

July 26, 2012

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VIA HAND DELIVERY

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

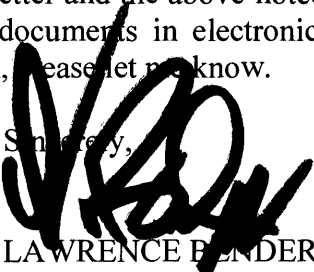
PUBLIC SERVICE COMMISSION

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

Dear Mr. Nitschke:

On June 27, 2012, the Commission issued its Order granting Hiland Operating, LLC (“Hiland Operating”) a First Amended Certificate of Corridor Compatibility No. 125 and First Amended Route Permit No. 134 (“Order”). Hiland Operating hereby files a request for a modification to the Order, allowing Hiland Operating to increase the size of the Project pipeline from a 6 inches to 8 inches in diameter. In support of its request, Hiland submits herewith the Affidavit of Michael S. Higgins, which provides detailed information regarding the proposed modification. Hiland Operating also submits herewith an Application for Waiver or Reduction of Procedures and Time Schedules. Hiland Operating respectfully requests that the Commission make a determination regarding the requested modification as soon as possible.

Enclosed are ten (10) copies of this letter and the above-noted Affidavit and Application, as well as a CD containing the enclosed documents in electronic format. If you have any questions or need any additional information, please let me know.

Signature,

LAWRENCE BENDER

LB/jrr

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: 7/26/2012 Pages: 9
**Application for Waiver or Reduction of Procedures
and Time Schedules & Affidavit of Michael Higgins**

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Hiland Operating, LLC
6-inch Natural Gas Liquids Pipeline – McKenzie County
Siting Application

Case No. PU-10-554

AFFIDAVIT OF MICHAEL S. HIGGINS

STATE OF OKLAHOMA)
) ss.
COUNTY OF GARFIELD)

Michael S. Higgins, being first duly sworn upon oath, states and alleges as follows:

1. That I am employed by Hiland Operating, LLC (“Hiland Operating”), and am the Project Manager for Hiland Operating’s natural gas liquids pipeline project in McKenzie County, North Dakota (“Project”), which is the subject of the above-captioned matter.

2. That, on November 2, 2011, the North Dakota Public Service Commission (“Commission”) issued its Order granting Hiland Operating a Certificate of Corridor Compatibility and Route Permit for the Project.

3. That in April 2012, Hiland Operating requested the Commission approve a route and corridor modification 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.

4. That on June 27, 2012, the Commission issued an Order granting Hiland Operating a First Amended Certificate of Corridor Compatibility and First Amended Route Permit for the Project.

5. That Hiland Operating requests the Commission approve a modification to the Order, First Amended Certificate of Corridor Compatibility, and First Amended Route Permit to allow Hiland Operating to change the diameter of the Project pipeline from 6 inches to 8 inches.

6. That Hiland Operating is requesting the modification to allow the Project to transport a greater volume of natural gas liquids without increased impact to the environment.

7. That the increase in diameter of the Project pipeline from 6 inches to 8 inches will not require a wider temporary construction right-of-way or a wider permanent right-of-way.


8. That the increase in diameter of the Project pipeline from 6 inches to 8 inches will not require Hiland Operating to dig a larger trench or use more intrusive construction equipment or methods.

9. That Hiland Operating has secured easements from the owners of all property to be crossed by the Project, and that no modifications to the existing easements are required to facilitate the larger diameter pipeline.

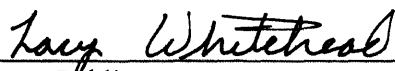
10. That, as determined by the Commission in its Findings and Fact, Conclusions of Law, and Order issued June 27, 2012, no avoidance or exclusion areas as set forth in Sections 69-06-08-02(1) and (2) of the North Dakota Administrative Code will be crossed by the Project.

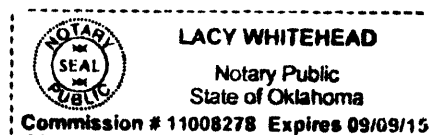
11. That no selection criteria as set forth in Section 69-06-08-02(3) of the North Dakota Administrative Code will be negatively impacted by the increase in the diameter of the Pipeline project.

FURTHER AFFIANT SAYETH NOT.


Michael S. Higgins

Subscribed and sworn to before me
this 25th day of July, 2012.


Notary Public



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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 12.6-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**

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 a Certificate of Corridor Compatibility No. 125 and Route Permit No. 134 for the Project. In April 2012, Hiland Operating filed with the Commission a request for approval of a modification to the Project route, which also necessitated modification of the approved corridor. On June 27, 2012, the Commission issued its Order granting Hiland Operating a First Amended Certificate of Corridor Compatibility No. 125 and First Amended Route Permit No. 134 (“Order”). Hiland Operating has now filed a request for a modification to the Order, allowing Hiland Operating to increase the size of the Project pipeline from a 6 inches to 8 inches in diameter.

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 the 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).

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

3. **Size and Design:** The Project will consist of an 8-inch steel pipeline. The size and design of the Project, as modified, will otherwise remain the same as approved in the Commission's Order.

4. **Location:** The Project will still 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. A map of the approved Project corridor and route 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 plans to begin construction of the Project on or before September 1, 2012, and plans for the Project to be in-service on or before November

30, 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 an increase in the diameter of the pipeline from 6 to 8 inches, the Project remains consistent with Hiland Operating's Ten-Year Plan for 2012-2022, which was filed with the Commission on June 28, 2012 (*see* Docket No. PU-12-431).

C. Cost.

The total Project cost will increase from approximately \$3.5 million to approximately \$4 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 to prevent potentially significant delays to the Project. As noted above, the Project is needed 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. The slight increase in diameter of the pipeline from 6 to 8 inches will not result in any additional or increased adverse effects.

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

