

September 4, 2012

VIA HAND DELIVERY

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

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PUBLIC SERVICE COMMISSION

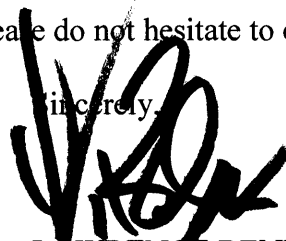
**RE: HILAND OPERATING, LLC
6-INCH NATURAL GAS LIQUIDS
PIPELINE – MCKENZIE COUNTY
CASE NUMBER PU-10-554**

Dear Mr. Nitschke:

Enclosed for filing, please find an original and ten (10) copies of Hiland Operating, LLC's Proposed Findings of Fact, Conclusions of Law, and Order. Also enclosed is a CD containing the above-referenced documents in PDF format.

Should you have any questions, please do not hesitate to contact me.

Sincerely,



LAWRENCE BENDER

LB/jrr
Enclosures

cc: Mr. Patrick Fahn (w/ encl. - via e-mail)
Mr. Mark Gruman (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: 9/4/2012 Pages: 5
Proposed Findings of Fact, Conclusions of Law and Order

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

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

Case No. PU-10-554
OAH File No. 20110324

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

September __, 2012

Appearances

Lawrence Bender and Jillian R. Rupnow, Attorneys-at-Law, Fredrikson & Byron, P.A., 200 North Third Street, Suite 150, Bismarck, North Dakota 58501, on behalf of Hiland Operating, LLC.

Mark E. Gruman, Legal Counsel, Public Service Commission, 600 East Boulevard, Bismarck, North Dakota 58505.

Patrick Fahn, Director – Compliance and Competitive Markets Division, Public Service Commission, 600 East Boulevard, Bismarck, North Dakota 58505.

Preliminary Statement

On November 2, 2011, the North Dakota Public Service Commission (“Commission”) issued an Order adopting the Administrative Law Judge’s Recommended Findings of Fact, Conclusions of Law, and Order in the above-captioned matter, and granting Certificate of Corridor Compatibility No. 125 and Route Permit No. 134 to Hiland Operating, LLC (“Hiland”), for a natural gas liquids (“NGLs”) pipeline project in McKenzie County, North Dakota (“Project”).

On April 17, 2012, Hiland filed with the Commission an application seeking approval of modifications to the Project route and corridor. On June 27, 2012, the Commission issued its Findings of Fact, Conclusions of Law, and Order, granting Hiland First Amended Certificate of Corridor Compatibility No. 125 and First Amended Route Permit No. 134.

On June 26, 2012, Hiland filed with the Commission an application seeking approval of a modification to the Project. The application included the Affidavit of Michael Higgins, and Application for Waiver or Reduction of Procedures and Time Schedules, in support of the application. In its waiver request, Hiland requests waiver of the following:

1. Procedures that may require separate filings of applications for an amended certificate of corridor compatibility, an amended route permit, and waiver of procedures and time schedules;
2. Procedures that may require separate notices of such applications;

3. Procedures that may require public hearings on such applications; and
4. Procedures that may require separate hearings on such applications, if either a formal or informal hearing is required.

Hiland seeks approval to increase the permitted diameter of the Project pipeline diameter from 6 inches to 8 inches. Hiland requests approval of the proposed increase in pipeline diameter to allow Hiland the flexibility to meet future commercial opportunities to transport increased volumes of NGLs.

On August 1, 2012, the Commission found the application of Hiland to be complete and issued a Notice of Filings, Notice of Informal Hearing, and Notice of Opportunity for Hearing, scheduling an informal hearing for August 29, 2012, at 1:30 p.m. in the Commission Hearing Room on the 12th Floor of the State Capitol. The Notice further provided that comments and requests for a hearing must be received by August 31, 2012. The Notice identified the following issues to be considered with respect to Hiland's application for waiver of procedures and time schedules:

1. Are the proposed facilities of such length, design, location, or purpose that they will produce minimal adverse effects and that adherence to applicable procedures and time schedules may be waived?
2. Is it appropriate for the Commission to waive any procedures and time schedules as requested in the application?

The Notice identified the following issues to be considered with respect to Hiland's applications for an amended Certificate of Corridor Compatibility and an amended Route Permit:

1. Will the location, construction, and operation of the proposed facilities produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota?
2. Are the proposed facilities compatible with the environmental preservation and the efficient use of resources?
3. Will the proposed facility locations minimize adverse human and environmental impact while ensuring continuing system reliability and integrity and ensuring that energy needs are met and fulfilled in an orderly and timely fashion?

On August 20, 2012, the North Dakota Department of Health filed comments stating that it believes environmental impacts from the proposed construction will be minor and recommended certain construction methods to minimize fugitive dust emissions, minimize adverse effects on water bodies, and minimize construction activity noise.

On August 29, 2012, the Commission held the informal hearing as scheduled. No comments or requests for hearing were received.

Having allowed all interested persons an opportunity to be heard, and having heard, reviewed, and considered all testimony and evidence presented, the Commission makes the following:

Findings of Fact

1. As the materials filed by Hiland in its July 26, 2012 application states, and as was further discussed at the informal hearing, the increase in pipeline diameter from 6 to 8 inches does not cause any increased impacts upon the environment or upon the citizens of North Dakota.

From the foregoing Findings of Fact, the Commission now makes its:

Conclusions of Law

1. The Commission has jurisdiction over the applicant, Hiland Operating, LLC, and over the subject matter of this application under North Dakota Century Code, Chapter 49-22.

2. Hiland Operating is a utility as defined in North Dakota Century Code, Section 49-22-03(13).

3. The proposed pipeline is a transmission facility as defined in North Dakota Century Code, Section 49-22-03(12).

4. The location, construction, and operation of the Project will produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota.

5. The location, construction and operation of the Project are compatible with environmental preservation and the efficient use of resources.

6. The Project will minimize adverse human and environmental impact while ensuring continuing system reliability and integrity and ensuring that energy needs are met and fulfilled in an orderly and timely fashion.

7. The Project is of such design and location that it will produce minimal adverse effects, in accordance with North Dakota Century Code, Section 49-22-07.2.

8. It is appropriate for the Commission to waive those certain procedures and time schedules as requested in the application and provided under North Dakota Century Code, Section 49-22-07.2.

From the foregoing Findings of Fact and Conclusions of Law, the Commission issues its:

Order

1. Hiland's application for waiver of procedures and time schedules is granted.

2. Hiland's request for amendments to the permitted corridor and pipeline route are granted, and Hiland is issued Second Amended Certificate of Corridor Compatibility No. 125 and Second Amended Route Permit No. 134.

3. The authorizations granted by the Second Amended Certificate of Corridor Compatibility No. 125 and Second Amended Route Permit No. 134 are subject to modification by order of the Commission if deemed necessary to further protect the public or the environment.

4. The amended corridor and amended route are subject to the conditions and limitations stated in the Findings of Fact, Conclusions of Law, and Order dated November 2, 2011, the Findings of Fact, Conclusions of Law, and Order dated June 27, 2012 and are subject to the conditions and limitations stated in this Order.

PUBLIC SERVICE COMMISSION

Kevin Cramer
Commissioner

Brian P. Kalk
Chairman

Bonnie Fetch
Commissioner

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