

MEMORANDUM
November 3, 2008

**Pecan (North Dakota), Inc.
Natural Gas Pipeline Extension – Mountrail County
Jurisdictional Determination**

Case No. PU-08-831

On October 15, 2008, Pecan (North Dakota), Inc. filed a request for jurisdictional determination concerning siting of a 75-mile, 12-inch intrastate natural gas pipeline from its existing Stanley Plant near Palermo, in Mountrail County, to an interconnection with Alliance Pipeline, LP near Towner, in McHenry County. The proposed pipeline is called the Prairie Rose Pipeline.

Staff recommendation is that the Commission determines the pipeline is transmission and therefore jurisdictional under the Siting Act.

Background

Raw natural gas must be processed to the degree necessary to deliver pipeline-quality gas. Pipeline quality gas is specified by the owner/operator of a pipeline.

Raw natural gas typically consists of primarily of methane, but also contains varying amounts of other gaseous hydrocarbons (a.k.a. NGLs which includes ethane, propane, normal butane, isobutene, pentanes, other hydrocarbons), acid gases (carbon dioxide, hydrogen sulfide, and mercaptans), nitrogen, helium, water, water vapor, liquid hydrocarbons (gasoline and crude oil), and small amounts of mercury.

Natural gas delivered to Alliance must conform to the specifications in its FERC Gas Tariff Volume No. 1 including: at least 962 BTU; free from sand, dust, gums, impurities, other objectionable substances, other solids or liquids which will render it unmerchantable or damage the pipeline; free from hydrocarbons liquefiable at temperature in excess of 14 °F at the prevailing operating pressure; contain no more than one grain of hydrogen sulphide per 100 cubic feet; contain no more than 5 grains of total sulphur per 100 cubic feet; contain no more than 2% carbon dioxide; contain no more than 4 pounds/MMcf water vapor; not exceed a temperature of 122 °F; as free of oxygen as possible; contain no more than 0.4% by volume of oxygen; contain any mix of components that will cause the presence of any liquids in the pipeline under normal operating conditions.

Analysis

Pecan alleges that the revised Stanley Plant will not constitute a gas processing plant and therefore the proposed Prairie Rose Pipeline is not a transmission facility under the Siting Act, but instead that the existing system together with the proposed new extension is a gathering system.

Pecan's current Stanley Plant receives raw natural gas and removes water, oil, acid gas, nitrogen-rich gas. The gas is further processed to separate end user quality natural gas from NGLs and then is further processed to separate ethane, iso-butane, normal butane, gas condensates (sometimes referred to as natural gasoline), propane, and pentane and heavier components. The end user quality gas is currently delivered to Williston Basin Interstate Pipeline (WBIP). The gas has been processed to meet WBIP's pipeline specifications.

Pecan's plan is to change the Stanley Plant for processing raw natural gas such that NGLs, with the exception of pentane and heavier components, will remain in the gas stream delivered to Alliance. The facility will remove water, oil, acid gas, nitrogen-rich gas, and pentane and heavier components. The Prairie Rose Pipeline will operate at approximately 2000 psi with a maximum allowable operating pressure of 2160 psi.

Alliance has requested a waiver of the liquefiable hydrocarbon specification in its FERC tariff in order to receive the Pecan gas stream because the gas stream will contain NGLs. Alliance states that the comingling of the relatively small amount of Pecan gas with the larger quantities of the other gas in the Alliance line will result in a combined gas stream that will remain within Alliance's gas quality specifications.

Under N.D.C.C. § 49-22-03 (12)(b) "Transmission facility" means:

A gas or liquid transmission line and associated facilities designed for or capable of transporting coal, gas, liquid hydrocarbons, liquid hydrocarbon products, or carbon dioxide. This subdivision does not apply to an oil or gas pipeline gathering system. For purposes of this chapter, a gathering system includes the pipelines and associated facilities used to collect oil from the lease site to the first pipeline storage site where pressure is increased for further transport, or pipelines and associated facilities used to collect gas from the well to the gas processing facility.

The gas stream delivered under Alliance waiver specifications must be processed, although not processed the same as the gas stream delivered under WBIP specifications. Pecan will not be delivering raw natural gas to Alliance, therefore, the gas is processed at the Stanley Plant before delivery via the proposed Prairie Rose Pipeline to Alliance.