

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 6.5-MILE-LONG SIX-
INCH NATURAL GAS PIPELINE AND
ASSOCIATED FACILITIES IN BURKE
AND DIVIDE COUNTIES, NORTH
DAKOTA

CASE NO. PU-12-190

**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 pipeline project, approximately 6.5 miles in length, which was mistakenly constructed without the North Dakota Public Service Commission's (Commission) approval, in Burke County and Divide County, North Dakota (the Project), Hiland Operating, LLC (Hiland Operating), submits to the 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, 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.

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 consists of an underground steel pipeline that transports processed natural gas. Surface facilities installed are limited to pipeline markers, rectifiers, a "pig" launcher and receiver, and block valves. Small fenced-in enclosures to house associated power and control systems were installed to operate valves remotely.

2. **Product:** The Project transports pipeline-quality natural gas.

3. **Size and Design:** The Project required 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) is 1200 pounds of pressure per square inch gauge (psig). The valves installed are 6-inch ANSI 300, flange end by flange end, full port, rising stem gate valves. These valves were manufactured in accordance with API 6D "API Specification for Steel, Gate, Plug, Ball and Check Valves for Pipeline Service." The MAOP of the valves is 1440 psig. The Project has a maximum capacity of 13,889 cubic feet of natural gas per minute, or 20 million cubic feet (MMCF) of natural gas 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 Subpart C. The Project was constructed in accordance with 49 CFR 195 Subpart D, and operated and maintained in accordance with 49 CFR 195 Subpart F.

4. **Location:** The pipeline is approximately 6.5 miles long and originates at Hiland Operating's Norse natural gas processing plant (Norse Plant) located approximately eight miles north and twelve miles west of Powers Lake, North Dakota, and terminates at an interconnect to WBI's transmission pipeline located approximately 8.5 miles northwest of Powers Lake, North Dakota. The Project is located in Burke County and Divide County, North Dakota. A map of the proposed project is attached hereto as **Exhibit A**.

5. **Geographical Service Area:** As noted above, the Project will take processed pipeline-quality natural gas from the Norse Plant, to the WBI transmission pipeline. The immediate area served by the Project is northwestern North Dakota; however, the natural gas will ultimately be transported to areas served by the WBI transmission pipeline within and outside of North Dakota.

6. **Time Schedule:** Hiland Operating proposes the following schedule:

- January 2013 — Hiland Operating files with the Commission a consolidated application for a Certificate of Corridor Compatibility Application and Route Permit.

- March 1, 2013 — The Commission issues a Certificate of Corridor Compatibility and a Route Permit for the Project.
- November 2008 — Hiland Operating began construction of the Project.
- March 2009 — Hiland Operating mistakenly completed construction of the Project and placed it in service without the Commission’s approval.

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, North Dakota produced a record 153 million barrels of oil in 2011, shattering the high set a year earlier by 40 million barrels.¹ The state also produced a record 156 billion cubic feet of natural gas in 2011, up from 113 billion cubic feet the year before.² At the end of April 2011, 37% of natural gas produced in North Dakota was flared as an unmarketable byproduct of oil production.³

The Norse Plant provides a means of processing natural gas produced in northwestern North Dakota. The Project connects the Norse Plant to the WBI transmission pipeline, which, in turn, transports pipeline-quality natural gas to markets served by the pipeline. Thus, the Project provides needed capacity to transport production of natural gas from the Bakken and Three Forks formations to a pipeline serving markets within and outside of North Dakota, and does so in a safer, more economical manner than transporting the natural gas by truck or rail.

¹ NDIC. “North Dakota Annual Oil Production.” Available at: <https://www.dmr.nd.gov/oilgas/stats/annualprod.pdf> (accessed May 1, 2012).

² NDIC. “North Dakota Monthly Gas Production and Sales.” Available at: <https://www.dmr.nd.gov/oilgas/stats/Gas1990ToPresent.pdf> (accessed May 1, 2012).

³ *Id.*

For additional analysis of the need for the 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 Project is consistent with Hiland Operating's Ten-Year Plan for 2012-2022, which was filed with the Commission on June 28, 2012 (Case No. PU-12-431).

C. Cost.

The total cost of construction for the Project was approximately \$1.5 million.

D. Waiver Request.

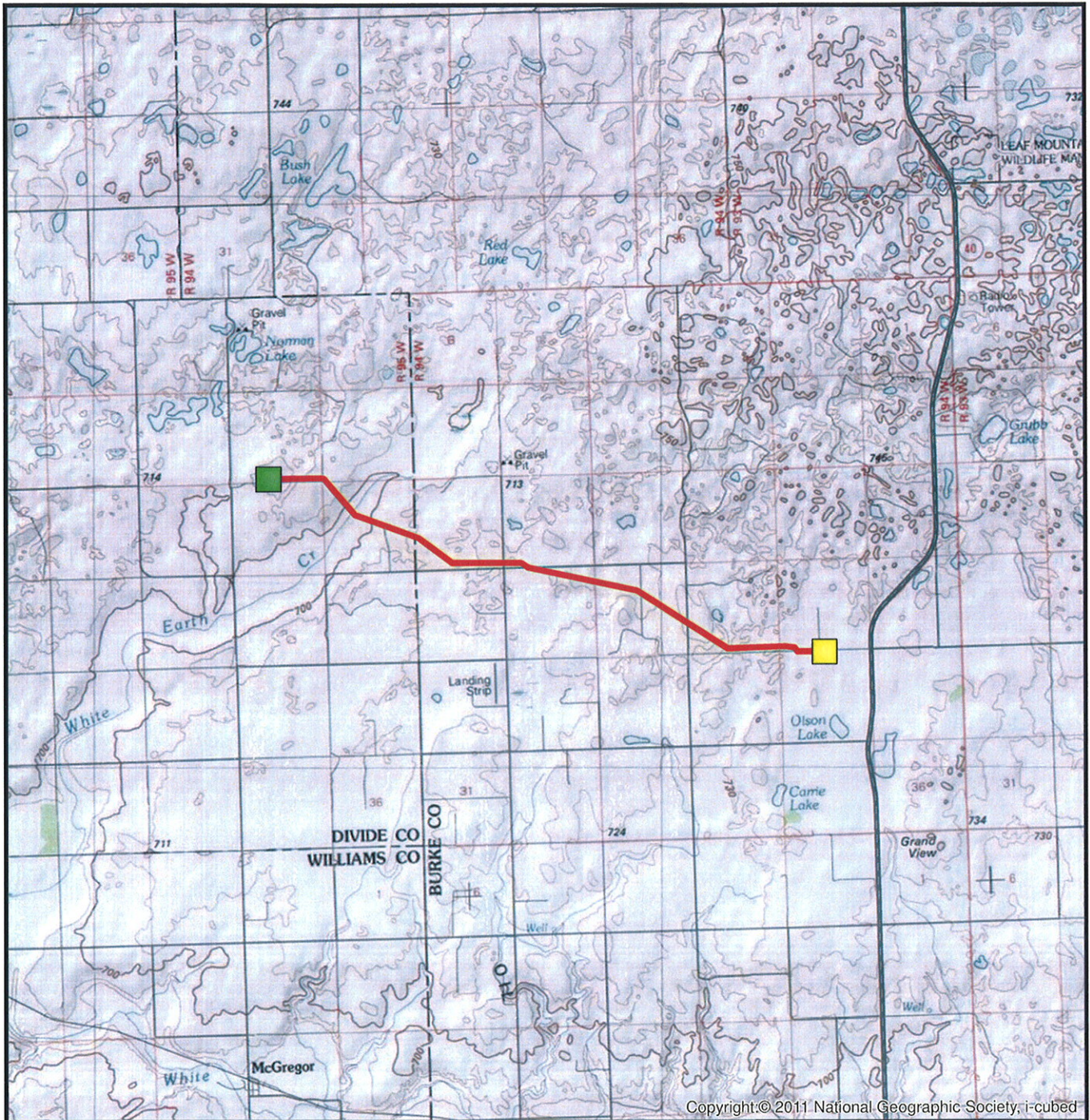
Hiland Operating requests that the Commission grant the waivers requested herein because the pipeline in question has already been constructed and is currently in operation. As noted above, the Project provides an economical and efficient means of transporting natural gas from the Norse Plant to the WBI transmission pipeline. Utilizing the Project to transport the natural gas processed by the Norse Plant reduces the need to transport the natural gas via truck or rail, which, in turn, reduces traffic on North Dakota roads and railways.

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 Project has produced minimal adverse effects due to its short length (only approximately 6.5 miles), its design, (an underground, small-diameter pipeline with few above-ground appurtenances), its location (crossing pasture and farmland in rural Burke County and Divide County, and avoiding Exclusion and Avoidance Areas, as set forth in

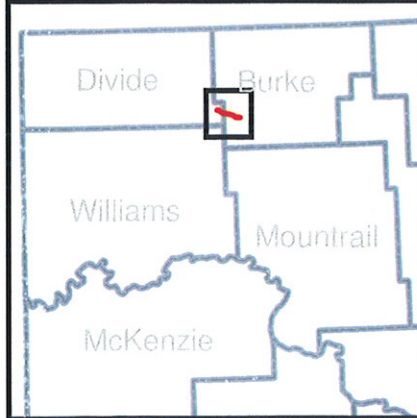
Section 69-06-08-02 of the North Dakota Administrative Code), and its purpose (underground pipeline transportation of natural gas from the Norse Plant to the nearby WBI transmission pipeline).

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 were taken with respect to said impacts, are summarized in Section B of the Route Permit Application (*see* Tab 3). Moreover, Hiland Operating developed an Environmental Mitigation Plan (EMP) that was implemented to avoid and, when necessary, mitigate any potential adverse effects that resulted from construction of the Project. Based upon Hiland Operating's siting criteria evaluation, implementation of the EMP, and the factors set forth in the Guidelines, the Project had minimal adverse effects.

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



Copyright © 2011 National Geographic Society, i-cubed



Legend




-  Pipeline Route
-  Norse Gas Plant
-  WBI Pipeline Tap Site



Exhibit A
Route Overview PU-12-190

6-Inch Natural Gas
Residue Pipeline

Burke and Divide Counties

