

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. P-46
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**PROPOSED DECISION AND ORDER GRANTING
PERMIT AMENDMENT AND PERMIT RENEWAL**

(Issued May 8, 2008)

APPEARANCES:

MR. ROBERT P. JARED, Attorney at Law, MidAmerican Energy Company, 106 East Second Street, P.O. Box 4350, Davenport, Iowa 52808, appearing on behalf of MidAmerican Energy Company.

MR. JOHN F. DWYER, Attorney at Law, 310 Maple Street, Des Moines, Iowa 50319, appearing on behalf of the Iowa Department of Justice, Office of Consumer Advocate.

STATEMENT OF THE CASE

On September 20, 2007, MidAmerican Energy Company (MEC) filed a petition and exhibits for amendment of Pipeline Permit No. 966 with the Utilities Board (Board). The pipeline is known as the Red Oak-Shenandoah Lateral and is in Montgomery and Page Counties, Iowa. (petitions for permit amendment and renewal.) MEC requests an increase in the maximum allowable operating pressure (MAOP) of the pipeline from 350 to 450 pounds per square inch gauge (psig). (petition for permit amendment; O'Neal reports; testimony of Mr. Blanco.) MEC filed amendments to its petition and provided additional information 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 and provided additional information on January 15, 2008.

On December 20, 2007, Mr. Jeffrey L. O'Neal, regulatory engineer for the Board, filed a report regarding the petition for amendment of Pipeline Permit No. 966. On January 24, 2008, Mr. O'Neal filed a report regarding the petition for renewal of the permit. The reports will be referred to collectively as the "O'Neal reports" in this decision.

On February 22, 2008, the Board issued an order consolidating the two petitions and assigning this case to the undersigned administrative law judge. On March 6, 2008, the undersigned issued an order establishing a procedural schedule, proposing to take official notice, and providing notice of the hearing.

MEC filed the prepared direct testimony of Mr. Eloy J. Blanco on March 26, 2008. MEC filed proof of publication of notice on April 21, 2008.

The hearing was held on May 7, 2008, in Conference Room 3, Iowa Utilities Board Offices, 350 Maple Street, Des Moines, Iowa. MEC was represented by its attorney, Mr. Robert P. Jared. Mr. Blanco testified on behalf of MEC. Mr. Blanco is a Senior Engineer in MEC's Gas Engineering Department. (testimony of Mr. Blanco.) The Consumer Advocate Division of the Department of Justice (Consumer Advocate) was represented by its attorney, Mr. John F. Dwyer. Mr. O'Neal testified as the

engineer selected by the Board to examine the pipeline and permit petitions pursuant to Iowa Code § 479.11 (2007).

FINDINGS OF FACT

1. MEC is a pipeline company within the meaning of Iowa Code § 479.2. (petitions for permit amendment and renewal; O'Neal reports; testimony of Mr. Blanco.)

2. On September 20, 2007, MEC filed a petition and exhibits for amendment of Pipeline Permit No. 966 with the Board. (petition for permit amendment.) The pipeline permitted by Pipeline Permit No. 966 is known as the Red Oak-Shenandoah Lateral. (petition for permit amendment.) The Red Oak-Shenandoah Lateral transports natural gas from a connection with a Natural Gas Pipeline Company of America (NGPL) transmission pipeline north of Red Oak, Iowa, to regulator stations that feed distribution systems in the towns of Red Oak, Coburg, Essex, and Shenandoah. (petitions for permit; O'Neal reports; testimony of Mr. Blanco.) A regulator station fed by the steel portion of the Red Oak-Shenandoah Lateral supplies natural gas at 60 psig to the plastic portion of the Red Oak-Shenandoah Lateral, which transports natural gas to the town of Stanton, Iowa. (petitions for permit; O'Neal reports; testimony of Mr. Blanco.) In addition, a distribution main fed by the distribution system in Shenandoah supplies natural gas to the town of Farragut. (petitions for permit; O'Neal reports; testimony of Mr. Blanco.) The Red Oak-Shenandoah Lateral also supplies natural gas to several rural

customers along its route. (petitions for permit; O'Neal reports; testimony of Mr. Blanco.)

3. In its petition for amendment of the permit, MEC requests an increase in the MAOP of the pipeline from 350 to 450 psig. (petition for permit amendment; O'Neal reports; testimony of Mr. Blanco.) The increase in pressure is necessary to enable MEC to serve the newly constructed Green Plains Renewable Energy Ethanol Plant in Shenandoah, Iowa. (petition for permit amendment; testimony of Mr. Blanco; O'Neal reports.)

4. The Red Oak-Shenandoah Lateral was originally constructed in 1932. (petitions for permit; O'Neal reports; testimony of Mr. Blanco.) It has been reconstructed and modified several times. (petitions for permit; O'Neal reports.) Predecessor agencies of the Board issued a number of permits, permit amendments, and permit renewals for the pipeline. (O'Neal reports; petitions for permit; Docket No. P-46 Board file.) On December 20, 1982, 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, for the Red Oak-Shenandoah Lateral. (petitions for permit; O'Neal reports; testimony of Mr. Blanco; Docket No. P-46 Board file.) It appears from the documents in the Docket No. P-46 Board file that the Commerce Commission issued a new permit in 1982, rather than a renewal permit, because Iowa Power & Light Company had not filed for renewal of the permit prior to its expiration date. Pipeline Permit No. 966 had

a 25-year term and expired on December 20, 2007. (petition for permit renewal; O'Neal reports; testimony of Mr. Blanco; Docket No. P-46 Board file.) On December 13, 2007, MEC filed a petition for renewal of Pipeline Permit No. 966. (petition for permit renewal.) MEC has changed its procedures and in the future, it will file petitions for permit renewal six months prior to expiration of its pipeline permits. (testimony of Mr. Blanco.)

5. The Red Oak-Shenandoah Lateral is approximately 30.02 miles long. (petitions for permit; O'Neal reports; testimony of Mr. Blanco.) It 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. (petitions for permit; O'Neal reports; testimony of Mr. Blanco, Mr. O'Neal.)

6. The steel portion of the pipeline must have a permit from the Board because it operates at a pressure greater than 150 psig and because it meets the definition of a transmission line. (petitions for permit; testimony of Mr. Blanco; O'Neal reports.) 199 IAC 10.16; 49 CFR § 192.3. It is 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). (petition for permit amendment; testimony of Mr. Blanco; O'Neal reports.) 199 IAC 10.16; 49 CFR § 192.3. The plastic portion of the pipeline must have a permit

because it meets the definition of a transmission line because it transports natural gas from a transmission line to the distribution system in Stanton. (petitions for permit; O'Neal reports; testimony of Mr. Blanco.) 49 CFR § 192.3.

7. MEC caused notice of the hearing to be published in Montgomery County in The Red Oak Express, a newspaper of general circulation in the county, on April 8 and 15, 2008. (proof of publication.) MEC caused notice of the hearing to be published in Page County in the Clarinda Herald-Journal, a newspaper of general circulation in the county, on April 9 and 16, 2008. (proof of publication.)

8. The pipeline follows a route described in Exhibits A and shown on Exhibits B attached to the petitions for permit amendment and renewal. (petitions Exhibits A and B; testimony of Mr. Blanco; O'Neal reports.) The pipeline has been in existence for many years and MEC does not propose any new construction. (testimony of Mr. Blanco; petitions for permit.) The location and route of the pipeline are reasonable and no further terms, conditions, or restrictions regarding them need to be imposed pursuant to Iowa Code § 479.12. (petitions for permit; testimony of Mr. Blanco; O'Neal reports.)

9. The Red Oak-Shenandoah Lateral is the only source of natural gas to the communities of Red Oak, Coburg, Essex, Shenandoah, Stanton, and Farragut. (testimony of Mr. Blanco; petitions for permit; O'Neal reports.) Amendment of the permit to increase the MAOP to 450 psig and renewal of the pipeline permit is necessary so the pipeline can continue to provide natural gas service to these

communities and can serve the new Green Plains Energy Ethanol Plant in Shenandoah. (petitions for permit; testimony of Mr. Blanco; O'Neal reports.)

Therefore, the requested amendment and renewal of the pipeline permit will promote the public convenience and necessity. (petitions for permit; testimony of Mr. Blanco; O'Neal reports.)

10. MEC has addressed the safety issues identified during the staff inspection of the pipeline. (testimony of Mr. Blanco; O'Neal reports; petitions for permit.) MEC will modify the 700-foot section of the pipeline discussed on page two of the December 20, 2007, staff report to allow the passage of internal inspection devices by July 1, 2008. (testimony of Mr. Blanco, Mr. O'Neal.) The age of certain sections of the pipeline does not present any safety concerns because the pipeline has been properly operated and maintained. (testimony of Mr. O'Neal, Mr. Blanco.) The pipeline complies with the design, construction, and safety requirements of Iowa Code chapter 479, 199 IAC § 10.12, and 49 CFR Part 192. (petitions for permit; testimony of Mr. Blanco, Mr. O'Neal; O'Neal reports.) The proposed increase in the MAOP to 450 psig will comply with the applicable pipeline safety requirements, as long as MEC follows and appropriately documents the required uprating procedures and appropriately documents the new MAOP. (O'Neal reports; petitions for permit; testimony of Mr. Blanco, Mr. O'Neal.) 49 CFR Part 192. MEC plans to complete the uprating of the pipeline by July 1, 2008. (testimony of Mr. Blanco.) Other than filing the documentation required by ordering clause number three, and completing the

action required by ordering clause number four, no further safety-related terms, conditions, or restrictions need to be imposed pursuant to Iowa Code § 479.12. (petitions for permit; testimony of Mr. Blanco; O'Neal reports.)

11. MEC owns property subject to execution within this state, other than pipelines, of a value in excess of \$250,000, and thus meets the requirements of Iowa Code § 479.26 and 199 IAC 10.2(1)"d." (petitions Exhibits D; testimony of Mr. Blanco.)

12. No written objections to the petition for a permit were filed and no objectors appeared at the hearing. (testimony of Mr. O'Neal, Mr. Blanco; Docket No. P-46 Board file.) No new construction is proposed and MEC does not request the right of eminent domain. (O'Neal reports; testimony of Mr. Blanco; petitions for permit.)

CONCLUSIONS OF LAW

1. The Board has the authority to grant, amend, and renew permits for the construction, operation, and maintenance of pipelines for the intrastate transportation of natural gas. Iowa Code §§ 479.1, 479.3, 479.4, 479.12, 479.18, and 479.23; 199 IAC 10.

2. The Board has jurisdiction over MEC and over the petitions for amendment and renewal of Pipeline Permit No. 966 that MEC filed with the Board. Iowa Code §§ 479.2, 479.3, 479.5, 479.6, 479.12, 479.18, and 479.23; 199 IAC 10.

3. The petitions for amendment and renewal of Pipeline Permit No. 966 filed by MEC for the natural gas pipeline at issue in this docket should be granted. Iowa Code §§ 479.11, 479.12, and 479.26; 199 IAC 10.

4. Since MEC does not propose any new construction, the land restoration requirements of Iowa Code § 479.29 and 199 IAC 9 do not apply. (petitions for permit; testimony of Mr. Blanco; O'Neal reports.)

IT IS THEREFORE ORDERED:

1. Official notice is taken of the reports dated December 20, 2007, and January 24, 2008, filed in this docket by Mr. Jeffrey O'Neal, utility regulatory engineer for the Board.

2. Pursuant to Iowa Code chapter 479 and 199 IAC 10, the petitions for amendment and renewal of Pipeline Permit No. 966 filed by MEC in this docket are granted. An amended and renewed permit will be issued if this proposed decision and order becomes the final order of the Board.

3. Once MEC completes the uprating of the pipeline, it must file a copy of the documentation of the uprating procedures and documentation for the new MAOP with the Board.

4. MEC must modify the 700-foot section of the pipeline discussed on page two of the December 20, 2007, staff report to allow for the passage of internal inspection devices and must notify the Board when this action has been completed.

5. The Board retains jurisdiction of the subject matter in this docket.

6. This proposed decision will become the final decision of the Board unless, within fifteen (15) days after the proposed decision is issued, a party files written notice of appeal with the Board or the Board votes to review the proposed decision on its own motion. Iowa Code § 17A.15(3); 199 IAC 7.26(2).

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 8th day of May, 2008.