oak - Shenandoah Lateral in
Montgomery and Page Counties, Iowa.**

On December 13, 2007, MidAmerican Energy Company (MEC) filed a petition for renewal of Pipeline Permit No. 966 pursuant to Iowa Code Chapter 479 for its Red Oak - Shenandoah Lateral in Montgomery and Page Counties, Iowa. By letter dated December 20, 2007, I advised MEC of petition deficiencies requiring correction. On January 15, 2008, MEC filed revisions to the petition and exhibits.

The Red Oak - Shenandoah Lateral transports natural gas from a connection with a Natural Gas Pipeline Company of America (NGPL) pipeline to regulator stations that feed distribution systems in the towns of Red Oak, Coburg, Essex, and Shenandoah. A regulator station fed by the steel portion of this pipeline supplies gas at 60 psig to the plastic portion of the Red Oak - Shenandoah Lateral, which transports gas to the town of Stanton. A distribution main fed by the distribution system in Shenandoah supplies gas to the town of Farragut. In addition, several rural customers along the route of the Red Oak - Shenandoah Lateral are supplied gas from the pipeline.

On January 17, 1932, Permanent Permit No. 50 was issued by the Iowa Board of Railroad Commissioners in Docket No. P-46 to Iowa-Nebraska Light and Power Company, Lincoln, Nebraska, for the Red Oak and Shenandoah Laterals. Permit No. 50 was replaced by Permanent Permit No. 78, issued on June 25, 1934. By resolution dated December 29, 1943, the Iowa State Commerce Commission (ISCC) approved the sale and transfer of Permit No. 78 to Iowa Power and Light Company. On January 12, 1953, the ISCC issued a resolution approving amendment of Permit No. 78 to allow replacement of portions of the pipeline with larger pipe, and on June 10, 1954, Permanent Permit No. 235 was issued for the partly reconstructed pipeline, replacing Permit No. 78. On May 1, 1956, the ISCC issued an order temporarily amending Permit No. 235 to allow construction of additional larger pipe. On April 2, 1957, Permanent Permit No. 322 was issued for the pipeline as reconstructed, replacing Permit No. 235.

On December 20, 1982, Pipeline Permit No. 966 was issued, specifying a maximum operating pressure of 350 psi. (Permit No. 966 was a new permit for an existing pipeline, not a renewal permit. The previous permit had expired before Iowa Power and Light Company filed a petition for renewal of permit.) On August 5, 1993, an amendment to the permit was issued allowing construction, operation and maintenance of approximately 5.4 miles of plastic pipeline, with a maximum operating pressure of 60 psi, to supply gas to the town of Stanton, east of Red Oak. The amendment listed the expiration date of the permit as December 20, 2007.

The Red Oak - Shenandoah Lateral currently consists of 14.7 miles of 8-inch diameter steel pipeline, 10.0 miles of 6-inch diameter steel pipeline, 0.58 miles of 4-inch diameter steel pipeline, and 5.27 miles of 4-inch diameter plastic pipeline. The petition exhibits show the steel portions of the pipeline in existence today were constructed in 1953 and 1956, except for a 700-foot section of 6-inch steel pipeline that was replaced in 1994 due to a washout at a stream crossing. The plastic portion of the pipeline was installed in 1993.

On September 20, 2007, MEC filed a petition for amendment of Pipeline Permit 966 in this docket, requesting an increase in the maximum operating pressure for the steel portion of the pipeline from 350 psig to 450 psig. I filed a report regarding the petition for amendment of permit on December 20, 2007.

As explained in the cover letter with its petition for renewal of pipeline permit filed December 13, 2007, MEC included two sets of engineering specifications with its petition for renewal of permit. The first set (Exhibits C-1 through C-6) reflect a maximum allowable operating pressure of 350 psig. The second set (Exhibits C-1 through C-6) reflects a maximum allowable operating pressure of 450 psig. MEC requested that if its petition for amendment of permit is granted, Exhibits C-1 through C-6 for the 450 pressure be used, and if its petition for amendment is not granted, then Exhibits C-1 through C-6 for the 350 psig pressure be used.

A discrepancy was noted between the Exhibits C-4 filed on January 15, 2008, with the petition for renewal of permit and Exhibit C-3 filed on September 20, 2007, with the petition for amendment of permit. Exhibits C-4 state the plastic portion of this pipeline was tested at 100 psig with air in August, 1993. Exhibit C-3 filed with the petition for amendment of permit states the plastic portion of this pipeline was tested with nitrogen at 90 psig in 1993. A construction inspection report filed by Robert Halligan, Utilities Regulation Inspector, of board staff, on September 8, 1993, states the plastic pipeline was tested on August 27, 1993, with air at 100 psig for 24 hours. Based on the inspection report, it appears the Exhibits C-4 filed with the petition for renewal of permit are correct. *If the petition for renewal of permit and the petition for amendment of permit are consolidated for hearing, it is recommended MEC be asked to address this inconsistency in its prefiled testimony, and to file a revised Exhibit C if appropriate.*

The steel portion of the pipeline requires a pipeline permit because it operates at a pressure greater than 150 psig, and because it meets the definition of a transmission line under 49 CFR § 192.3. It meets the definition of a transmission line because it transports gas from another transmission line (and ultimately from gathering lines and/or storage facilities) to distribution centers (the distribution systems in Red Oak, Coburg, Essex and Shenandoah), and because at the proposed new maximum operating pressure of 450 psig, the 8-inch diameter portion of the pipeline will operate at more than 20 percent of specified minimum yield strength (SMYS.) The plastic portion of the pipeline requires a pipeline permit because it meets the definition of a transmission line under § 192.3. It meets the definition of a transmission line because it transports gas from a transmission line (and ultimately from gathering lines and/or storage facilities) to a distribution center (the distribution system in Stanton). (See 199 IAC 10.16.)

Natural gas pipelines must comply with the federal pipeline safety standards of 49 CFR Part 192, which have been adopted by the Board in 199 IAC 10.12(1)b. On October 9-11, 2007, I inspected this pipeline for compliance with pipeline safety standards adopted by the Board. This included a field inspection of the route of the pipeline. On October 30, 2007, I filed a report regarding this inspection, in which I cited probable violations of §§ 191.13 and 191.17 regarding reporting the Red Oak – Shenandoah Lateral as a distribution main rather than a transmission line on its DOT annual reports, § 192.150 regarding a 700-foot section of pipe that was replaced in 1994 and should have been constructed to provide for passage of internal inspection devices, and § 192.199(e) regarding a regulator inside a valve pit that was not vented outside the pit. I also requested additional information regarding two items related to documentation for compliance with § 192.905.

By letter dated November 29, 2007, MEC responded to the probable violations and requests for additional information. The letter states MEC will correct the probable violations of §§ 191.13 and 191.17 when it files its annual report for 2007. I consider this to be an acceptable response. Staff intends to follow up to confirm these probable violations are corrected as planned.

Regarding the probable violation of § 192.150, MEC's response states it is prepared to correct this deficiency by July 1, 2008. MEC goes on to suggest that subject to our agreement, the improvements be deferred and included in future upgrades or improvements to the line. Staff intends to follow up with MEC to determine whether this qualifies for an exception under the provisions of § 192.150(b)(8) or 192.150(c). If it does not, it appears the rule requires that the deficiency be corrected. Based on MEC's statement it is prepared to correct the deficiency by July 1, 2008, I consider MEC's response to be acceptable.

The letter describes the action MEC has taken action to correct the probable violation of 192.199(e). Based on the letter I consider this probable violation to be

corrected. The letter also provided acceptable responses to the requests for additional information, stating MEC will provide the requested documentation no later than February 1, 2008. Staff plans to follow up on this item. None of the outstanding probable violations are of a nature that would cause me to recommend the petition for renewal of pipeline permit be denied or delayed until corrective action has been completed.

Most of the route is on agricultural land planted in row crops. The route also includes some untilled land, a few small areas of timber, and a wildlife management area. North of Essex the route is mostly fairly hilly. South of Essex the route is flat to gently rolling. The field inspection included inspection the route of the pipeline, plus inspection of above ground facilities such as regulator stations fed by this pipeline, above ground stream crossings, and farm taps, plus mainline valves in pits. Exhibit B appears to accurately show the location of the pipeline. The entire route appears to be in a Class 1 location as defined by Federal Minimum Safety Standards in 49 CFR Part 192, as is stated in Exhibit C of the petition filing. Class 1 is the lowest population density classification.

I have reviewed the petition for renewal of pipeline permit and the included exhibits. The filing appears in sufficient order to set a date for hearing. On December 12, 2007, MEC filed a Petition for Renewal of Pipeline Permit in this docket. Pipeline Permit No. 966 expired on December 20, 2007. An issue that may need to be addressed in the petition for amendment proceeding is whether the permit can be amended after it has expired, without renewing the permit either before or at the same time as the petition for amendment is acted upon. In order to expedite processing of the petition for amendment, it is recommended this petition for renewal of pipeline permit be consolidated for hearing with the petition for amendment of pipeline permit filed by MEC in this docket. If the petitions are consolidated, this report identifies, in *italic type*, one item it is recommended MEC be asked to address in its prefiled testimony.