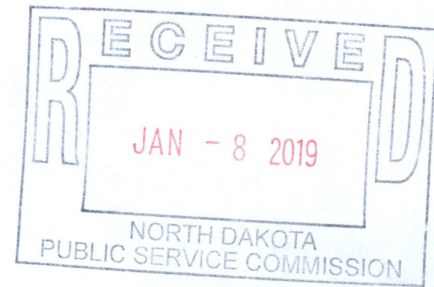




HESS CORPORATION
3015 16th Street SW, Suite 20
Minot, ND 58701

January 3, 2019

North Dakota Public Service Commission
Attn: Darrell Nitschke
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480



Re: Hess Corporation Request for Interpretation of 49 CFR 192.8 to Intrastate Natural Gas Pipeline

Dear Mr. Nitschke:

Hess Corporation requests the North Dakota Public Service Commission's ("PSC") determination that the endpoint of the gathering designation for an intrastate gas pipeline should be extended 2000 feet beyond Hess's Tioga Gas Plant to the downstream LNG liquefaction plant pursuant to 49 CFR § 192.8(a)(2), incorporated under N.D.A.C. § 69-09-03-02.3. The PSC is the regulatory authority to enforce pipeline safety regulations for intrastate gas pipeline operators in North Dakota under its delegated authority from the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration.

Hess's Tioga Gas Plant is a natural gas processing plant located in Williams County, North Dakota. An underground 8-inch pipeline approximately 2,000 feet long runs from the Tioga Gas Plant under a public roadway to North Dakota LNG, LLC's liquefaction plant ("ND LNG plant"). The pipeline supplies the natural gas feedstock to the ND LNG plant where it undergoes additional processing before liquefaction. Hess requests a determination that this pipeline constitutes a gathering line in accordance with 49 CFR § 192.8(a)(2) and Section 2.2 (a)(1)(A) of API Recommended Practice ("RP") 80 because the ND LNG plant meets the definition of a downstream "natural gas processing plant."

This request for a determination follows an October 23, 2017 U.S. Pipeline and Hazardous Materials Safety Administration ("PHMSA") interpretation letter to North Dakota LNG, LLC stating that the ND LNG plant is regulated under 49 CFR Part 193. Part of this interpretation hinged on a statement that the Hess pipeline that transports natural gas feedstock to the ND LNG plant is a Part 192 regulated pipeline. However, Hess believes that PHMSA did not adequately consider the operational relationships between the Tioga Gas Plant, Hess's pipeline, and the ND LNG plant in making this determination. Due to the reasons set forth below, the pipeline is not a Part 192 regulated pipeline under 49 CFR § 192.8(a)(2).

1 **PU-19-27** Filed: 1/8/2019 Pages: 3
Request for jurisdictional determination



1. Legal Authorities

Under 49 CFR § 192.8(a)(2), “The endpoint of gathering, under section 2.2(a)(1)(A) of API RP 80, may not extend beyond the first downstream natural gas processing plant, unless the operator can demonstrate, using sound engineering principles, that gathering extends to a further downstream plant.” In the preamble for this requirement, PHMSA explained that although “DOT interpretations and State agency enforcement actions have recognized the first downstream natural gas processing plant as the customary end of gathering . . . [§192.8(a)(2)] would allow operators the flexibility of ending gathering to a further downstream processing plant essential to gathering.” 70 Fed. Reg. 57,541 (Oct. 3, 2005).

API RP 80 further provides that a “gathering line means any pipeline or part of a connected series of pipelines. . . used to transport gas . . . to the furthestmost downstream of the following endpoints, which physically may have intermediate deliveries . . . : (A) to the furthestmost downstream natural gas processing plant.” API RP 80 Section 2.2(a)(1)(A). API RP 80 states that the “endpoint of gathering is the plant inlet” for the “furthestmost downstream” natural gas processing plant. *Id.* Section 2.2.1.2.1. “Natural gas processing plant” is defined as “a natural gas processing operation, other than production processing, operated for the purpose of commercially extracted natural gas liquids from the gas stream.” *Id.* Section 2.4. Because the ND LNG plant performs additional processing on the natural gas feedstock to commercially extract natural gas liquids, it fits within the definition of a downstream “natural gas processing plant” under API RP 80. Therefore, API RP 80 permits an extension of the gathering endpoint for the pipeline that runs from Tioga Gas Plant the ND LNG plant.

In 2009, PHMSA affirmed a Colorado Public Utilities Commission (“PUC”) determination that a similarly situated pipeline was a “gathering line” pursuant to § 192.8(a)(2) and API RP 80. PHMSA issued a letter of interpretation concurring with the Colorado PUC that a 7.8 mile pipeline from the DCP Midstream Greeley Gas Plant to the DCP Midstream Mewborn Gas Plant was shown to be a “gathering line . . . based on sound engineering principles.” PHMSA Interpretation PI-08-0010 (Feb. 20, 2009) (Attached). PHMSA cites the following factors for this determination: (1) The Greeley Plant separates the methane out and sells it there; the liquids are placed in tanks at the facility and eventually transported to the intended destination via truck; (2) The remainder of the gas, including 90% ethane, 5% methane, and 2% CO₂ is then transported to the Mewborn Plant for additional processing; and (3) The normal operating pressure of the line is approximately 300 psig, down to approximately 150 psig when delivered to the downstream plant. *Id.* PHMSA stated that its concurrence was “warranted as long as the current operating parameters and operating pressures remain the same.” *Id.*

2. Hess’s pipeline is a gathering line because the ND LNG plant is a downstream “natural gas processing plant” under API RP 80.



Because the ND LNG plant performs processing on a natural gas feedstock provided by Hess's pipeline, the endpoint of the gathering line may be extended to the ND LNG plant.

The ND LNG plant is an LNG liquefaction plant, consisting of three production trains: two smaller N2 expander plant trains, and one larger mixed-refrigerant liquefaction train. Based on Hess's understanding of similar operations to the ND LNG plant, prior to entering a liquefaction train, natural gas feedstock will commonly enter a fractionation column for additional processing. This is required before condensation of the gas to remove the threat of crystallization in process heat exchangers. Also, fractionation between methane and heavier hydrocarbons is performed during liquefaction. This way, after regasification the fuel can be loaded directly into the distribution network of pipelines. Following liquefaction, LNG is stored in two 60,000 gallon storage tanks on the ND LNG plant property and is unloaded LNG into transport trailers for truck transportation. The majority of the LNG is consumed on drill sites located within 200 miles of the ND LNG plant.

PHMSA has previously determined that a facility that performs fractionation is a "processing" facility. *See* PHMSA Final Order, CPF No. 3-2013-5014, at 9 (citing PHMSA Chief Counsel letter, Aug. 8, 2012) ("The definition of processing . . . matches the description of NGL fractionation, which uses heat and pressure to separate the NGL mixture."). This additional processing performed at the ND LNG plant, during fractionation, is what allows the gathering line endpoint to extend beyond the Tioga Gas Plant to the inlet of the ND LNG plant.

Hess appreciates the PSC's consideration of this matter and requests the opportunity to discuss the request further at an in-person meeting. In the meantime, please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Vicky Sund", written in a cursive style.

Vicky Sund
Regulatory Manager
Hess Corporation