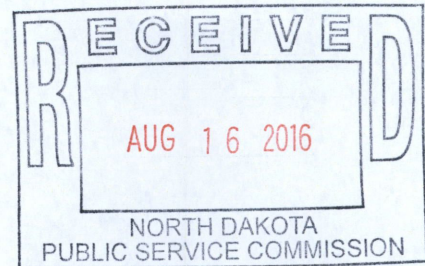


August 16, 2016

Mr. Aaron Morman, Pipeline Safety Program Manager
ND Public Service Commission
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0480



Re: Case No. GS-15-711 and GS-15-705

Dear Mr. Morman:

Thank you for forwarding the proposed actions and civil penalties on July 5, 2016 in an effort to resolve the above referenced cases pursuant to a mutually agreeable settlement and consent agreement (the "Consent Agreement").

Below is Montana-Dakota Utilities Co.'s ("MDU") response to each probable violation and proposed resolution for inclusion in a Consent Agreement.

GS-15-705

Probable Violation No. 1:

"MDU did not check and service Key Isolation Valve #17 in Bowman, the use of which may be necessary for the safe operation of the distribution system, within 15 months as is required in... 49 CFR 192.747(a)."

MDU Response:

MDU valve #17 in Bowman ND was inspected on May 6, 2014 and found to be inoperable due to a street project with asphalt surface being placed over the valve box. While it is normal operations for all valve boxes to be uncovered and raised by the contractor completing the asphalt surfacing, this was not done with respect to valve #17. After MDU's May 6, 2014 inspection it completed an inspection report indicating this valve was not operable. This report was supplied to MDU's operations team and placed with MDU's sectionalizing plan. MDU inspected valve #17 in Bowman again on December 31, 2014 and found it to be in the same condition, covered by construction material and inoperable. A copy of this valve inspection report was again provided to the operations team and included in MDU's sectionalizing plan. MDU later inspected valve #17 on April 30, 2015 and subsequently sent its own construction crew to remove the construction materials, raise the box to the grade of the road, and ensure the valve was operable.



| MDU

MDU's response regarding valve #17 established that an alternate valve or other method would be utilized if an immediate shut down of gas flow was required. Alternate methods available to MDU included use of the next valve upstream or digging a remote bell hole to squeeze off the line and place a line stopper fitting. MDU is confident that its pipeline and customers were not compromised in any way as alternate gas shut-off methods were effectively identified. However, MDU recognizes that the alternate gas shut-off method or methods were not documented beyond the inspection reports and inclusion in MDU's sectionalizing plan.

Proposed Resolution:

MDU will make revisions to its Operations and Maintenance Plan, as reflected on the attached Exhibit A, to ensure alternate gas shut-off methods will be identified and documented in the future. MDU will also pay a civil penalty in the amount of \$1,000 to amicably resolve this matter.

Probable Violation No. 2

"MDU did not take prompt remedial action to correct Key Isolation Valve #17 that was found inoperable or designate an alternative valve as required under 49 FCR 192.747(b). Key Isolation Valve #17 was inoperable for at least 358 days."

Following MDU's inspections of valve #17 as discussed above, MDU notified its operations team and included the May 6, 2014 and December 31, 2014 inspection reports in its sectionalizing plan. MDU's response regarding valve #17 established that an alternate valve or other method would be utilized if an immediate shut down of gas flow was required. Methods available to MDU included use of the next valve upstream or digging a remote bell hole to squeeze off the line and place a line stopper fitting. MDU is confident that its pipeline and customers were not compromised in any way as alternate gas shut-off methods were identified. However, MDU recognizes this alternative designation had not been documented beyond providing the inspection reports to its operations team and including the reports in MDU's sectionalizing plan.

Proposed Resolution:

MDU will make revisions to its Operations and Maintenance Plan, as reflected on the attached Exhibit A, to ensure alternate gas shut-off methods will be identified and documented in the future. MDU will also pay a civil penalty in the amount of \$7,160 to amicably resolve this matter.

GS-15-711

Probable Violation No. 1

"In calendar year 2014, MDU did not check and service Key Isolation Valve 637, the use of which is necessary for the safe operation of the distribution system."

MDU Response:

MDU crews inspected valve #637 on Avenue C and Ward Road in Bismarck on April 28, 2014. The crews found the valve to be broken and not operable and informed the MDU operations team. The nearest alternate isolation valve is located twelve blocks east of valve #637. This alternate valve was operable and would have been used in the case of an emergency. Valve #637 was replaced on September 30, 2015.

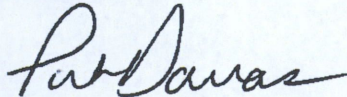
Through informing the operations team, MDU had effectively designated an alternative gas shut off valve. MDU is confident that its pipeline and customers were not compromised in any way as alternate gas shut-off methods were identified. However, MDU recognizes this alternative designation had not been documented beyond informing its operations team.

Proposed Resolution:

MDU will make revisions to its Operations and Maintenance Plan, as reflected on the attached Exhibit A, to ensure alternate gas shut-off methods will be identified and documented in the future. MDU will also pay a civil penalty in the amount of \$1,000 to amicably resolve this matter.

Please let me know if you have any questions regarding this letter and MDU's proposed resolution of the matters discussed herein.

Respectfully,



Pat Darras
Vice President of Operations
Montana-Dakota Utilities Co.

EXHIBIT A

MDU Gas Distribution Standards System Operation & Maintenance Plan (O&M Plan)

Section 9, page 21, 2(e) (effective date 03/01/16) states:

If Sectionalizing or Emergency valves cannot be fixed or cleared with a prompt remedial action, an alternate valve or valves can be designated to provide similar level of effectiveness for isolating a desired area of the system. This designation shall be documented.

Proposed revisions to MDU's O&M Plan, Section 9, page 21, 2(e):

If Sectionalizing or Emergency valves cannot be fixed or cleared with a prompt remedial action, an alternate valve or valves, or alternate method to sectionalize, will can be designated to ~~provide similar level of effectiveness for isolating~~ isolate a desired area of the system. This designation shall be documented.