

The State of Texas
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



County: Edwards

Application Number: 17494

USE DETERMINATION CERTIFICATE

This certifies that
DCP Sand Hills Pipeline, LLC
Sand Hills Pipeline - Edwards County
natural gas liquids pipeline - 20 inch
Edwards County, Texas

installed the following property that is used 100% for pollution control to meet or exceed federal or state regulations:
nondestructive pipeline testing expenditures - radiography.

Handwritten signature of Richard A. Hyde in black ink.

February 6, 2014

Date

Richard A. Hyde, P.E.
Executive Director

17494

Texas Commission on Environmental Quality

Use Determination for Pollution Control Property Application

A person seeking a use determination must complete this application form. For assistance in completing the application form please refer to the *Instructions for Use Determination for Pollution Control Property Application Form TCEQ-00611*, as well as the rules governing the Tax Relief Program in Title 30 Texas Administrative Code Chapter 17 (30 TAC 17). Information relating to completing this application form is also available in the TCEQ regulatory guidance document, *Property-Tax Exemptions for Pollution Control Property, RG-461*. For additional assistance, please call the Tax Relief Program at 512-239-4900.

You must supply information for each field of this application form unless otherwise noted.

Section 1. Property/Equipment Owner Information

1. Company Name of Owner: **DCP Sand Hills Pipeline, LLC**
2. Mailing Address: **5718 Westheimer Road, Suite 1900**
3. City, State, Zip: **Houston, Texas 77057-5774**
4. Customer Number (CN): **N/A - CN Not Required for Owner Entity**
5. Regulated Entity Number (RN): **N/A - Not Required for Pipelines**
6. Is this property/equipment owned by the CN listed in Question 4? Yes No
If the answer is 'No,' please explain: N/A - CN Not Required for Owner Entity
7. Is this property/equipment subject to any lease or lease-to-own agreement? Yes No
If the answer is 'Yes,' please explain: N/A
8. Is this property/equipment operated by the RN listed in Question 5? Yes No
If the answer is 'No,' please explain: RNs Not Required for Pipelines

Section 2. Physical Location of Property/Equipment

1. Name of Facility or Unit where the property/equipment is physically located:
Sand Hills Pipeline
2. Type of Mfg. Process or Service: **Pipeline Transportation of Natural Gas Liquids**
3. Street Address: **20" Natural Gas Liquids Pipeline**
4. City, State, Zip: **58.4 miles of 20" pipeline running from north of Interstate 55 to south of Interstate 377 in Edwards County**
5. County: **Edwards County**
6. Appraisal District Account Number(s): **New in 2014**

Section 3. Name of Property/Equipment Operator (If different from Owner)

1. Company Name: N/A
2. Mailing Address: N/A
3. City, State, Zip: N/A
4. Customer Number (CN): N/A
5. Regulated Entity Number (RN): N/A

Section 4. Contact Name

1. Company Name: **Duff & Phelps, LLC**
2. First Name of Contact: **Kathryn**
3. Last Name of Contact: **Tronsberg Macciocca**
4. Salutation: Mr. Mrs. Ms. Dr. Other:
5. Title: **Director, Property Tax**
6. Mailing Address: **919 Congress Avenue, Suite 1450**
7. City, State, Zip: **Austin, Texas 78701**
8. Phone Number/Fax Number: **(215) 430-6059**
9. Email Address: **kathryn.tronsberg@duffandphelps.com**
10. Tracking Number (optional): **SH-2014-91**

Section 5. General Information

1. What is the type of ownership of this facility?
Corporation Limited Partner Other:
Sole Proprietor Limited Liability Corporation
Partnership Utility

2. Size of Company: Number of Employees
0 to 99 500 to 999 2,000 to 4,999
100 to 499 1,000 to 1,999 5,000 or more

3. Business Description: (Briefly describe the type of business or activity at the facility)

Pipeline Transportation of Natural Gas Liquids

4. Provide the North American Industry Classification System (NAICS) six-digit code for this facility.

486910 - Pipeline Transportation of Refined Petroleum Products

Section 6. Property/Equipment Description, Applicable Rule, and Environmental Benefit

For each piece, or each category, of pollution control property/equipment for which a use determination is being sought, answer the following questions.

Attach additional response sheets to the application for each piece of integrated pollution control property/equipment if a use determination is being sought for more than one (1) piece.

General Information

1. Name the property/equipment: **Nondestructive Testing Expenditures**
2. Is the property/equipment used 100% as pollution control equipment? Yes No
*If the answer is 'Yes,' explain how it was determined that the equipment is used 100% for pollution control: **Nondestructive Testing Expenditures are used solely as a form of NGL leak detection and prevention.***
3. Does the property/equipment generate a Marketable Product? Yes No
*If the answer is 'Yes,' describe the marketable product: **N/A***
4. What is the appropriate Tier I Table or Expedited Review List number?
Tier II
5. Is the property/equipment integrated pollution control equipment? Yes No
If the answer is 'No,' separate applications must be filed for each piece of property/equipment.
6. List applicable permit number(s) for the property/equipment:
N/A – Not Required for Pipelines

Incremental Cost Difference

7. Is the Tier I Table percentage based on the incremental cost difference? Yes No
If the answer is 'Yes,' answer the following questions:
8. What is the cost of the new piece of property/equipment? **N/A**
9. What is the cost of the comparable property/equipment? **N/A**
10. How was the value of the comparable property/equipment calculated? **N/A**

Property/Equipment Description

11. Describe the property/equipment. (What is it? Where is it? How is it used?)

Facility Background

The Sand Hills Pipeline (the "Pipeline") is a 20-inch diameter, 720-mile natural gas liquids ("NGL") pipeline designed to provide NGL transportation from the Permian Basin and Eagle Ford region to the premium NGL markets on the Gulf Coast. The Pipeline has a current design capacity of 200,000 barrels per day, which is expandable to 350,000 barrels per day with future pumping station additions. The Pipeline was placed in service in 2013 with a target throughput capacity of 130,000 barrels per day. The subject segment of the Pipeline is 58.4 miles of 20" pipe in Edwards County.

Pollution Control Property Description- Nondestructive Testing Expenditures

During Pipeline construction, weld inspections and testing must be conducted as a form of leak detection and prevention. Radiography, one of the most reliable and widely used nondestructive testing methods, has been carried out on the Pipeline using X-rays to detect internal flaws, defects, or damage in the welds.¹

Radiography testing is performed by using radiation from a controlled source to penetrate the test items (in this case, Pipeline welds) and expose a specially formulated film. As the radiation passes through the Pipeline weld, a portion of it is absorbed by the molecular structure of the material. The amount of radiation absorbed depends on the density and composition of the material. As any cracks, fissures, and pockets in the material have different densities, they will be characterized by different exposure values as more or less radiation penetrates at those points during exposure.²

Nondestructive testing is instrumental in detecting weld defects that may lead to inadvertent NGL leakage from the Pipeline once operational. Leaked NGLs may become a fugitive material that can contribute to the pollution of waters and lands of the State of Texas.

Applicable Rule

12. What adopted environmental rule or regulation is being met by the construction or installation of the property/equipment? The citation must be to the subsection level.

Should any leaked NGLs inadvertently be released from the Pipeline during handling, they are non-recoverable and meet the definition of "Industrial Solid Waste" as defined in 30 Texas Administrative Code ("TAC") §335.1(79) and the definition of "Solid Waste" as defined in 30 TAC §355.1(138)(a). The Nondestructive Testing efforts are implemented to meet the requirements of 30 TAC §355.4 under which:

"...no person may **cause**, suffer, **allow**, or **permit** the collection, **handling**, processing, or **disposal of industrial solid waste** or municipal hazardous waste in such a manner to as to cause (1) the discharge or **imminent threat of discharge** of industrial solid waste or municipal hazardous waste into or adjacent to the waters in the state" [emphasis added]

Furthermore, hazardous liquids pipelines are regulated by the US Department of Transportation Pipeline and Hazardous Materials Safety Administration ("PHMSA"), who requires under 49 Code of Federal Regulations ("CFR") §195.228(a) that each pipeline weld must be inspected, and visual inspections must be supplemented by nondestructive testing to ensure pipeline integrity and reduce and/or prevent the unintended leakage of fugitive material from a damaged or incorrectly installed pipeline weld. Per 49 CFR §195.234(a), pipeline welds may be nondestructively tested by any method that will clearly indicate any defects that may affect weld integrity.

¹Trinity NDT, 2012. <http://www.trinityndt.com/services.php>.

² Ibid.

Environmental Benefit

13. What is the anticipated environmental benefit related to the construction or installation of the property/equipment?

Nondestructive Testing is instrumental in detecting weld defects that may lead to inadvertent NGL leakage from the Pipeline that can contribute to the pollution of waters and lands of the State of Texas.

Section 7. Process Flow Diagram (Optional)

Attach documentation to the application showing a Process Flow Diagram for the property/equipment.

A process flow diagram has not been provided for this application.

Section 8. Partial-Use Percentage Calculation

This section must be completed for all Tier III applications. Attach documentation to the application showing the calculations used to determine the partial-use percentage for the property/equipment.

The application is for 100% Tier II Pollution Control Property.

Section 9. Property Categories and Costs

List each piece of property/equipment of integrated pollution control property/equipment for which a use determination is being sought.

Property/Equipment Name	Tier 1 Table No. or Expedited Review List No.	Use Percent	Estimated Dollar Value
Land:			
Property: Nondestructive Testing Expenditures	Tier II	100%	\$861,343
Property:			
Total:			\$861,343

Attach additional response sheets to the application if more than five (5) pieces of property/equipment need to be listed.

NOTE: Separate applications must be filed for each piece of nonintegrated pollution control property/equipment.

Section 10. Type of Application and Fee

1. Type of Application being filed: *Select only one.*

Tier I – Fee: \$150

Tier II – Fee: \$1,000

Tier III – Fee: \$2,500

2. Fee Payment Type:

Check

Money Order

Electronic Payment

3. Payment Receipt Number: N/A

4. Payment Amount: **\$1,000.00**

5. Payer Name on Payment: **Duff & Phelps**

6. Total Amount of Payment: **\$1,000.00**

NOTE: Enclose a check, money order to the TCEQ, or a copy of the ePay receipt along with the application to cover the required fee.

In accordance with the TCEQ's Delinquent Fee Protocol, the Tax Relief Program will not consider applications administratively complete until all delinquent fees the company owes to the TCEQ are paid.

Information regarding the TCEQ's Delinquent Fee Protocol is available at:

<http://www.tceq.state.tx.us/agency/delin/index.html>

Section 11. Certification Statement

Must be signed by owner or designated representative.

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I further certify that the property/equipment listed in this application is eligible for a tax exemption under Texas Tax Code, §11.31 given that:

- the property/equipment is not solely used, constructed, acquired, or installed to manufacture or produce a good or provide a service, including a good or service that prevents, monitors, controls, or reduces air, water or land pollution,
- the environmental benefit associated with the property/equipment is not wholly derived from the use or characteristics of the goods or services produced by the property/equipment,
- the property/equipment is wholly or partly used, constructed, acquired, or installed to meet or exceed law, rule, regulation adopted by an environmental protection agency of the United States, Texas, or a political subdivision of Texas for the prevention, monitoring, control, or reduction of air, water, or land pollution,
- the property/equipment is not used for residential purposes, or for recreational, park, or scenic uses as defined by Texas Tax Code, §23.81,
- the property/equipment is not a motor vehicle, except for a dedicated service motor vehicle used solely for pollution control, and
- the property/equipment was not acquired, constructed, or installed before January 1, 1994.

I am aware there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Printed Name: Kathryn Tronsberg Macciocca

Date: 12-18-13

Signature: _____

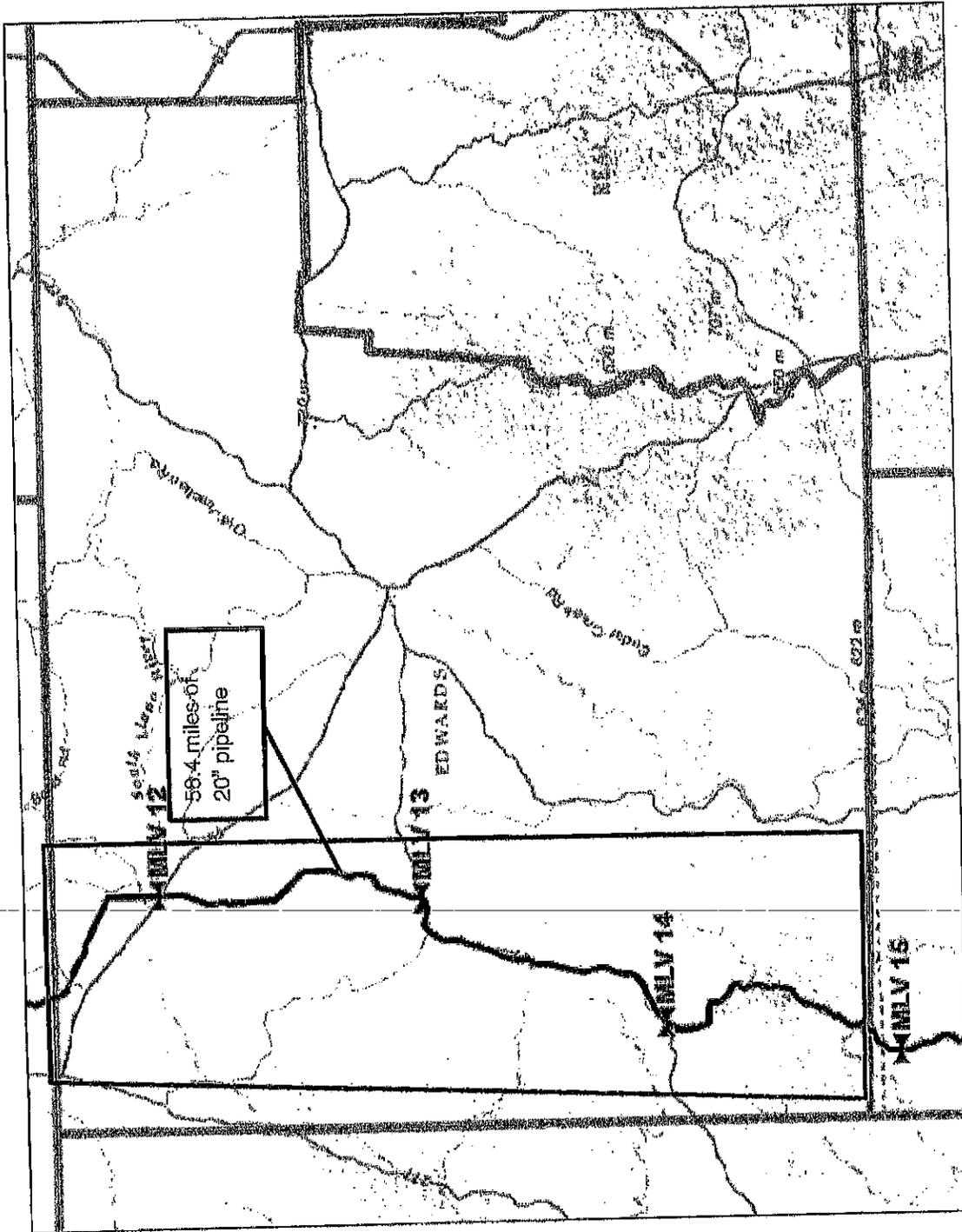
Kathryn Tronsberg Macciocca

Title: Director

Company Name: Duff & Phelps, LLC

Under Texas Penal Code 37.10, if you make a false statement on this application, you could receive a jail term of up to one year and a fine up to \$2,000, or a prison term of two to 10 years and a fine of up to \$5,000.

Attachment A



PAY TO THE ORDER
OF STATE COMPTROLLER
TCEQ

DUFF & PHELPS

412306 12/20/13

TCEQ Cashier's Office - MC-214
Building A
12100 Park 35 Circle
Austin, TX 78753

December 19, 2013

Re: Application for Use Determination for Water Pollution Control Property Located at Sand Hills Pipeline (the "Facility") in Edwards County

Enclosed please find one application (the "Application") for property tax exemption for Water Pollution Control Property located at Sand Hills Pipeline (the "Facility") in Edwards County, Texas. A copy of the Application has been provided for the appraisal district.

Pursuant to Title 30 of Chapter 17 of the Texas Administrative Code, the Application has been prepared using the Texas Commission on Environmental Quality ("TCEQ") Application for Use Determination for Pollution Control Property. The enclosed application is a Tier II Application. Submission of this Application is required as a process step in the TCEQ's pollution control certification process for tax exemption of certain assets used in pollution control capacities within the Facility. As outlined by the application instructions, the fee for this Tier II Application is \$1000. Please find enclosed a check for the \$1000 Tier II Application Fee.

The Application can be summarized as follows:

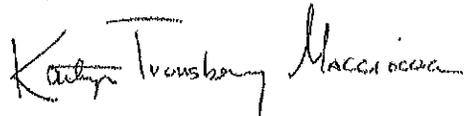
Property	Description	Estimated Cost
Tier II	Nondestructive Testing	\$ 861,343

Please send one copy of the completed property tax exemption Use Determination to the following address:

Kathryn Tronsberg Macciocca
c/o Duff & Phelps LLC
919 Congress Avenue, Ste 1450
Austin, TX 78701

If you have any questions regarding the Application or the information supplied within the Application, please feel free to contact me at (215) 430-6059 or by e-mail at kathryn.tronsberg@duffandpHELPS.com.

Very truly yours,

A handwritten signature in cursive script that reads "Kathryn Tronsberg Macciocca". The signature is written in black ink and is positioned above the typed name.

Kathryn Tronsberg Macciocca
Director
Property Tax

Enclosures