

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 5.1-MILE-LONG  
EIGHT-INCH NATURAL GAS MAIN &  
LATERAL PIPELINE AND ASSOCIATED  
FACILITIES IN MCKENZIE COUNTY,  
NORTH DAKOTA

CASE NO. PU-10-555

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

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In connection with its submission of a consolidated application for a Certificate of Corridor Compatibility and Route Permit for an approximately 5.1-mile-long, 8-inch natural gas main and lateral pipeline project 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 and Article 69-06 of the North Dakota Administrative Code. 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, 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 main line and lateral line that will transport pipeline quality natural gas. Surface facilities installed will be limited to pipeline

markers, rectifiers, "pig" launchers, 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 (i.e., primarily methane with some ethane) natural gas.

3. **Size and Design:** Both the main line and the lateral line will require the installation of an 8-inch nominal diameter pipeline with a nominal wall thickness of 0.219 inches denoted as American Petroleum Institute (API) Code 5LX specification X52/X42 pipeline pipe. The maximum allowable operating pressure (MAOP) will be 1625 pounds of pressure per square inch gauge (psig). The valves to be installed will be 8-inch ANSI 900, weld end by weld 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 1625 psig. 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 approximately 5.1-mile-long main line 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 will terminate at and interconnect to Northern Border Pipeline Company's (Northern Border) transmission pipeline at the Hiland Partners-Northern Border Tap Site, approximately five miles north of Cartwright, North Dakota. The approximately 1,500-foot-long lateral line will extend off of the Project main line and interconnect to Williston Basin Interstate Pipeline Company's (WBI) transmission pipeline at a

point approximately one-half mile from the Project main line's point of termination at the Northern Border transmission pipeline. 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 natural gas from the Hiland Operating Plant near Cartwright, North Dakota, to nearby transmission pipelines owned and operated by Northern Border and WBI. The immediate area served by the proposed Project will be northwestern North Dakota; however, the processed natural gas will ultimately be transported to various delivery areas served by Northern Border's and WBI's transmission pipelines.

6. **Time Schedule:** Hiland Operating has a target completion date for the Project of March 1, 2011. Hiland Operating proposes to develop the Project on the following schedule:

- October 2010 – Hiland Operating files with the Commission a consolidated application for a Certificate of Corridor Compatibility and Route Permit.
- November 30, 2010 – The Commission issues a Certificate of Corridor Compatibility and Route Permit for the Project.
- December 1, 2010 – Hiland Operating will begin construction of the Project.
- March 1, 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.**

Currently, large quantities of natural gas produced in northwestern North Dakota must be flared due to insufficient natural gas processing and transmission facilities within the State. The proposed Project will help meet this infrastructure need by providing an additional means for transporting natural gas processed by the soon to be completed Hiland Operating Plant to points

of interconnection with the larger natural gas pipeline transmission system. Upon completion, the Project will enable transportation of natural gas produced in northwestern North Dakota to two markets: (1) local markets via WBI's Transmission System; and (2) markets in eastern Illinois and western Indiana via Northern Border's Transmission System. This market flexibility is critical to assure the best overall value is obtained for North Dakota's natural gas production. In short, the Project will provide needed capacity to transport increased production of processed natural gas from the Bakken and Three Forks formations, and will allow a natural resource that would otherwise be wasted to be utilized by consumers.

**C. Cost.**

The total capital cost of developing the proposed Project is estimated to be \$3.4 million.

**D. Waiver Request.**

Hiland Operating requests that the Commission grant it the waivers requested 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 natural gas from the Hiland Operating Plant to the Northern Border and WBI Transmission Systems. The Hiland Operating Plant, which is currently under construction, is anticipated to be completed and operational by March 1, 2011. 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 provide the transmission needed by the Hiland Operating Plant in a timely manner. Delay to the Project will, in turn, require the Hiland Operating Plant to delay processing of natural gas, which will result in more natural gas being flared by North Dakota producers.

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 5.1 miles), 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 natural gas from the Hiland Operating Plant to nearby transmission pipelines).

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 Energy Conversion and Transmission Siting Act, the Energy Conversion and Transmission Siting Rules set forth in Article 69-06 of the North Dakota Administrative Code, and the Commission’s Guidelines for Energy Conversion and Transmission Facility Siting. 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. Accordingly, Hiland Operating respectfully requests that the Commission grant the requested waivers and render an expeditious decision.

Dated this 12<sup>th</sup> day of October, 2010.

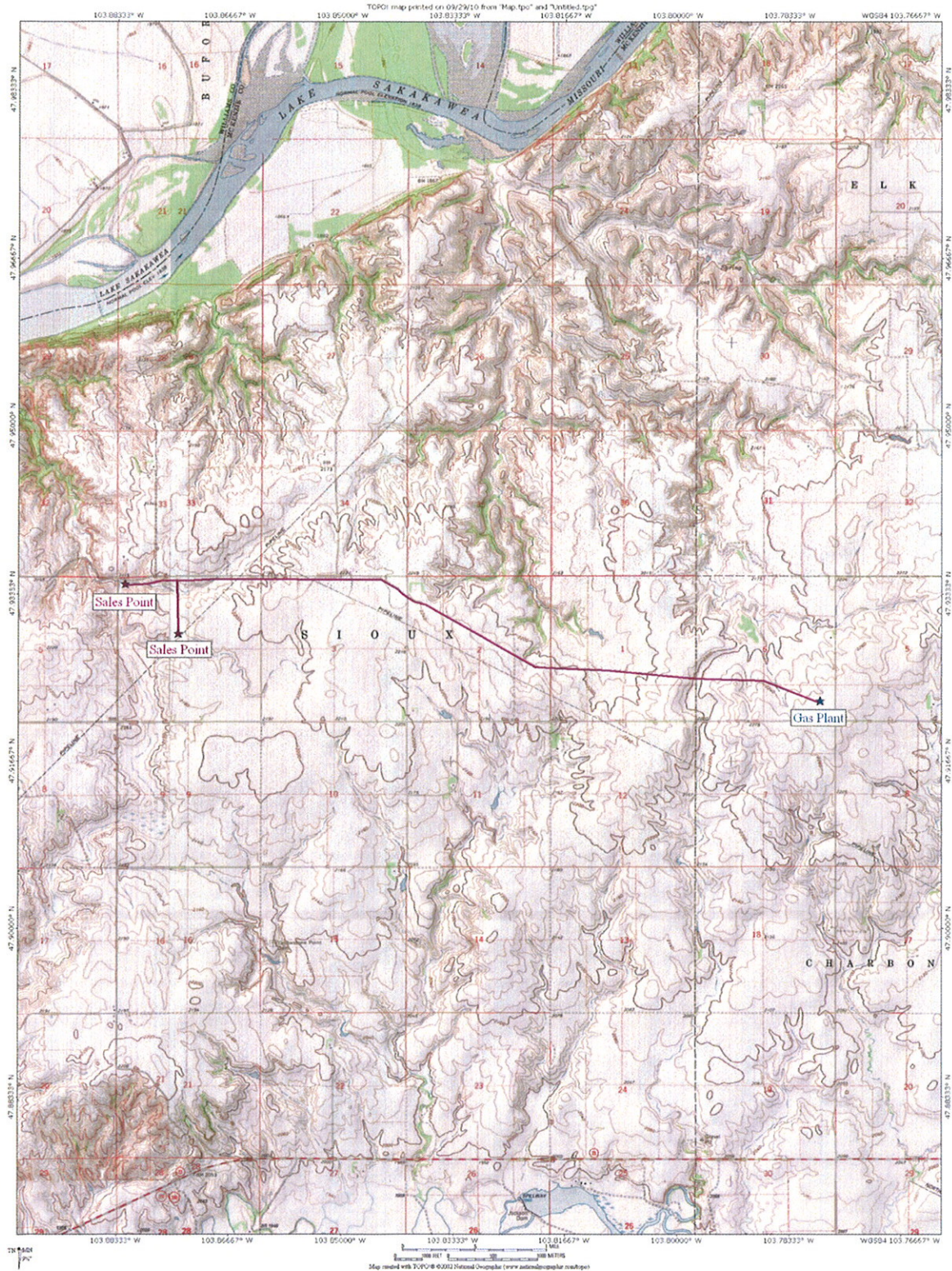
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# Hiland Operating, LLC 8-Inch Natural Gas Main & Lateral Pipeline Project McKenzie County, North Dakota



**EXHIBIT A**