

May 4, 2012

VIA HAND DELIVERY

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

RECEIVED

MAY 04 2012

PUBLIC SERVICE COMMISSION

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

Dear Mr. Nitschke:

Enclosed for filing, please find an original and ten (10) copies of the following:

1. Supplement to the Application of Hiland Operating, LLC, for an Amended Corridor Certificate and Route Permit, and Application for Waiver or Reduction of Procedures and Time Schedules; and
2. Maps for publication.

Also enclosed is a CD containing the above-referenced documents in PDF format. If you have any questions, please let me know.

Sincerely,



MOLLIE M. SMITH

MMS/ms
Enclosures

cc: Mr. Patrick Fahn (w/ encl. - via e-mail)
Mr. Michael Higgins (w/ encl. - via e-mail)
Ms. Kathleen Spilman (w/ encl. - via e-mail)

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PU-10-554

Filed: 5/4/2012

Pages: 13

**Supplement to the Application for Amended Corridor
Certificate and Route Permit**

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

**Supplement to the Application of Hiland Operating, LLC,
for an Amended Corridor Certificate and Route Permit, and
Application for Waiver or Reduction of Procedures and Time Schedules**

Hiland Operating, LLC (“Hiland Operating”), hereby submits this supplement to its application for an amended Certificate of Corridor Compatibility and an amended Route Permit for its 6-inch natural gas liquids (“NGLs”) pipeline project, to be located in McKenzie County, North Dakota (the “Project”), and requests waivers and reductions of certain time schedules and procedures.

On November 2, 2011, the North Dakota Public Service Commission (“Commission”) issued its Order granting Hiland Operating Certificate of Corridor Compatibility No. 125 and Route Permit No. 134 for the Project (“Order”). On April 17, 2012, Hiland Operating filed with the Commission an application for approval of a modification to the Project route, which also necessitates modification of the approved corridor. On April 25, 2012, Hiland Operating filed with the Commission additional maps depicting the location of the approved corridor and route for the Project, as well as the proposed modified corridor and route. Hiland Operating’s April 17 and 25, 2012, filings are incorporated by reference herein.

Hiland Operating hereby requests 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 or reduce the following requirements:

1. 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 an amended Certificate of Corridor Compatibility and an amended Route Permit, and insofar as they require separate publication of notices of filing said applications
2. The requirements of 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 insofar as these sections may require that the Commission hold a public hearing on a waiver request, the application for an amended Certificate of Corridor Compatibility, and/or the application for an amended Route Permit. Instead, Hiland Operating requests that the Commission issue a notice of opportunity for hearing and publish it in the official newspaper of McKenzie County, North Dakota. Furthermore, if either an informal or formal hearing is required, Hiland Operating requests that the Commission hold a single consolidated hearing on its waiver request and its consolidated application for an amended Certificate of Corridor Compatibility and amended Route Permit.

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

A. Description of Proposed Project.

1. **Type:** The Project consists of an underground steel pipeline and associated facilities (e.g., pipeline markers, rectifiers, a "pig" launcher and receivers and block valves). Hiland Operating requests that the Commission approve a modification of the approved Project corridor and route in Sections 31 and 32, Township 152 North, Range 103 West, and in Sections 4 and 5, Township 151 North, Range 103 West, McKenzie County, North Dakota.

2. **Product:** The Project, as modified, will still transport pipeline quality NGLs.

3. **Size and Design:** The size and design of the Project, as modified, will remain the same as approved in the Commission's Order.

4. **Location:** The Project, as modified, will be approximately 12.6 miles long and will still 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. Map of the proposed modified Project corridor and route are 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 plans to begin construction of the Project on or before July 1, 2012, and plans for the Project to be in-service on or before September 15, 2012. Therefore, Hiland Operating seeks approval of its application for modification of the Project route and corridor and its waiver request as soon as possible so as to allow timely completion of the Project.

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

B. Need for Facility.

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 was filed with the Commission on July 12, 2011.

Except for a reduction in the length of the Project as a result of the proposed corridor and route modifications, the Project remains consistent with Hiland Operating's Ten-Year Plan for 2011-2021, which was filed with the Commission on July 1, 2011 (*see* Docket No. PU-11-391).

C. Cost.

The corridor and route modifications requested will reduce the total Project costs from approximately \$4 million to approximately \$3.5 million.

D. Waiver Request.

Hiland Operating requests that the Commission grant the waivers and reductions in procedures and time schedules requested herein because said waivers and reductions 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 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 and reductions 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." Granting the waivers requested is appropriate because the Commission has already issued a Certificate of Corridor Compatibility and Route Permit for the Project; thus, it has been determined that the Project will

produce minimal adverse effects. In addition, the corridor and route modifications requested will: (1) reduce the overall length of the Project by approximately 1.5 miles, thereby reducing potential environmental impacts, as well as Project costs; (2) result in the removal of fewer trees; and (3) move the Project further away from cultural sites located in Sections 29, 31 and 32, Township 152 North, Range 103 West, McKenzie County, North Dakota, thereby reducing the potential for inadvertent impacts to these cultural sites, and eliminating the need for Hiland Operating to reduce the width of its right-of-way near said sites, fence the boundaries of said sites, and have the sites monitored by an archaeologist during construction (*see* paragraph 17 of Recommended Findings of Fact, Conclusions of Law and Recommended Order, dated October 31, 2011, adopted and incorporated into the Commission's Order). *See also* Affidavit of Michael S. Higgins, dated April 16, 2012, included in the application filed on April 17, 2012.

Furthermore, the documentation of environmental and cultural resource studies and analyses conducted for the proposed corridor and route modifications, which was included in the application filed on April 17, 2012, demonstrates that there will be minimal adverse effects due to the modifications, and that the proposed modifications comply with the exclusion and avoidance area criteria set forth in Section 69-06-08-02 of the North Dakota Administrative Code. As such, the requested modifications also comply with the requirements of Section 69-06-05-02(2) of the North Dakota Administrative Code.

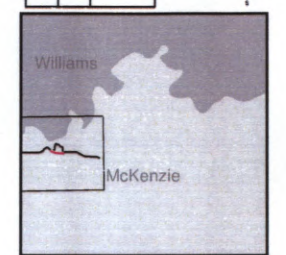
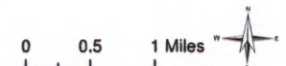
Accordingly, Hiland Operating respectfully requests that the Commission grant the requested waivers and reductions of procedures and time schedules, approve the requested corridor and route modifications, and expeditiously issue an order granting an amended Certificate of Corridor Compatibility and Route Permit.

**Hiland 6" NGL Pipeline
200' Corridor Map
PU-10-554**

(With Requested Re-route)
(Revised April 17, 2012)

Legend

- Requested Reroute Corridor
- Approved and Unchanged Corridor
- Approved Route Corridor

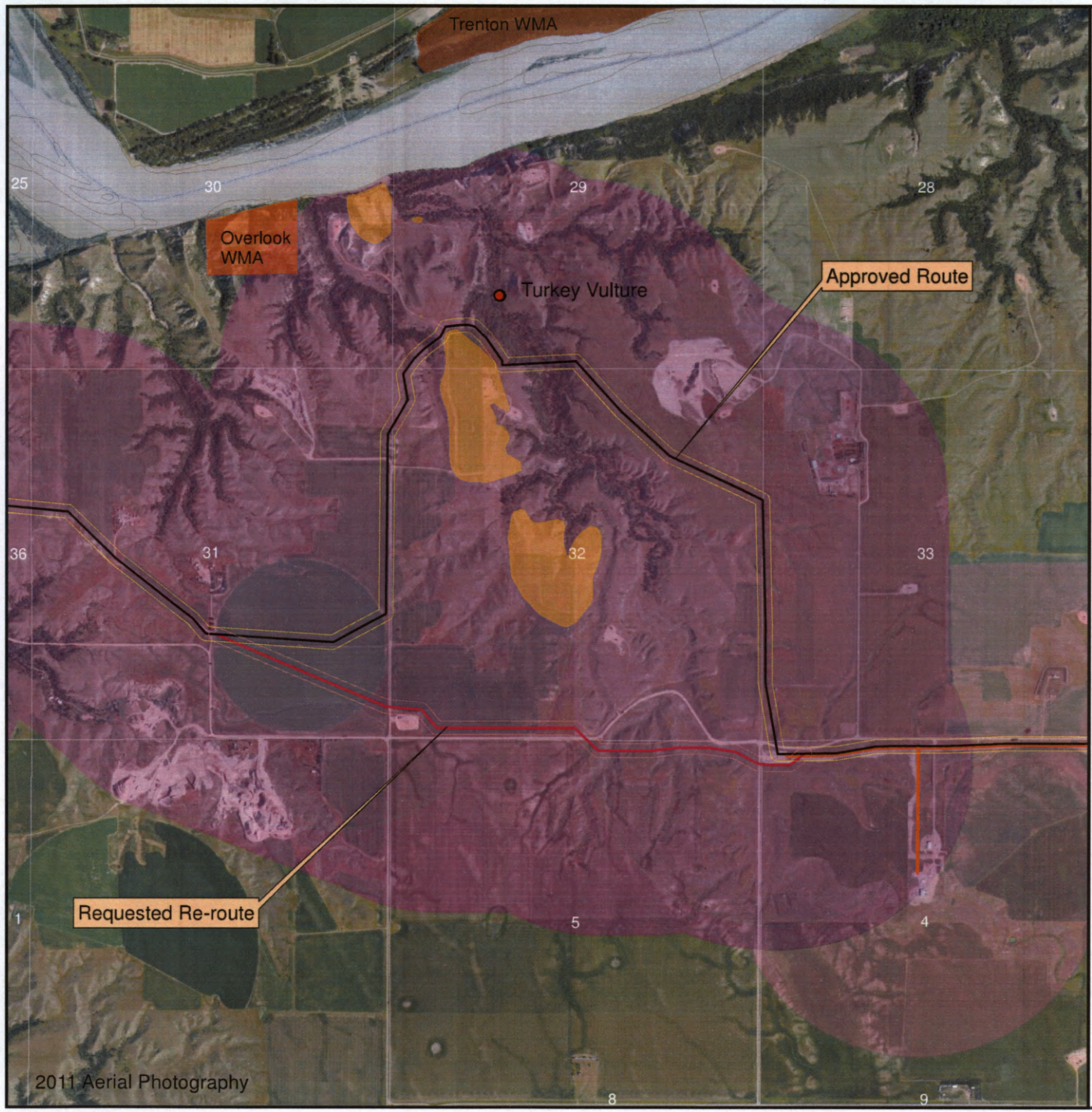


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EXHIBIT

A



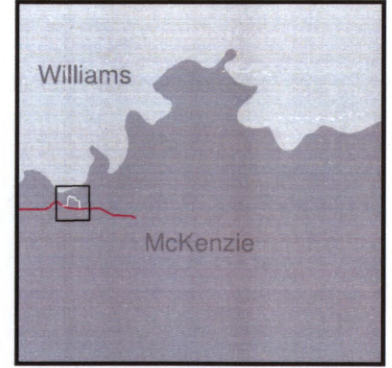
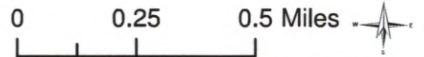
2011 Aerial Photography

Figure 4.A.3a - Route Map
(Revised April 17, 2012)

6-Inch Natural Gas Liquids Pipeline
McKenzie County
Township 151N Range 103 W
Township 152N Range 103 W

Legend

- Sensitive Reptiles
- Sensitive Birds
- Sensitive Plants
- Sensitive Species
- Residence within 500ft
- 6 Inch LPG Line
- 8 Inch Natural Gas Line
- Requested Re-route
- 2010 Field Study Corridor 1 Mile
- 2011 Field Study Corridor 1 Mile
- Cultural Inventory Sites
- Cultural Inventory Lead Sites
- USFWS Wetland Inventory
- Approved Route 200' Corridor
- Requested Reroute 200' Corridor













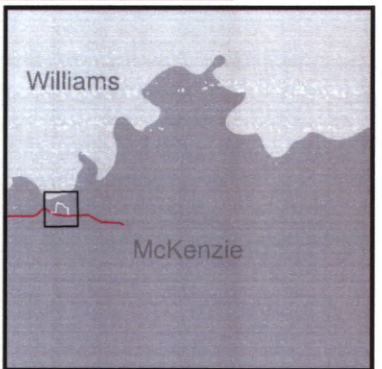
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Figure 4.A.3b - Route Map
(Revised April 17, 2012)

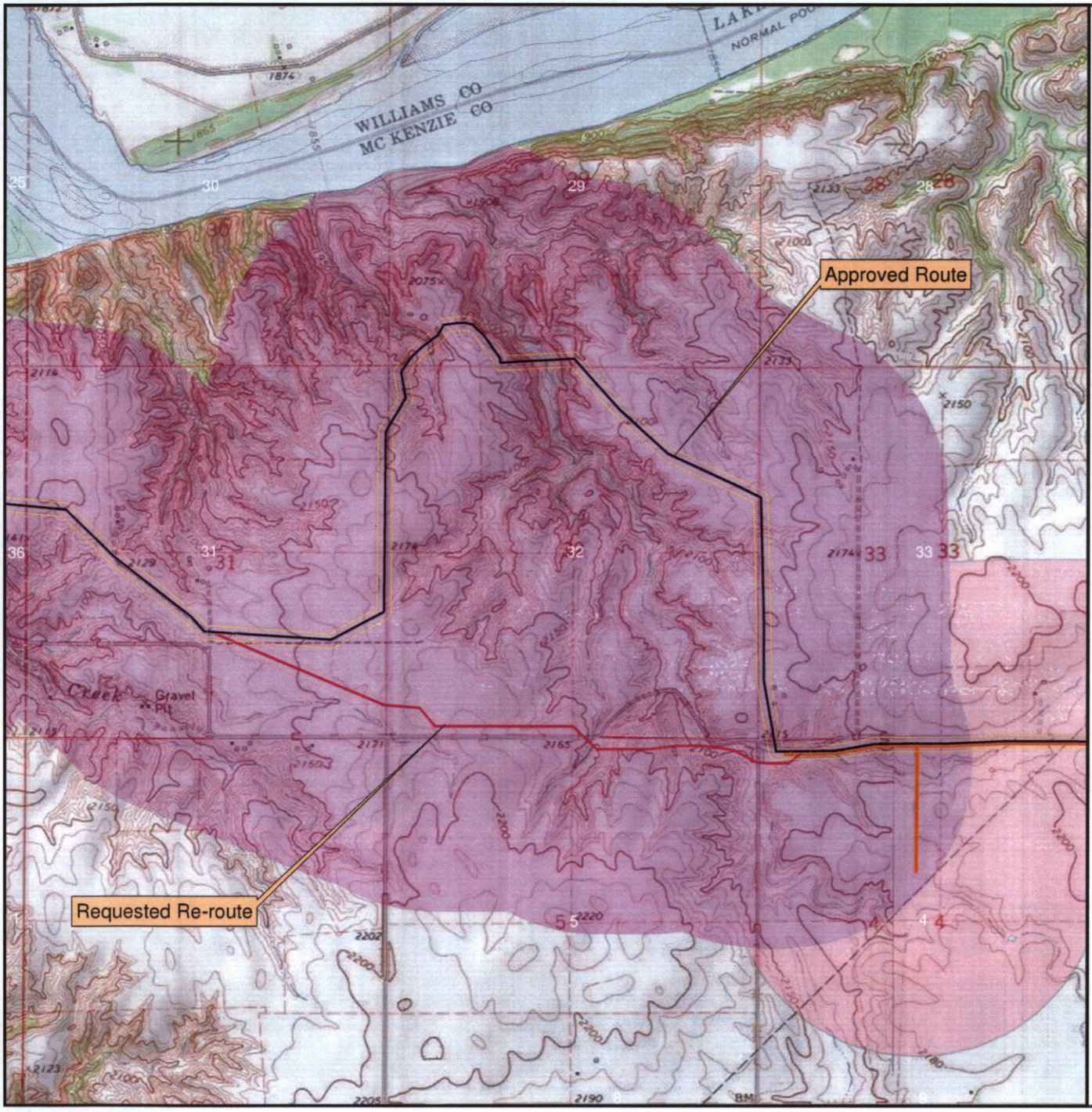
6-Inch Natural Gas Liquids Pipeline
McKenzie County
Township 151N Range 103 W
Township 152N Range 103 W

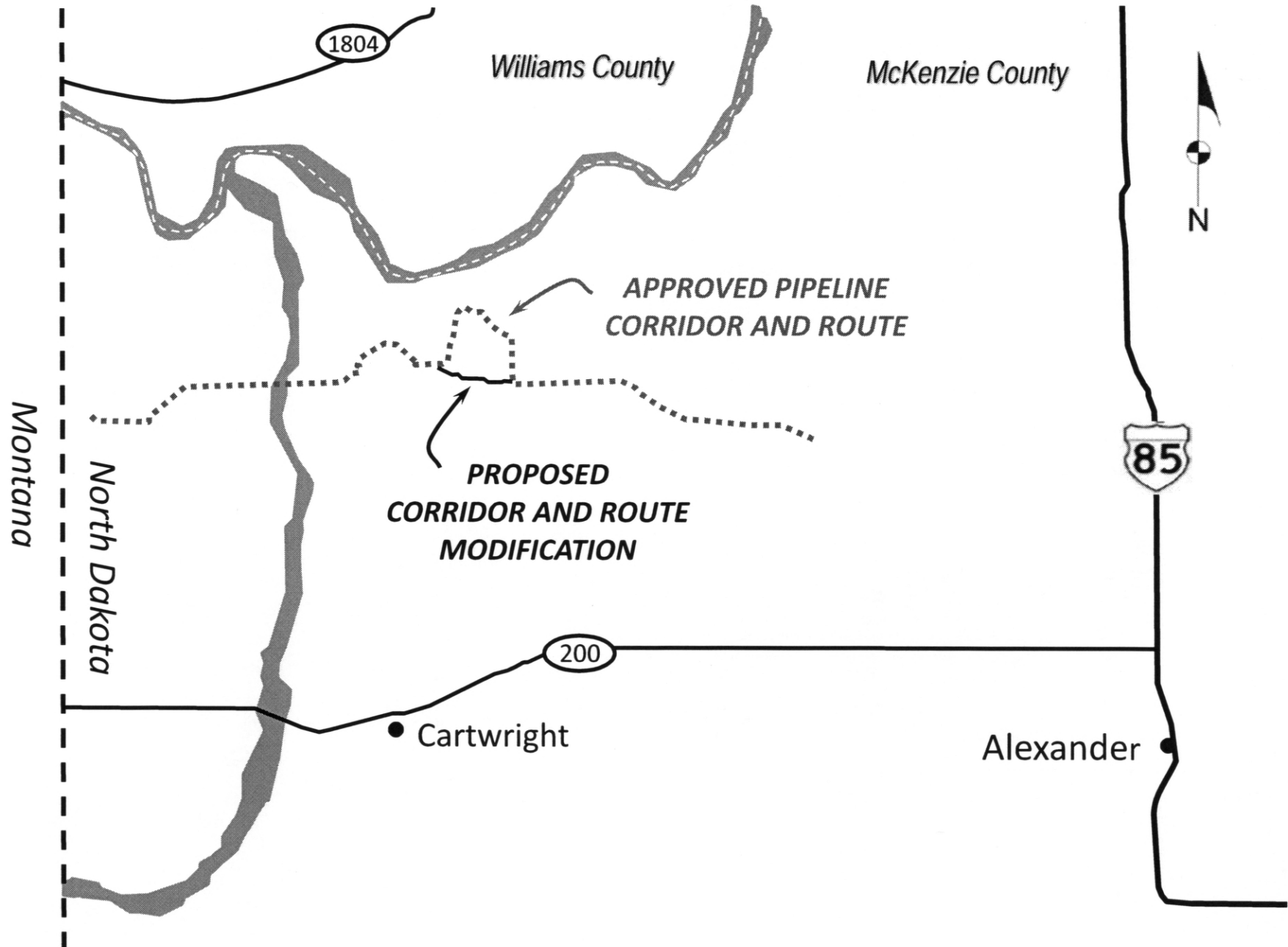
Legend

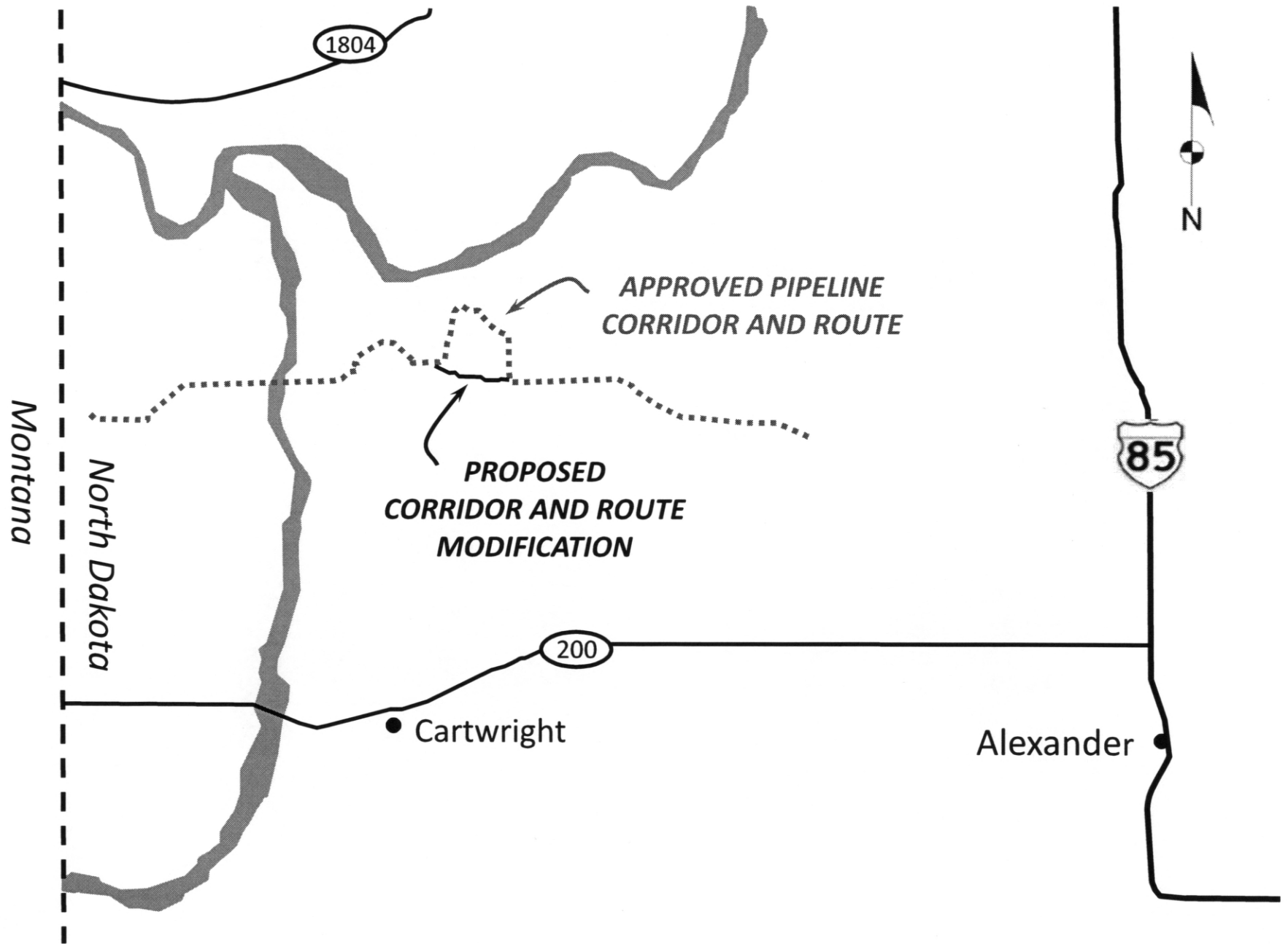
-  6 Inch LPG Line (As Approved)
-  8 Inch Natural Gas Line
-  Requested Re-route
-  2010 Field Suday Corridor 1 Mile
-  2011 Field Study Corridor 1 Mile
-  Cultural Inventory Sites
-  Cultural Inventory Lead Sites
-  USFWS Wetland Inventory
-  Approved Route 200' Corridor
-  Requested Reroute 200' Corridor



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1804

APPROVED PIPELINE
CORRIDOR AND ROUTE

PROPOSED
CORRIDOR AND ROUTE
MODIFICATION

Montana
North Dakota

200

85

• Cartwright

Alexander •

