

## IOWA UTILITIES COMMISSION

<p>IN RE:</p> <p>BLACK HILLS/IOWA GAS UTILITY COMPANY, LLC d/b/a BLACK HILLS ENERGY</p>	<p>DOCKET NO. P-0777</p>
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### ORDER DENYING WAIVER AND APPROVING REQUEST TO RECLASSIFY PIPELINE

#### BACKGROUND

Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy (Black Hills), has requested a reclassification of its Baxter pipeline due to the Pipeline and Hazardous Materials Safety Administration's (PHMSA) new definitions of transmission line and distribution center under 49 Code of Federal Regulations (CFR) § 192.3. The Baxter pipeline has a maximum allowable operating pressure (MAOP) of 100 pounds per square inch gauge (psig); the Utilities Commission (Commission) does not require permits for distribution lines operating at 150 psig or less. As such, Black Hills requests reclassification of the pipeline and to remove the pipeline from the Commission's permitting process.

On August 24, 2022, PHMSA published a final rule defining the term "distribution center," which was not defined by PHMSA at the time of the renewal of the Baxter pipeline permit. See CFR § 192.3.

On February 21, 2025, Black Hills filed a "Petition for Pipeline Reclassification: Transmission to Distribution" (Petition) and "Request for Waiver," that would change the permitted Baxter pipeline (Docket No. P-0777, Permit No. R1313) from a transmission

DOCKET NO. P-0777

PAGE 2

pipeline to a distribution pipeline. In its petition, Black Hills requested a waiver of the date certain provision in the Commission's definition of CFR at 199 Iowa Administrative Code (IAC) 10.1(3), which is defined to be "the Code of Federal Regulations . . . in effect as of December 22, 2021."

On July 24, 2025, the Commission filed a Staff Report detailing the background of the Baxter pipeline and Black Hills' request for reclassification, along with an analysis of Black Hills' request.

### **REQUEST FOR WAIVER**

Black Hills seeks a waiver of the date certain provision found within the definition of CFR at 199 IAC 10.1(3), which, at the time of Black Hills' filing, prohibited the Commission from considering revisions made to the CFR after December 22, 2021. Black Hills has requested this waiver because the Commission was prohibited from considering and applying "the current PHMSA definition of 'distribution center,'" for which this request to reclassify relies upon.

On July 16, 2025, the Commission's new rules on intrastate gas pipelines and underground gas storage at 199 IAC chapter 10 went into effect. These new rules have been updated and the definition of CFR found at 199 IAC 10.1(3) includes a date certain of July 16, 2025. Because this new date certain considers PHMSA's new rules at CFR 192.3, which includes the definition of "distribution center," the Commission finds that Black Hills' request for waiver of the date certain is moot.

DOCKET NO. P-0777

PAGE 3

## REQUEST FOR RECLASSIFICATION

### **1. Black Hills' Petition**

Black Hills seeks to reclassify the Baxter pipeline from a transmission line to a distribution line and remove the pipeline from the Commission's permitting process. In support of its petition, Black Hills asserts that the Distribution Center where this pipeline originates is at a point of interconnection at the Baxter Town Border station with an existing Northern Natural Gas Company interstate transmission pipeline; terminates at the District Regulator Station in Baxter, Iowa; and provides natural gas to customers in Baxter, Iowa. The pipeline operates at a pressure of 100 psig.

Black Hills claims that the Baxter pipeline is a distribution line under PHMSA's updated definitions provided in 49 CFR 192.3. A transmission line is defined as:

[A] pipeline or connected series of pipelines, other than a gathering line, that: (1) Transports gas from a gathering pipeline or storage facility to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center; (2) Has an MAOP of 20 percent or more of SMYS; (3) Transports gas within a storage field; or (4) Is voluntarily designated by the operator as a transmission pipeline.

49 CFR § 192.3. PHMSA's new definition of distribution center is:

[T]he initial point where gas enters piping used primarily to deliver gas to customers who purchase it for consumption, as opposed to customers who purchase it for resale, for example:

- (1) At a metering location;
- (2) A pressure reduction location; or
- (3) Where there is a reduction in the volume of gas, such as a lateral off a transmission line.

*Id.* A gathering line is defined as "a pipeline that transports gas from a current production facility to a transmission line or main." *Id.* Lastly, a distribution line is defined to be "a pipeline other than a gathering or transmission line." *Id.*

DOCKET NO. P-0777

PAGE 4

## **2. Legal Standards**

The Commission grants pipeline permits under the authority of Iowa Code chapter 479, and Commission rules governing intrastate gas pipeline permits are promulgated at 199 IAC chapter 10. Commission rule at 199 IAC 10.1(2) states:

A pipeline permit is required for any pipeline that will operate at a pressure in excess of 150 [psig] or that, regardless of operating pressure, is a transmission line as defined in American Society of Mechanical Engineers (ASME) B31.8 or 49 CFR 192.3.

The factors the Commission uses when considering whether a pipeline is a transmission line consist of the following:

1. The definitions of a transmission line in ASME B31.8 and 49 CFR 192.3.
2. [PHMSA] interpretations.
3. The location of a distribution center.
4. Interconnection with an interstate pipeline.
5. Location of distribution regulator stations downstream of a proposed distribution center.
6. Whether a proposed distribution center has more than one source of supply and the type of pipeline that provides the supply.
7. Transfer of ownership of gas.
8. Reduction in pressure of pipeline at a meter.
9. No resale of gas downstream of a distribution center.

199 IAC 10.12.

## **3. Analysis and Conclusion**

A distribution line is defined to be a line that is neither a gathering line nor a transmission line. 49 CFR § 192.3. Based upon Black Hills' filing and descriptions of the pipeline, it is clear that the Baxter pipeline is not a gathering line because a gathering line is a "pipeline that transports gas from a current production facility to a transmission line or main." *Id.* Therefore, if the Commission finds that the Baxter pipeline is not a transmission line, then the pipeline is necessarily a distribution line.

DOCKET NO. P-0777

PAGE 5

PHMSA defines a transmission line, in relevant part, to be a pipeline that “[t]ransports gas from a gathering pipeline or storage facility to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center.” *Id.* Distribution centers existing downstream on any pipeline strongly weigh toward that pipeline being a transmission line. When considering PHMSA’s new definition of distribution center, the Commission finds that there are no distribution centers located downstream of the Baxter pipeline.

The Commission makes this finding for two reasons. First, the Baxter pipeline origination point is at a distribution center. PHMSA defines a distribution center to be the initial point where gas enters a pipeline used primarily to deliver gas to customers who use it for consumption rather than resale. *See id.* Examples of distribution centers are metering locations and pressure-reduction locations. *Id.* All of the gas entering the Baxter pipeline is subsequently being transferred to another customer for consumption, not resale, and at the interconnection point, there is a pressure-reducing station and custody-transfer meter.

Second, PHMSA’s new definition instructs that a distribution center is only the initial point where gas enters piping used primarily to deliver gas to customers that purchase it for consumption. *Id.* There can be only one initial point where gas enters a pipeline to deliver gas to customers for consumption, and therefore there can be no subsequent distribution centers downstream from the initial one.

The second factor in PHMSA’s definition of a transmission line is the pipeline “[h]as an MAOP of 20 percent or more of [specified minimum yield strength]” (SMYS). *Id.* Black Hills states that the Baxter pipeline at the maximum operating pressure of 100 psig has a “SMYS calculation of less than two percent. . . .”

DOCKET NO. P-0777

PAGE 6

The third factor in PHMSA's definition of a transmission line is the pipeline "[t]ransports gas within a storage field." *Id.* Black Hills states the Baxter pipeline does not transport gas within a storage field.

The final factor in PHMSA's definition of a transmission line is that the pipeline has been "voluntarily designated by the operator as a transmission pipeline." Black Hills has not voluntarily designated the Baxter pipeline as a transmission pipeline.

Because the Baxter pipeline does not transport gas to any downstream distribution centers, storage facilities, or large-volume customers; the pipeline has a SMYS MAOP of less than two percent; the pipeline does not transport gas within a storage field; and the pipeline has not been voluntarily designated by Black Hills as a transmission pipeline, the Commission finds that the Baxter pipeline is not a transmission line. Therefore, as the Baxter pipeline is neither a transmission line nor a gathering line, the Commission finds the Baxter pipeline is a distribution line.

As distribution pipelines operating at or under 150 psig do not require a permit under 199 IAC 10.1(2), the Baxter pipeline does not require a permit from the Commission to operate. Accordingly, the Baxter pipeline will be reclassified as a distribution line pursuant to Black Hills' reclassification request, and Black Hills' Permit No. R1313 shall be canceled.

### **ORDERING CLAUSES**

#### **IT IS THEREFORE ORDERED:**

1. The request for waiver filed by Black Hills/Iowa Gas Utility Company, LLC d/b/a/ Black Hills Energy, on February 21, 2025, is denied as moot.

DOCKET NO. P-0777  
PAGE 7

2. Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy's Baxter pipeline identified by Pipeline Permit No. R1313 issued to Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy, in Docket No. P-0777 on June 29, 2018, is reclassified to be a distribution line.

3. Pipeline Permit No. R1313 is canceled.

**UTILITIES COMMISSION**



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Sarah Martz, Chair



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Joshua Byrnes, Commissioner



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Erik Helland, Commissioner