

July 12, 2011

VIA HAND DELIVERY

Mr. Darrell Nitschke
Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480

RECEIVED

JUL 12 2011

PUBLIC SERVICE COMMISSION

**RE: HILAND OPERATING, LLC
6-INCH NATURAL GAS LIQUIDS PIPELINE –
MCKENZIE COUNTY
CASE NUMBER PU-10-554**

Dear Mr. Nitschke:

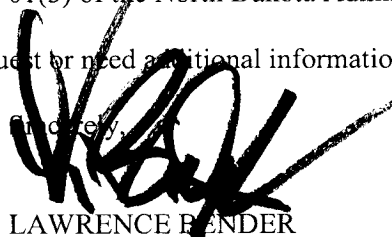
Hiland Operating, LLC, respectfully submits herewith an original and ten (10) copies of the following documents in connection with the above-referenced matter:

1. Application for Waiver or Reduction of Procedures and Time Schedules;
2. Consolidated Application For a Certificate of Corridor Compatibility and a Route Permit;
and
3. Affidavit of Service.

Also enclosed herewith is a CD containing the same in electronic format, as well as a check in the amount of \$20,000.00 for the filing fee required pursuant to Section 49-22-22 of the North Dakota Century Code.

By copy of this letter, the McKenzie County Auditor is being served with a copy of the enclosed documents in accordance with Section 69-06-05-01(3) of the North Dakota Administrative Code.

If you have questions regarding this request or need additional information, please advise.



LAWRENCE BENDER

LB/ms
Enclosures

cc: Linda Svihovec, McKenzie County Auditor
Michael Higgins
Kent Christopherson
Kathleen Spilman

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5

PU-10-554 Filed: 7/12/2011 Pages: 220

**Application for waiver or reduction of procedures
and time schedules cert. of corridor compatibility
and route permit**

Hiland Operating, LLC

Lawrence Bender, Fredrikson&Byron

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF THE APPLICATION
OF HILAND OPERATING, LLC FOR A
CERTIFICATE OF CORRIDOR
COMPATIBILITY AND ROUTE PERMIT
FOR THE CONSTRUCTION OF AN
APPROXIMATELY 14.1-MILE-LONG SIX-
INCH NATURAL GAS LIQUIDS PIPELINE
AND ASSOCIATED FACILITIES IN
MCKENZIE COUNTY, NORTH DAKOTA

CASE NO. PU-10-554

**Application of Hiland Operating, LLC,
for Waiver or Reduction of Procedures and Time Schedules**

In connection with its submission of a consolidated application for a Certificate of Corridor Compatibility and Route Permit for a 6-inch natural gas liquids (NGLs) pipeline project, approximately 14.1 miles in length, to be located in McKenzie County, North Dakota (the Project), Hiland Operating, LLC (Hiland Operating), submits to the North Dakota Public Service Commission (Commission) this application for a waiver or reduction of procedures and time schedules set forth in Chapter 49-22 of the North Dakota Century Code (Siting Act) and Article 69-06 of the North Dakota Administrative Code (Siting Rules). In accordance with Section 49-22-07.2 of the North Dakota Century Code and Chapter 69-06-06 of the North Dakota Administrative Code, Hiland Operating requests that the Commission waive the following requirements:

1. That the Commission hold a separate hearing on a waiver request, a Certificate of Corridor Compatibility application and a Route Permit application, as may be required by Sections 49-22-07.2, 49-22-08, 49-22-08.1 and 49-22-13 of the North Dakota Century Code and Chapter 69-06-01-02 of the North Dakota Administrative Code. Hiland Operating requests that the Commission hold a

single consolidated hearing on this waiver request and its consolidated application for a Certificate of Corridor Compatibility and a Route Permit. Hiland Operating also requests that the Commission shorten the three-month period specified in Section 49-22-08(5) of the North Dakota Century Code and Section 69-06-06-02(2) of the North Dakota Administrative Code, and the six-month period specified in Section 49-22-08.1(5) of the North Dakota Century Code.

2. That the Commission waive the requirements of Sections 49-22-08 and 49-22-08.1 of the North Dakota Century Code insofar as these sections may require the separate filing of applications for a Certificate of Corridor Compatibility and a Route Permit, and insofar as they require separate publication of notices of filing said applications.
3. That the Commission waive requirements for mylar maps and stereo-pair aerial photographs as set forth in the Commission's Energy Conversion and Transmission Facility Siting Guidelines for Certificate of Corridor Compatibility and Route Permit Applications. Geographic Information System (GIS) maps that meet the intent of the Commission's requirements are provided in the consolidated application for a Certificate of Corridor Compatibility and a Route Permit.

Consistent with the Commission's Energy and Transmission Facility Siting Guidelines (Commission's Guidelines), Hiland Operating provides the following information in support of its waiver requests:

A. Description of Proposed Project.

1. **Type:** The Project will consist of an underground steel pipeline that will transport processed NGLs. Surface facilities installed will be limited to pipeline markers, rectifiers, a "pig" launcher and receivers and block valves. Some small fenced-in enclosures to house associated power and control systems may be installed to allow valves to be operated remotely.

2. **Product:** The Project will transport pipeline quality NGLs.

3. **Size and Design:** The Project will require the installation of a 6-inch nominal diameter pipeline with a nominal wall thickness of 0.188 inches denoted as American Petroleum Institute (API) Code 5LX specification X52/X42 pipeline pipe. The maximum allowable operating pressure (MAOP) will be 740 pounds of pressure per square inch gauge (psig). The valves to be installed will be 6-inch ANSI 300, flange end by flange end, full port, rising stem gate valves. These valves will be manufactured in accordance with API Standard 6D "API Specification for Steel, Gate, Plug, Ball and Check Valves for Pipeline Service." The MAOP of the valve will be 740 psig. The Project will have a maximum capacity of 600 gallons per minute, or 864,000 gallons per day. The steel pipeline utilized for the Project will meet United States Department of Transportation (US DOT) regulations, specifically the design criteria outlined in 49 CFR § 195.100. The Project will be constructed in accordance with 49 CFR § 195.200, and operated and maintained in accordance with 49 CFR § 195.400.

4. **Location:** The pipeline will be approximately 14.1 miles long and will originate at Hiland Operating's natural gas processing plant (Hiland Operating Plant) four miles north and eight miles east of Cartwright, North Dakota, and terminate at Hiland Operating's rail loading facility (Hiland Operating Rail Terminal) along the Yellowstone Valley Railroad (YSVR). The

Project will be located completely within McKenzie County, North Dakota. A map of the proposed Project is attached hereto as **Exhibit A**.

5. **Geographical Service Area**: As noted above, the proposed Project will take processed NGLs from the Hiland Operating Plant near Cartwright, North Dakota, to the nearby Hiland Operating Rail Facility along the YSVR. The immediate area served by the proposed Project will be northwestern North Dakota; however, the processed natural gas will ultimately be transported to areas served by the YSVR within and outside of the State of North Dakota.

6. **Time Schedule**: Hiland Operating has a target in-service date for the Project of on or before November 15, 2011. Hiland Operating proposes to develop the Project on the following schedule:

- July, 2011 – Hiland Operating files with the Commission a consolidated application for a Certificate of Corridor Compatibility and Route Permit.
- On or before August 31, 2011 – The Commission issues a Certificate of Corridor Compatibility and Route Permit for the Project.
- September, 2011 – Hiland Operating will begin construction of the Project.
- November 15, 2011 – Hiland Operating will have completed construction of the Project and it will be placed in service.

7. **Future Plans**: At this time, Hiland Operating has no specific plans for additions to or modifications of the Project.

B. Need for Facility.

According to records of the North Dakota Industrial Commission (NDIC), North Dakota produced a record 113 million barrels of oil in 2010, shattering the high set a year earlier by 33 million barrels.¹ The state also produced a record 113 billion cubic feet of natural gas in 2010, up from 92.4 billion cubic feet the year before.² At the end of April 2011, according to the latest

¹ NDIC. "North Dakota Annual Oil Production." Available at: <https://www.dmr.nd.gov/oilgas/stats/annualprod.pdf> (accessed June 30, 2011).

NDIC statistics, 35% of natural gas produced in North Dakota was flared as an unmarketable byproduct of oil production.²

The Hiland Operating Plant provides a means of processing natural gas produced in northwestern North Dakota. The proposed Project will connect the Hiland Operating Plant to the Hiland Operating Rail Terminal along the YSVR, which, in turn, will transport NGLs to markets served by the railroad. Thus, the Project will provide needed capacity to transport production of processed NGLs from the Bakken and Three Forks formations to a railroad serving markets within and outside of the State of North Dakota, and will do so in a safer, more economical manner than transporting the processed NGLs by truck.

For additional analysis of the need for the proposed Project, including a discussion of the alternatives evaluated, please see Section C of the Certificate of Corridor Compatibility portion of Hiland Operating's consolidated Certificate of Corridor Compatibility and Route Permit Application (*see* Tab 1), which accompanies this waiver application.

The proposed Project is consistent with Hiland Operating's Ten-Year Plan for 2011-2021, which was filed with the Commission on July 1, 2011.

C. Cost.

The total capital cost of developing the proposed Project is estimated to be \$4 million.

D. Waiver Request.

Hiland Operating requests that the Commission grant the waivers requested herein because said waivers are needed in order to prevent potentially significant delays to the Project. As noted above, the Project is needed in order to provide an economical and efficient means of transporting processed NGLs from the Hiland Operating Plant to the Hiland Operating Rail

² NDIC. "North Dakota Monthly Gas Production and Sales." Available at: <https://www.dmr.nd.gov/oilgas/stats/Gas1990ToPresent.pdf> (accessed June 30, 2011).

Terminal. Utilizing the proposed Project to transport the NGLs processed by the Hiland Operating Plant will reduce the need to transport the processed NGLs via truck, which, in turn, will reduce truck traffic on North Dakota roads and highways. Without the waivers of time schedules and procedures requested, completion of Hiland Operating's proposed Project will be delayed and the Project will not be able to satisfy the immediate need for a safer, more efficient means of transporting NGLs between the Hiland Operating Plant and the Hiland Operating Rail Terminal.

Section 49-22-07.2 of the North Dakota Century Code provides that the Commission may waive procedures and time schedules upon a finding that "the proposed facility is of such length, design, location, or purpose that it will produce minimal adverse effects." Based upon the investigation and analysis set forth in Hiland Operating's consolidated application for a Certificate of Corridor Compatibility and a Route Permit for the Project, granting the waivers requested is appropriate because the proposed facility will produce minimal adverse effects due to its short length (only approximately 14.1 miles, with 5.1 miles of the Project located within a previously certificated corridor), its design (an underground, small-diameter pipeline with few above-ground appurtenances), its location (crossing pasture and farmland in rural McKenzie County and avoiding Exclusion and Avoidance Areas, as set forth in Section 69-06-08-02 of the North Dakota Administrative Code), and its purpose (underground pipeline transportation of processed NGLs from the Hiland Operating Plant to the nearby Hiland Operating Rail Terminal).

In determining whether the proposed facility will result in adverse impacts on the environment, Hiland Operating evaluated the Project using the criteria set forth in the Siting Act, the Siting Rules, and the Commission's Guidelines. More specifically, Hiland Operating evaluated the impacts of the Project considering the siting criteria set forth in Section 69-06-08-




02 of the North Dakota Administrative Code and the factors set forth in Section 49-22-09 of the North Dakota Century Code. Impacts associated with the Project, and mitigation measures that will be taken with respect to said impacts, are summarized in Section B of the Route Permit portion of the consolidated Certificate of Corridor Compatibility and Route Permit Application (*see* Tab 3). Moreover, Hiland Operating has developed an Environmental Mitigation Plan (EMP) that will be implemented in order to avoid and, if necessary, mitigate any potential adverse effects that may result from the Project. Based upon Hiland Operating's siting criteria evaluation, implementation of the EMP, and the factors set forth in the Guidelines, the proposed facility will have minimal adverse effects.

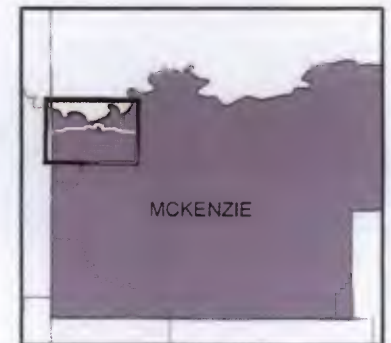
In addition, approximately 5.1 miles of the Project will be located within the corridor designated by the Commission for Hiland Operating's 8-inch natural gas pipeline project in December 2010 (*see* Findings of Fact, Conclusions of Law and Order, dated December 30, 2010, issued in Case No. PU-10-555). Thus, the combination of Hiland Operating's own evaluation of the proposed Project utilizing the factors set forth in the Siting Act, the Siting Rules, and the Commission's Guidelines, and the fact that a portion of the proposed Project will be located within a previously-approved corridor, both support the determination that the proposed Project will have minimal adverse effects.

Accordingly, Hiland Operating respectfully requests that the Commission grant the requested waivers and render an expeditious decision.

Exhibit A
Route Overview PU 10-554
6-Inch Natural Gas Liquids Pipeline
McKenzie County
July 2011

Legend

-  Pipeline Route
-  Watford City Gasplant
-  Railroad Parcel



Hiland Operating, LLC
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EXHIBIT A