

**TCEQ DOCKET Nos. 2016-0055-MIS-U, 2016-0056-MIS-U,
2016-0057-MIS-U, and 2016-0058-MIS-U**

USE DETERMINATION NOS. 19538, 19543, 19551, AND 19575

APPEAL OF THE EXECUTIVE DIRECTOR'S USE DETERMINATION ISSUED TO DCP SOUTHERN HILLS PIPELINE, LLC APPLICATION NOS. 19538, 19543, 19551, AND 19575	§ § § § § §	BEFORE THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
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**THE EXECUTIVE DIRECTOR'S RESPONSE TO WISE COUNTY APPRAISAL
DISTRICT'S APPEALS OF THE EXECUTIVE DIRECTOR'S USE
DETERMINATIONS**

The Executive Director of the Texas Commission on Environmental Quality (the Commission or TCEQ) files this response to Wise County Appraisal District's (Appraisal District) appeals of the Executive Director's positive use determinations issued to DCP Southern Hills Pipeline, LLC (Applicant). The appeals were submitted by Michael Hand, Chief Appraiser of the Appraisal District.

For the reasons described below, the Executive Director respectfully requests that the Commission deny the Appraisal District's appeals and affirm the Executive Director's positive use determinations. Because the appeals concern related components of the same natural gas liquids pipeline, the Executive Director will respond to all of the appeals in one response.

PROGRAM BACKGROUND

Wise County Appraisal District challenges the Executive Director's determinations that certain property is used for pollution control purposes as provided under the Tax Relief Program for property used for environmental protection (also called the "Prop 2" program) established in the Texas Constitution, Texas Tax Code Section 11.31, and 30 Texas Administrative Code (TAC) Chapter 17. The appeals of the Executive Director's use determinations were filed pursuant to 30 TAC § 17.25, which establishes the appeals process for use determinations issued by the Executive Director.

In 1993, the citizens of Texas voted to adopt a tax measure called Proposition 2. Proposition 2 was implemented when Article VIII, § 1-1 was added to the Texas Constitution on November 2, 1993. The amendment allowed the legislature to “exempt from ad valorem taxation all or part of real and personal property used, constructed, acquired, or installed wholly or partly to meet or exceed rules or regulations adopted by any environmental protection agency of the United States, this state, or a political subdivision of this state for the prevention, monitoring, control, or reduction of air, water, or land pollution.”

The Texas Legislature codified the constitutional amendment in 1993 as TEX. TAX CODE § 11.31 (effective January 1, 1994). The statutory language in the codified version mirrored the language of Article VIII, § 1-1. Under the Prop 2 program, certain property owners may apply to the Executive Director for a determination of pollution control use for their subject property. In 2001, the legislature amended TEX. TAX CODE § 11.31 when it passed HB 3121 (effective September 1, 2001). This bill added several new procedural requirements to TEX. TAX CODE § 11.31, including a provision requiring the establishment and implementation of a process to appeal use determinations. The amendment also required the Commission to adopt new rules establishing specific standards for the Executive Director to follow in making use determinations for property that qualified for either full or partial positive use determinations.¹ Appeals under 30 TAC § 17.25 may be filed by either the applicant seeking the determination, or by the chief appraiser of the tax appraisal district affected by the determination.² The appellant is required to explain the basis for the appeal.³

PROCEDURAL HISTORY

On December 14, 2015, DCP Southern Hills, LLC filed applications for Tier I and Tier II 100% positive use determinations for various components of a natural gas liquids pipeline.⁴ The applicant states that the pipeline runs from Kansas to the Texas Gulf Coast with 390 miles of pipeline situated in Texas. The applications subject to these appeals concern the portion of the pipeline in Wise County, Texas. Application 19538 seeks a Tier I 100% positive use determination for three 8-inch automatic shut-off valves. Application 19543 seeks a Tier I 100% positive use determination for pipeline coating and cathodic

¹ TEX. TAX CODE § 11.31(g).

² TEX. TAX CODE § 11.31(e) and 30 TAC § 17.25(a)(2).

³ 30 TAC § 17.25(b)(5).

⁴ Applications 19538, 19543, 19551, and 19575 are provided as **ATTACHMENT 1**.

protection. Application 19551 seeks a Tier II 100% positive use determination for nondestructive testing procedures conducted on 2.5 miles of the natural gas liquids pipeline located in Wise County. Application 19575 seeks a Tier I 100% positive use determination for the leak detection system, including intelligent pipeline inspection gauge launchers and receivers. On December 23, 2015, the Executive Director issued 100% positive use determinations for the pollution control property claimed in the four Applications described above.⁵ The Appraisal District's appeals of the positive use determinations were filed with the TCEQ's Office of the Chief Clerk on January 12, 2016.

PROPERTY DESCRIPTION

Tier I Applications

DCP Southern Hill's applications seek use determinations for components of its natural gas liquids pipeline that are located in Wise County. Three of the applications are for property included on the Tier I Table in 30 TAC § 17.14(a). For property that is used as described in the Tier I Table, the Executive Director has predetermined that the property is used wholly for the control of pollution. Application 19538 designated property under Tier I Table category No. T-3 "Automatic Shut-off valves" and cited U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) regulation in 49 CFR § 195.260(c) that requires valves to be installed to minimize pollution from accidental discharge. Application 19543 designated property under Tier I Table category No. T-32 "Dielectric Coatings" and cited PHMSA regulations 49 CFR §§ 195.557(a) and 195.563(a) that require the installation of pipe coatings and cathodic protection. Application 19575 designated the intelligent pipeline inspection gauge launchers and receivers under Tier I Table category No. S-9 "Leak Detection Systems" and cited PHMSA regulation 49 CFR § 195.120(a) that requires instrumented internal inspection devices.

⁵ Use Determination Nos. 19538, 19543, 19551, and 19575 are provided as **ATTACHMENT 2**.

Tier II Application

DCP Southern Hill's application 19551 seeks a Tier II use determination for its expenditures on non-destructive testing procedures required to detect and prevent leaks in its pipeline. The Applicant describes the radiography testing that was performed on the pipeline welds to detect any defects in the welds. A Tier II application is submitted for property that is used wholly for the control of air, water and/or land pollution but is not identified on the Tier I Table in 30 TAC § 17.14(a). In support of its Tier II application, DCP Southern Hills cites PHMSA regulations 49 CFR §§ 195.228(a) and 195.234(a) that require non-destructive testing of pipeline welds, including radiography testing.

APPELLANT'S CLAIM

In each of its appeals, the Appraisal District contends that the subject property is not used for pollution control. The Appraisal District presents no information to support this position.

LEGAL ANALYSIS

DCP SOUTHERN HILLS IS ENTITLED TO POSITIVE USE DETERMINATIONS

The Executive Director reviewed the applications and determined that each application was eligible for a 100% positive use determination under the program requirements in 30 TAC Chapter 17. The Appraisal District contends that the subject properties are not used for pollution control. The Executive Director disagrees with this opinion and asserts that the applicant has demonstrated that the property is used for pollution control purposes.

Use Determination 19538 applies to three 8-inch automatic shut-off valves for the pipeline located in Wise County. Automatic shut-off valves are installed to prevent or mitigate the release of pipeline products and fluids from leaking or discharging into the environment. Automatic shut-off valves are specifically included on the Tier I Table in 30 TAC § 17.14(a) and are determined by rule to be used wholly for pollution control purposes. Use Determination 19543 applies to the cathodic protection; fusion-bonded epoxy; adhesive for top coat; and top coat consisting of polyethylene or polypropylene. Cathodic protection and pipeline coatings are used to minimize corrosion of the pipeline; corrosion of the pipeline materials could lead to leaks or discharge of pipeline product or fluids into the environment.

Dielectric coatings are specifically included on the Tier I Table in 30 TAC § 17.14(a) and are determined by rule to be used wholly for pollution control purposes. Use Determination 19551 applies to the nondestructive pipeline testing expenditures using radiography. Radiography testing of the pipeline welds is used to identify flaws, defects or damage in the pipeline welds. Such damage to the welds could lead to leaks or discharge of pipeline fluids into the environment. Thus, the radiography testing on the welds is used for pollution control purposes. Use Determination 19538 applies to one 8-inch intelligent pipeline inspection gauge (PIG) receiver and two 8-inch PIG launchers. A PIG is an inspection device that is inserted into a pipeline to provide information about the internal conditions of the pipeline, including information on corrosion, formation of cracks, and leak detection. The PIG is introduced into the pipeline at the PIG launcher and removed from the PIG receiver. The PIG launchers and receivers are components of a leak detection system for the pipeline used to monitor and prevent leaks or discharge of pipeline product or fluids into the environment. A leak detection system is specifically included on the Tier I Table in 30 TAC § 17.14(a) and is determined by rule to be used wholly for pollution control purposes.

The commission has previously considered appeals on similar pollution control property and upheld the Executive Director's determinations that cathodic protection and pipeline coating; pipeline leak detection systems, including PIG launchers and receivers; and non-destructive weld testing are pollution control properties eligible for positive use determinations. On July 21, 2014, the commission issued an order that denied an appeal and affirmed the Executive Director's positive use determination for nondestructive pipeline testing expenditures—radiography for the DCP Sand Hills Pipeline located in Edwards County. This previously affirmed determination covered expenditures for weld testing on a pipeline and is similar to use determination 19551.⁶ On April 23, 2008, the commission issued an order that denied appeals and affirmed the Executive Director's positive use determinations for property including dielectric coating (cathodic protection) and automatic leak line detectors (PIG launching/receiving equipment) on portions of a natural gas pipeline in Rusk and Panola Counties.⁷ On this occasion, the commission affirmed the Executive

⁶ TCEQ Docket No. 2014-0288-MIS-U, Edwards Central Appraisal District's appeal of the Executive Director's Positive Use Determination regarding DCP Sand Hills Pipeline, LLC Application No. 17494, considered at the July 2, 2014 commission meeting.

⁷ TCEQ Docket Nos. 2007-0961-MIS-U and 2007-0962-MIS-U, Appeals filed by the Chief Appraisers for Panola and Rusk Counties with regard to the Executive Director's Positive Use Determinations for the Houston Pipeline Company Applications Nos. 06-11002 and 06-11004, considered at the April 2, 2008 commission meeting.

Director's positive use determinations for cathodic protection and coatings and leak detection systems similar to use determinations 19543 and 19538.

CONCLUSION

After careful review of the issue raised in the appeals, the Executive Director respectfully recommends that the commission deny the appeals and affirm the Executive Director's positive use determinations. The Executive Director reviewed DCP Southern Hill's applications, found that the applications met the requirements of 30 TAC Chapter 17, and determined the subject properties are used for the control of air, water, or land pollution. The Executive Director's determinations should be affirmed.

Respectfully submitted,

Texas Commission on Environmental Quality

Richard Hyde
Executive Director

Robert Martinez, Director
Environmental Law Division

By Don Redmond

Don Redmond, Attorney
State Bar #24010336
Environmental Law Division
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REPRESENTING THE
EXECUTIVE DIRECTOR OF THE
TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

CERTIFICATE OF SERVICE

I certify that on February 4, 2016, an original and seven copies of the “Executive Director’s Response to Wise County Appraisal District’s Appeals of the Executive Director’s Positive Use Determinations” was filed with the Texas Commission on Environmental Quality’s Office of the Chief Clerk, and a complete copy was transmitted by mail, facsimile, electronic mail or hand-delivery to all persons on the attached mailing list.

By Don Redmond
Don Redmond, Attorney
Environmental Law Division

Mailing List
DCP Southern Hills Pipeline, LLC
TCEQ Docket Nos. 2016-0055-MIS-U, 2016-0056-MIS-U,
2016-0057-MIS-U, and 2016-0058-MIS-U

Michael Hand
Chief Appraiser
Wise County Appraisal District
400 East Business 380
Decatur, Texas 78876234
FAX: 940.627.5187

DCP Southern Hills Pipeline, LLC
370 17th Street, Suite 2500
Denver, Colorado 80202-5604

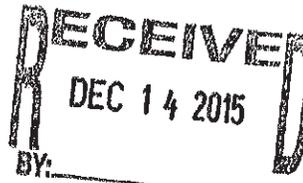
Kathryn Tronsberg Macciocca
Director, Property Tax
Duff & Phelps, LLC
2000 Market Street, Suite 2700
Philadelphia, Pennsylvania 19103

Vic McWherter
TCEQ Office of Public Interest Council MC
105
P.O. Box 13087
Austin, Texas 78711-3087

Docket Clerk
TCEQ Office of Chief Clerk MC 105
P.O. Box 13087
Austin, Texas 78711-3087

Attachment 1

19538



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 Owner Information

1. Company Name of Owner: **DCP Southern Hills Pipeline, LLC**
2. Mailing Address: **370 17th Street, Suite 2500**
3. City, State, Zip: **Denver, Colorado 80202-5604**
4. Customer Number (CN): **CN604984823**
5. Regulated Entity Number (RN): **RN108852948**
6. Is this property/equipment owned by the CN listed in Question 4? Yes No

If the answer is 'No,' please explain:

To be eligible for a positive use determination the property must be owned and operated by the same entity.

7. Is this property subject to any lease or lease-to-own agreement? Yes No

If the answer is 'Yes,' please explain:

8. Is this property operated by the RN listed in Question 5? Yes No

If the answer is 'No,' please explain:

To be eligible for a positive use determination the property must be owned and operated by the same entity.

Section 2. Physical Location of Property

1. Name of Facility or Unit where the property/equipment is physically located:
Southern Hills Pipeline
2. Type of Mfg. Process or Service: **Pipeline Transportation of Natural Gas Liquids**
3. Street Address: **940 Mile, 8 - 20" Diameter NGL Pipeline**
4. City, State, Zip: **2.5 Mile, 8" NGL pipeline running from east of Chico to southeast of Alvord in Wise County (see Attachment A)**
5. County: **Wise**

6. Appraisal District Account Number(s): **No02042979; No02046859; No02042982; No02042974; No02021214; No02042977; No02046665; No02046858; No02046945; and No02042968**

Section 3. Contact Name

1. Company Name: **Duff & Phelps, LLC**
2. First Name of Contact: **Kathryn**
3. Middle Initial: **L.**
4. Last Name of Contact: **Tronsberg Macciocca**
5. Salutation: Mr. Mrs. Ms. Dr. Other:
6. Title: **Director, Property Tax**
7. Suffix:
8. Mailing Address: **2000 Market Street, Suite 2700**
9. City, State, Zip: **Philadelphia, Pennsylvania, 19103**
10. Phone Number/Fax Number: **(215)430-6059**
11. Email Address: **kathryn.tronsberg@duffandphelps.com**
12. Self-Assigned Tracking Number (optional): **SO-2015-32**

Section 4. 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
 1 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 – Natural Gas Liquids Pipeline Transportation

Section 5. Property Description, Applicable Rule, and Environmental Benefit

For each piece, or each category, of pollution control property 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 if a use determination is being sought for more than one (1) piece.

General Information

1. Name the property: **Automatic Shut-Off Valves**

2. Is the property used 100% as pollution control equipment? Yes No

Explain your answer: Through a technical/engineering review of the Facility's process activities, (NGL pipeline transportation), the subject property was determined to have no productive benefit for the Facility. Rather, this property was installed at the Facility solely to comply with environmental laws or rules to control or prevent the creation of (air, water, or land) pollution.

3. Does the property generate a Marketable Product? Yes No

Marketable Product: Anything produced or recovered using pollution control property that is sold as a product, is accumulated for later use, or is used as a raw material in a manufacturing process. Marketable product includes, but is not limited to, anything recovered or produced using the pollution control property and sold, traded, accumulated for later use, or used in a manufacturing process (including at a different facility).

If the answer is 'Yes,' describe the marketable product: N/A

4. What is the appropriate Tier I Table or Expedited Review List number?

T-3 Automatic Shut-Off Valves

5. Is the property integrated pollution control equipment? Yes No

If the answer is 'No,' separate applications must be filed for each piece of property.

6. List applicable permit number(s) for the pollution control property: N/A

Incremental Cost Difference

7. Is the Tier I Table item number A-86, A-112, A-114, A-182, or S-22? Yes No

If the answer is 'Yes,' the use determination percentage is based on the incremental cost difference and you must answer the following questions:

8. What is the cost of the new piece of property? N/A

9. What is the cost of the comparable property without controls? N/A

10. How was the value of the comparable property calculated? N/A

Property Description

11. Describe the property. (What is it? Where is it located within the production process? How is it used to control, prevent, or monitor pollution?)

Facility Description

The Southern Hills Pipeline (the "Pipeline") is a 940-mile-long, 8" -20"- diameter natural gas liquids ("NGL") pipeline that runs from Seward County, KS to the Texas Gulf Coast and Mont Belvieu, Texas. The Texas portion of the Pipeline is a 390-mile-long, 8"-20" NGL pipeline. The Pipeline is designed to provide takeaway service from DCP Midstream, LLC and third-party plants in the Midcontinent to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu market hub (800-mile mainline). The Pipeline has a current design capacity of 200,000 barrels per day, which is expandable to 350,000 with future pumping station additions. The Pipeline was placed in service in 2013 with a target capacity

of 175,000 barrels per day. The subject segment of the Pipeline is 2.5 miles of 8" pipe in Wise County.

Pollution Control Property Description – Automatic Shut-Off Valves

The following installations were made on the Southern Hills Pipeline:

- (3) 8" Automatic Shut-Off Valves located at
 - 33°18'28.6"N 97°46'41.6"W (See Attachment B)
 - 33°18'14.2"N 97°39'01.4"W (See Attachment B)
 - 33°18'52.4"N 97°50'13.1"W (See Attachment B)

During pipeline operations, a potential for unintended NGL releases exists from unexpected pipeline ruptures or leaks due to pipeline damage or defects.¹ Mitigating the consequences of an unintended NGL release requires limiting the overall volume of NGL that might escape from the pipeline and flow into the surrounding environment. Automatic Shut-off Valves are installed at intervals along the pipeline to reduce or prevent any such negative impacts to the environment caused by an NGL release.²

An Automatic Shutoff Valve is a block valve equipped with an electric, pneumatic, or natural gas-powered actuator capable of closing the valve automatically when a change in pressure or flow rate exceeds a specified limit. Data needed to determine change are provided by sensors attached to the pipeline.³ Isolating the damaged pipeline segment by quickly closing upstream and downstream block valves is an effective method for mitigating the consequences of an unintended NGL fugitives release, thus reducing risk of environmental damage from pollutants by controlling the overall volume of any NGL release.⁴

Leaked or spilled NGLs are non-recoverable and become potential water or land pollutants upon release with the potential to contaminate both the 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? The citation must be to the specific section, subsection, paragraph, subparagraph, or clause level. Describe how the property meets or exceeds the requirements.

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(80) and the definition of "Solid Waste" as defined in 30 TAC §335.1(140)(a). The Nondestructive Testing Expenditures are implemented to meet the requirements of 30 TAC §335.4 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

¹ Interstate Natural Gas Association of America. Pipeline Valve Operation Quick Facts. 7/29/2011.

² *Studies for the Requirements of Automatic and Remotely Controlled Shutoff Valves on Hazardous Liquids and Natural Gas Pipelines with Respect to Public and Environmental Safety*. Oak Ridge National Laboratory ORNL/TM-2012/411. October 31, 2012. P. 33.

³ *Ibid.* P. 171

⁴ *Ibid.* P. 33.

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 require under 49 Code of Federal Regulations (“CFR”) §195.260(c) that valves be installed on each mainline at locations along the pipeline system that will minimize damage or pollution from accidental hazardous liquid discharge.

Environmental Benefit

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

Automatic Shut-off Valves are installed at intervals along the Pipeline to reduce or prevent an NGL release which may cause adverse impacts to the waters and lands of the State of Texas.

Section 6. Process Flow Diagram (Optional)

Attach documentation to the application showing a Process Flow Diagram for the property.
A process flow diagram has not been provided for this application.

Section 7. 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.

This application is for Tier I 100% pollution control property.

Section 8. Property Categories and Costs

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

Property Name	Tier 1 Table No. or Expedited Review List No.	Use Percent	Estimated Dollar Value
Land:			
Property: Automatic Shut-Off Valves	T-3	100%	\$540,809
Property:			
Total:			\$540,809

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

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

Section 9. 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: **\$150.00**

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

6. Total Amount of Payment: **\$150.00**

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 10. 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 listed in this application is eligible for a tax exemption under Texas Tax Code, §11.31 given that:

- the property 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 is not wholly derived from the use or characteristics of the goods or services produced by the property,
- the property 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 is not used for residential purposes, or for recreational, park, or scenic uses as defined by Texas Tax Code, §23.81,
- the property is not a motor vehicle, except for a dedicated service motor vehicle used solely for pollution control, and
- the property 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: December 9, 2015

Signature: _____

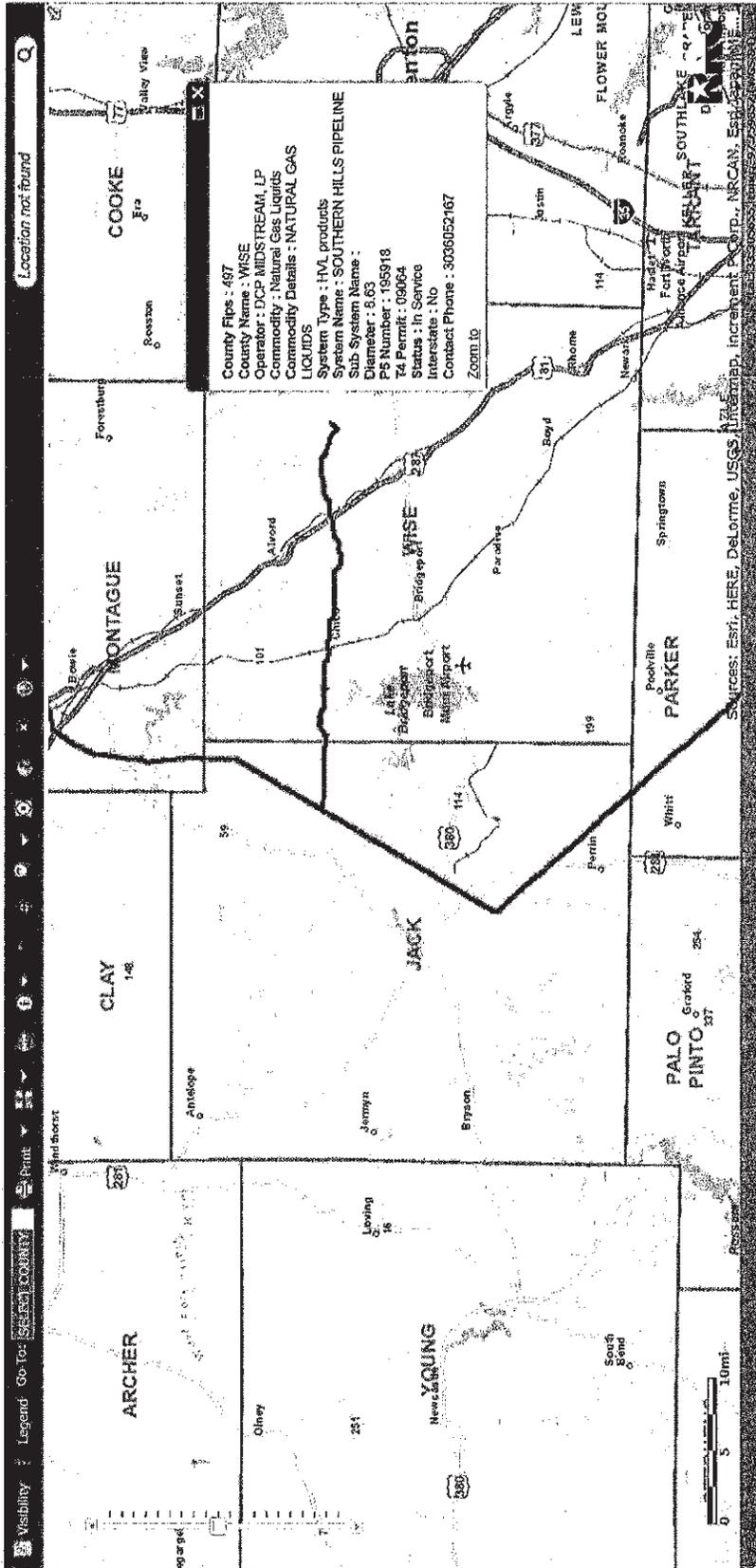


Title: Director

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

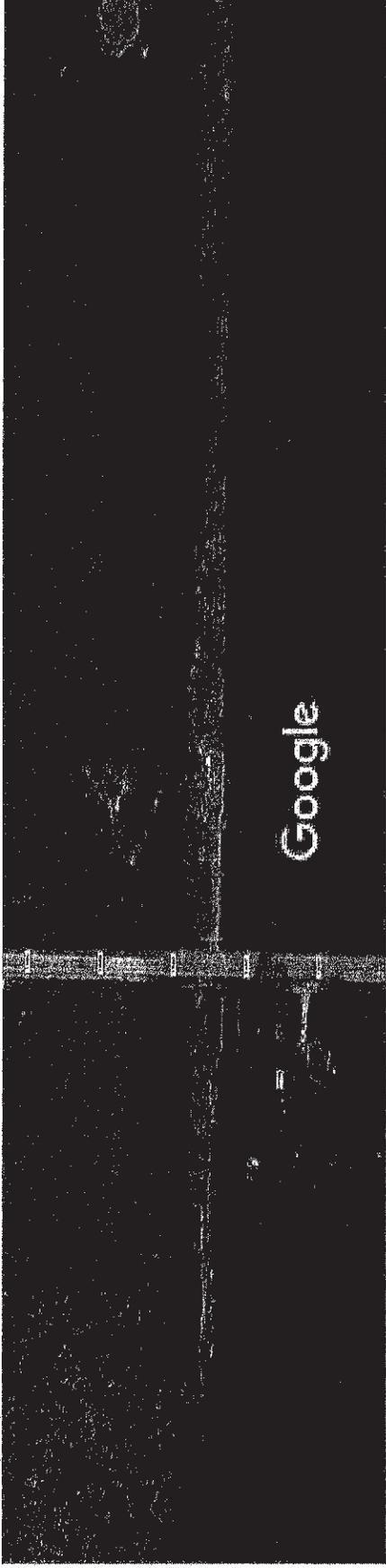


Attachment B

Google Maps

33°18'28.6"N 97°46'41.6"W

8" Automatic Shut-Off Valve in Wise County



Imagery ©2015 DigitalGlobe, Texas Orthoimagery Program, Map data ©2015 Google 50 ft

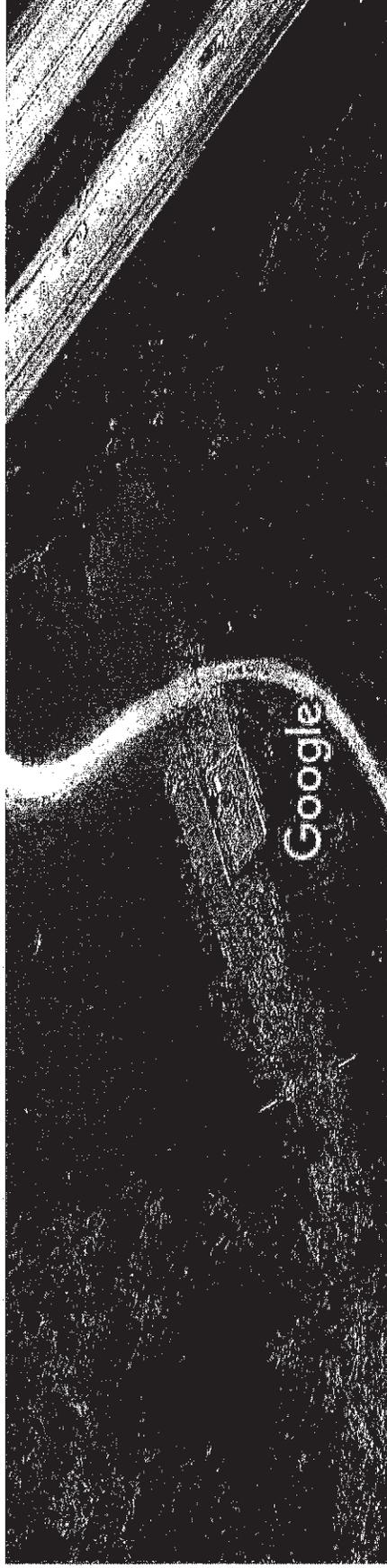
33°18'28.6"N 97°46'41.6"W

Attachment B

Google Maps

33°18'14.2"N 97°39'01.4"W

8" Automatic Shut-Off Valve in Wise County



Map data ©2015 Google 20 ft

33°18'14.2"N 97°39'01.4"W

Attachment B

Google Maps

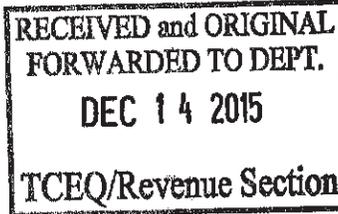
33°18'52.4"N 97°50'13.1"W

8" Automatic Shut-Off Valve in Wise County



Imagery ©2015 DigitalGlobe, Texas Orthoimagery Program, Map data ©2015 Google 50 ft

33°18'52.4"N 97°50'13.1"W



DUFF & PHELPS

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

December 9, 2015

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

Enclosed please find one application (the "Application") for property tax exemption for Water Pollution Control Property located at Southern Hills Pipeline (the "Facility") in Wise 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 I 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 I Application is \$150. Please find enclosed a check for the \$150 Tier I Application Fee.

The Application can be summarized as follows:

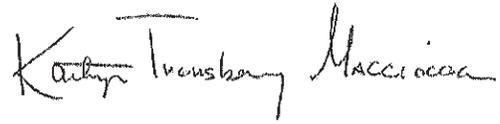
Property	Description	Estimated Cost
Tier I	Pipeline Coatings & Cathodic Protection	\$ 372,963

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.

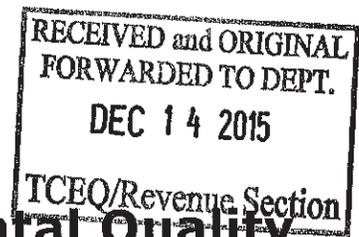
Very truly yours,

A handwritten signature in black ink that reads "Kathryn Tronsberg Macciocca". The signature is written in a cursive style with a horizontal line above the first few letters of the first name.

Kathryn Tronsberg Macciocca
Director
Property Tax

Enclosures

19543



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 Owner Information

1. Company Name of Owner: **DCP Southern Hills Pipeline, LLC**
2. Mailing Address: **370 17th Street, Suite 2500**
3. City, State, Zip: **Denver, Colorado 80202-5604**
4. Customer Number (CN): **CN604984823**
5. Regulated Entity Number (RN): **RN108852948**
6. Is this property/equipment owned by the CN listed in Question 4? Yes No

If the answer is 'No,' please explain:

To be eligible for a positive use determination the property must be owned and operated by the same entity.

7. Is this property subject to any lease or lease-to-own agreement? Yes No

If the answer is 'Yes,' please explain:

8. Is this property operated by the RN listed in Question 5? Yes No

If the answer is 'No,' please explain:

To be eligible for a positive use determination the property must be owned and operated by the same entity.

Section 2. Physical Location of Property

1. Name of Facility or Unit where the property/equipment is physically located:
Southern Hills Pipeline
2. Type of Mfg. Process or Service: **Pipeline Transportation of Natural Gas Liquids**
3. Street Address: **940 Mile, 8 - 20" Diameter NGL Pipeline**
4. City, State, Zip: **2.5 Mile, 8" NGL pipeline running from east of Chico to southeast of Alvord in Wise County (see Attachment A)**
5. County: **Wise**

6. Appraisal District Account Number(s): **N002042979; N002046859; N002042982; N002042974; N002021214; N002042977; N002046665; N002046858; N002046945; and N002042968**

Section 3. Contact Name

1. Company Name: **Duff & Phelps, LLC**
2. First Name of Contact: **Kathryn**
3. Middle Initial: **L.**
4. Last Name of Contact: **Tronsberg Macciocca**
5. Salutation: Mr. Mrs. Ms. Dr. Other:
6. Title: **Director, Property Tax**
7. Suffix:
8. Mailing Address: **2000 Market Street, Suite 2700**
9. City, State, Zip: **Philadelphia, Pennsylvania, 19103**
10. Phone Number/Fax Number: **(215)430-6059**
11. Email Address: **kathryn.tronsberg@duffandphelps.com**
12. Self-Assigned Tracking Number (optional): **SO-2015-02**

Section 4. 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
 1 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 – Natural Gas Liquids Pipeline Transportation

Section 5. Property Description, Applicable Rule, and Environmental Benefit

For each piece, or each category, of pollution control property 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 if a use determination is being sought for more than one (1) piece.

General Information

1. Name the property: **Pipeline Coatings & Cathodic Protection**

2. Is the property used 100% as pollution control equipment? Yes No

Explain your answer: Through a technical/engineering review of the Facility's process activities, (NGL pipeline transportation), the subject property was determined to have no productive benefit for the Facility. Rather, this property was installed at the Facility solely to comply with environmental laws or rules to control or prevent the creation of (air, water, or land) pollution.

3. Does the property generate a Marketable Product? Yes No

Marketable Product: Anything produced or recovered using pollution control property that is sold as a product, is accumulated for later use, or is used as a raw material in a manufacturing process. Marketable product includes, but is not limited to, anything recovered or produced using the pollution control property and sold, traded, accumulated for later use, or used in a manufacturing process (including at a different facility).

If the answer is 'Yes,' describe the marketable product: N/A

4. What is the appropriate Tier I Table or Expedited Review List number?

M-19 Cathodic Protection; T-32 Dielectric Coatings

5. Is the property integrated pollution control equipment? Yes No

If the answer is 'No,' separate applications must be filed for each piece of property.

6. List applicable permit number(s) for the pollution control property: N/A

Incremental Cost Difference

7. Is the Tier I Table item number A-86, A-112, A-114, A-182, or S-22? Yes No

If the answer is 'Yes,' the use determination percentage is based on the incremental cost difference and you must answer the following questions:

8. What is the cost of the new piece of property? N/A

9. What is the cost of the comparable property without controls? N/A

10. How was the value of the comparable property calculated? N/A

Property Description

11. Describe the property. (What is it? Where is it located within the production process? How is it used to control, prevent, or monitor pollution?)

Facility Description

The Southern Hills Pipeline (the "Pipeline") is a 940-mile-long, 8" -20"- diameter natural gas liquids ("NGL") pipeline that runs from Seward County, KS to the Texas Gulf Coast and Mont Belvieu, Texas. The Texas portion of the Pipeline is a 390-mile-long, 8"-20" NGL pipeline. The Pipeline is designed to provide takeaway service from DCP Midstream, LLC and third-party plants in the Midcontinent to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu market hub (800-mile mainline). The Pipeline has a current design capacity of 200,000 barrels per day, which is expandable to 350,000 with future pumping station additions. The Pipeline was placed in service in 2013 with a target capacity

of 175,000 barrels per day. The subject segment of the Pipeline is 2.5 miles of 8" pipe in Wise County.

Pollution Control Property Description – Pipeline Coatings & Cathodic Protection

Protective pipe coatings are applied at the pipe vendor's manufacturing facility, and used to minimize the potential for corrosion which would allow for leakage and potential contamination of soil, groundwater, and surface waters of the State of Texas. The plastic coating consists of three layers:

- Fusion-bonded epoxy ("FBE") on the pipe surface
- Adhesive for topcoat
- Top coat consisting of polyethylene or polypropylene¹

To prepare for FBE coating, the external surface of the pipe is cleaned with a shot-blast process. The pipe is heated to a prescribed temperature and an epoxy powder is applied. The powder melts onto the heated pipe and forms a watertight barrier. The adhesive and topcoat are applied before transport.²

Cathodic protection ("CP") is a technology that employs electrochemical principles to mitigate corrosion of the pipeline. It is applied to the pipeline as a supplement to the protective pipe coating. The "anode" is the metal in danger of corrosion; in this case, the anode is the pipeline. The "CP" technology utilizes sacrificial anodes, which are metal rods that oxidize more easily than the metal being protected. During oxidation, electrons are stripped from the anode and conducted to protect the pipe. The pipe becomes a cathode, which is protected from corrosion through the process of gaining electrons. This process of gaining electrons is referred to as "reduction."³

The pipe coatings and "CP" are used to control and/or prevent the degradation of metal piping through which the inadvertent release of natural gas liquids ("NGLs") could be released to waters and lands of the State of Texas. Leaked NGLs are a fugitive material. If leakage occurs, the NGLs are non-recoverable and, therefore, cease to retain monetary value.

Applicable Rule

12. What adopted environmental rule or regulation is being met by the construction or installation of the property? The citation must be to the specific section, subsection, paragraph, subparagraph, or clause level. Describe how the property meets or exceeds the requirements.

Should any leaked NGLs inadvertently be released from the pipeline during handling, the material is non-recoverable and meets the definition of "Industrial Solid Waste" as defined in 30 Texas Administrative Code ("TAC") §335.1(80) and the definition of "Solid Waste" as defined in 30 TAC §335.1(140)(a). The Pipe Coatings and Cathodic Protection are installed to meet the requirements of 30 TAC §335.4 under which:

¹ P. Singh, J. Cox. Shaw Pipe Protection Limited and DuPont Canada, Inc. *Development of a Cost Effective Powder Coated Multi-component Coating for Underground Pipelines.*

² *Pipe Coating.* INGAA. <http://www.ingaa.org/cms/127.aspx>.

³ *Cathodic Protection – Electrochemical Principles and Design Considerations.* Corrosion Probe, Inc.

“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 require under 49 Code of Federal Regulations (“CFR”) §§195.557(a) and .563(a) the installation of Pipe Coatings and Cathodic Protection.

Environmental Benefit

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

The Pipeline’s pipe coatings and cathodic protection are used to control and/or prevent the degradation of metal piping through which the inadvertent release of NGLs could be released to the waters and lands of the State of Texas.

Section 6. Process Flow Diagram (Optional)

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

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

Section 7. 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.

This application is for Tier I 100% pollution control property.

Section 8. Property Categories and Costs

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

Property Name	Tier 1 Table No. or Expedited Review List No.	Use Percent	Estimated Dollar Value
Land:			
Property: Pipeline Coatings & Cathodic Protection	M-19, T-32	100%	\$372,963
Property:			
Total:			\$372,963

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

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

Section 9. 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: **\$150.00**

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

6. Total Amount of Payment: **\$150.00**

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 10. 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 listed in this application is eligible for a tax exemption under Texas Tax Code, §11.31 given that:

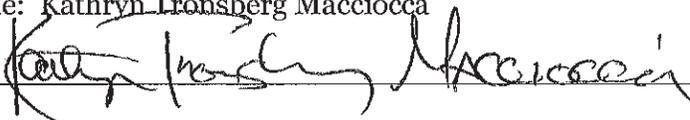
- the property is not solely used, constructed, acquired, or installed to manufacture or produce a good or provide a service, including a good or service that prevents, monitors, controls, or reduces air, water, or land pollution,
- the environmental benefit associated with the property is not wholly derived from the use or characteristics of the goods or services produced by the property,
- the property 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 is not used for residential purposes, or for recreational, park, or scenic uses as defined by Texas Tax Code, §23.81,
- the property is not a motor vehicle, except for a dedicated service motor vehicle used solely for pollution control, and
- the property 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: December 9, 2015

Signature: _____

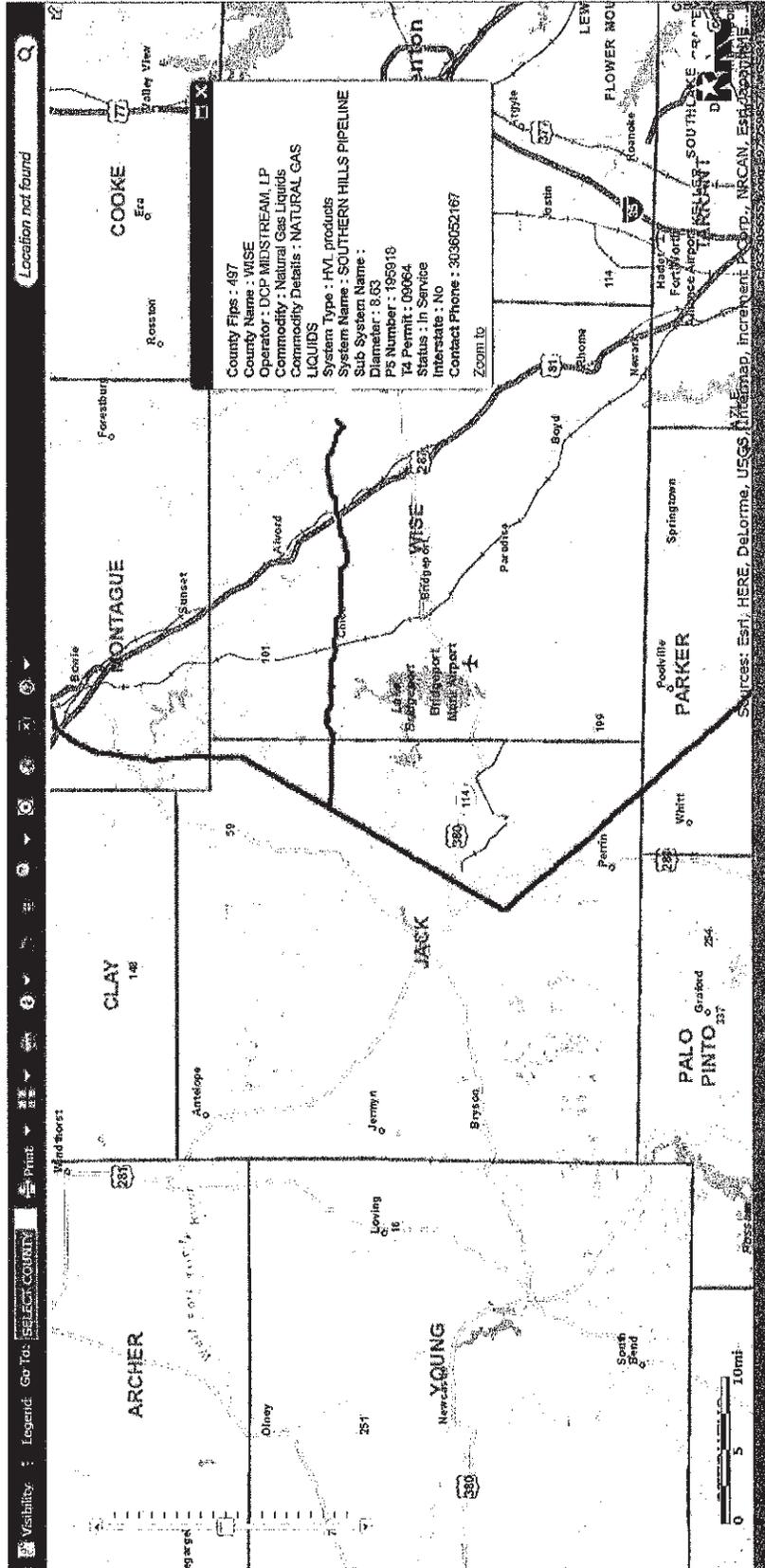


Title: Director

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



19551

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 Owner Information

1. Company Name of Owner: **DCP Southern Hills Pipeline, LLC**
2. Mailing Address: **370 17th Street, Suite 2500**
3. City, State, Zip: **Denver, Colorado 80202-5604**
4. Customer Number (CN): **CN604984823**
5. Regulated Entity Number (RN): **RN108852948**
6. Is this property/equipment owned by the CN listed in Question 4? Yes No

If the answer is 'No,' please explain:

To be eligible for a positive use determination the property must be owned and operated by the same entity.

7. Is this property subject to any lease or lease-to-own agreement? Yes No

If the answer is 'Yes,' please explain:

8. Is this property operated by the RN listed in Question 5? Yes No

If the answer is 'No,' please explain:

To be eligible for a positive use determination the property must be owned and operated by the same entity.

Section 2. Physical Location of Property

1. Name of Facility or Unit where the property/equipment is physically located:
Southern Hills Pipeline
2. Type of Mfg. Process or Service: **Pipeline Transportation of Natural Gas Liquids**
3. Street Address: **940 Mile, 8 - 20" Diameter NGL Pipeline**
4. City, State, Zip: **2.5 Mile, 8" NGL pipeline running from east of Chico to southeast of Alvord in Wise County (see Attachment A)**
5. County: **Wise**

6. Appraisal District Account Number(s): **No02042979; No02046859; No02042982; No02042974; No02021214; No02042977; No02046665; No02046858; No02046945; and No02042968**

Section 3. Contact Name

1. Company Name: **Duff & Phelps, LLC**
2. First Name of Contact: **Kathryn**
3. Middle Initial: **L.**
4. Last Name of Contact: **Tronsberg Macciocca**
5. Salutation: Mr. Mrs. Ms. Dr. Other:
6. Title: **Director, Property Tax**
7. Suffix:
8. Mailing Address: **2000 Market Street, Suite 2700**
9. City, State, Zip: **Philadelphia, Pennsylvania, 19103**
10. Phone Number/Fax Number: **(215)430-6059**
11. Email Address: **kathryn.tronsberg@duffandphelps.com**
12. Self-Assigned Tracking Number (optional): **SO-2015-50**

Section 4. 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

1 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 – Natural Gas Liquids Pipeline Transportation

Section 5. Property Description, Applicable Rule, and Environmental Benefit

For each piece, or each category, of pollution control property 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 if a use determination is being sought for more than one (1) piece.

General Information

1. Name the property: **Nondestructive Testing Expenditures**

2. Is the property used 100% as pollution control equipment? Yes No

Explain your answer: Through a technical/engineering review of the Facility's process activities, (NGL pipeline transportation), the subject property was determined to have no productive benefit for the Facility. Rather, this property was installed at the Facility solely to comply with environmental laws or rules to control or prevent the creation of (air, water, or land) pollution.

3. Does the property generate a Marketable Product? Yes No

Marketable Product: Anything produced or recovered using pollution control property that is sold as a product, is accumulated for later use, or is used as a raw material in a manufacturing process. Marketable product includes, but is not limited to, anything recovered or produced using the pollution control property and sold, traded, accumulated for later use, or used in a manufacturing process (including at a different facility).

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 integrated pollution control equipment? Yes No

If the answer is 'No,' separate applications must be filed for each piece of property.

6. List applicable permit number(s) for the pollution control property: N/A

Incremental Cost Difference

7. Is the Tier I Table item number A-86, A-112, A-114, A-182, or S-22? Yes No

If the answer is 'Yes,' the use determination percentage is based on the incremental cost difference and you must answer the following questions:

8. What is the cost of the new piece of property? N/A

9. What is the cost of the comparable property without controls? N/A

10. How was the value of the comparable property calculated? N/A

Property Description

11. Describe the property. (What is it? Where is it located within the production process? How is it used to control, prevent, or monitor pollution?)

Facility Description

The Southern Hills Pipeline (the "Pipeline") is a 940-mile-long, 8" -20"- diameter natural gas liquids ("NGL") pipeline that runs from Seward County, KS to the Texas Gulf Coast and Mont Belvieu, Texas. The Texas portion of the Pipeline is a 390-mile-long, 8"-20" NGL pipeline. The Pipeline is designed to provide takeaway service from DCP Midstream, LLC and third-party plants in the Midcontinent to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu market hub (800-mile mainline). The Pipeline has a current design capacity of 200,000 barrels per day, which is expandable to 350,000 with future pumping station additions. The Pipeline was placed in service in 2013 with a target capacity

of 175,000 barrels per day. The subject segment of the Pipeline is 2.5 miles of 8” pipe in Wise 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

Costs for nondestructive testing are instrumental in detecting 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? The citation must be to the specific section, subsection, paragraph, subparagraph, or clause level. Describe how the property meets or exceeds the requirements.

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(80) and the definition of “Solid Waste” as defined in 30 TAC §335.1(140)(a). The Nondestructive Testing Expenditures are implemented to meet the requirements of 30 TAC §335.4 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 require 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.

¹ Trinity 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?

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 6. Process Flow Diagram (Optional)

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

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

Section 7. 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.

This application is for Tier II 100% pollution control property.

Section 8. Property Categories and Costs

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

Property Name	Tier 1 Table No. or Expedited Review List No.	Use Percent	Estimated Dollar Value
Land:			
Property: Nondestructive Testing Expenditures	Tier II	100%	\$322,299
Property:			
Total:			\$322,299

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

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

Section 9. 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, LLC**

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 10. 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 listed in this application is eligible for a tax exemption under Texas Tax Code, §11.31 given that:

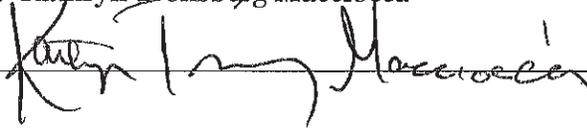
- the property is not solely used, constructed, acquired, or installed to manufacture or produce a good or provide a service, including a good or service that prevents, monitors, controls, or reduces air, water, or land pollution,
- the environmental benefit associated with the property is not wholly derived from the use or characteristics of the goods or services produced by the property,
- the property 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 is not used for residential purposes, or for recreational, park, or scenic uses as defined by Texas Tax Code, §23.81,
- the property is not a motor vehicle, except for a dedicated service motor vehicle used solely for pollution control, and
- the property 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: December 9, 2015

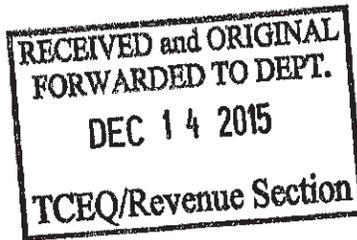
Signature: _____



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.



DUFF & PHELPS

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

December 9, 2015

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

Enclosed please find one application (the "Application") for property tax exemption for Water Pollution Control Property located at Southern Hills Pipeline (the "Facility") in Wise 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 \$150. Please find enclosed a check for the \$150 Tier II Application Fee.

The Application can be summarized as follows:

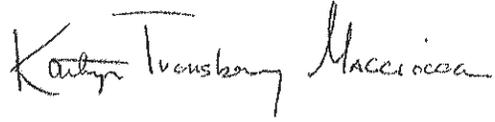
Property	Description	Estimated Cost
Tier II	Nondestructive Testing Expenditures	\$ 322,299

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.

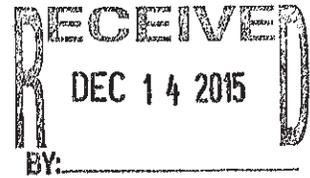
Kathryn Tronsberg Macciocca

Director

Property Tax

Enclosures

19575



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 Owner Information

1. Company Name of Owner: **DCP Southern Hills Pipeline, LLC**
2. Mailing Address: **370 17th Street, Suite 2500**
3. City, State, Zip: **Denver, Colorado 80202-5604**
4. Customer Number (CN): **CN604984823**
5. Regulated Entity Number (RN): **RN108852948**
6. Is this property/equipment owned by the CN listed in Question 4? Yes No

If the answer is 'No,' please explain:

To be eligible for a positive use determination the property must be owned and operated by the same entity.

7. Is this property subject to any lease or lease-to-own agreement? Yes No

If the answer is 'Yes,' please explain:

8. Is this property operated by the RN listed in Question 5? Yes No

If the answer is 'No,' please explain:

To be eligible for a positive use determination the property must be owned and operated by the same entity.

Section 2. Physical Location of Property

1. Name of Facility or Unit where the property/equipment is physically located:
Southern Hills Pipeline
2. Type of Mfg. Process or Service: **Pipeline Transportation of Natural Gas Liquids**
3. Street Address: **940 Mile, 8 - 20" Diameter NGL Pipeline**
4. City, State, Zip: **2.5 Mile, 8" NGL pipeline running from east of Chico to southeast of Alvord in Wise County (see Attachment A)**
5. County: **Wise**

6. Appraisal District Account Number(s): **N002042979; N002046859; N002042982; N002042974; N002021214; N002042977; N002046665; N002046858; N002046945; and N002042968**

Section 3. Contact Name

1. Company Name: **Duff & Phelps, LLC**
2. First Name of Contact: **Kathryn**
3. Middle Initial: **L.**
4. Last Name of Contact: **Tronsberg Macciocca**
5. Salutation: Mr. Mrs. Ms. Dr. Other:
6. Title: **Director, Property Tax**
7. Suffix:
8. Mailing Address: **2000 Market Street, Suite 2700**
9. City, State, Zip: **Philadelphia, Pennsylvania, 19103**
10. Phone Number/Fax Number: **(215)430-6059**
11. Email Address: **kathryn.tronsberg@duffandphelps.com**
12. Self-Assigned Tracking Number (optional): **SO-2015-48**

Section 4. 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
 1 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 – Natural Gas Liquids Pipeline Transportation

Section 5. Property Description, Applicable Rule, and Environmental Benefit

For each piece, or each category, of pollution control property 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 if a use determination is being sought for more than one (1) piece.

General Information

1. Name the property: **Intelligent Pipeline Inspection Gauge (“PIG”) Launchers & Receivers**

2. Is the property used 100% as pollution control equipment? Yes No

Explain your answer: Through a technical/engineering review of the Facility’s process activities, (NGL pipeline transportation), the subject property was determined to have no productive benefit for the Facility. Rather, this property was installed at the Facility solely to comply with environmental laws or rules to control or prevent the creation of (air, water, or land) pollution.

3. Does the property generate a Marketable Product? Yes No

Marketable Product: Anything produced or recovered using pollution control property that is sold as a product, is accumulated for later use, or is used as a raw material in a manufacturing process. Marketable product includes, but is not limited to, anything recovered or produced using the pollution control property and sold, traded, accumulated for later use, or used in a manufacturing process (including at a different facility).

If the answer is ‘Yes,’ describe the marketable product: N/A

4. What is the appropriate Tier I Table or Expedited Review List number?

S-9: Leak Detection Systems

5. Is the property integrated pollution control equipment? Yes No

If the answer is ‘No,’ separate applications must be filed for each piece of property.

6. List applicable permit number(s) for the pollution control property: N/A

Incremental Cost Difference

7. Is the Tier I Table item number A-86, A-112, A-114, A-182, or S-22? Yes No

If the answer is ‘Yes,’ the use determination percentage is based on the incremental cost difference and you must answer the following questions:

8. What is the cost of the new piece of property? N/A
9. What is the cost of the comparable property without controls? N/A
10. How was the value of the comparable property calculated? N/A

Property Description

11. Describe the property. (What is it? Where is it located within the production process? How is it used to control, prevent, or monitor pollution?)

Facility Description

The Southern Hills Pipeline (the “Pipeline”) is a 940-mile-long, 8” -20”- diameter natural gas liquids (“NGL”) pipeline that runs from Seward County, KS to the Texas Gulf Coast and Mont Belvieu, Texas. The Texas portion of the Pipeline is a 390-mile-long, 8”-20” NGL pipeline. The Pipeline is designed to provide takeaway service from DCP Midstream, LLC and third-party plants in the Midcontinent to fractionation facilities along the Texas Gulf Coast and the Mont Belvieu market hub (800-mile mainline). The Pipeline has a current design capacity of 200,000 barrels per day, which is expandable to 350,000 with future

pumping station additions. The Pipeline was placed in service in 2013 with a target capacity of 175,000 barrels per day. The subject segment of the Pipeline is 2.5 miles of 8" pipe in Wise County.

Pollution Control Property Description – Intelligent Pipeline Inspection Gauge (“PIG”) Launchers & Receivers

The following installations were made on the Southern Hills Pipeline:

- (1) 8" Intelligent PIG Launcher located at
 - 33°18'45.4"N 97°52'29.6"W (See Attachment B)
- (1) 8" Intelligent PIG Launcher located at
 - 33°18'39.2"N 97°31'44.8"W (See Attachment B)
- (1) 8" Intelligent PIG Receiver located at
 - 33°18'45.4"N 97°52'29.3"W (See Attachment B)

A pipeline inspection gauge, or “PIG,” is a technology used to detect breach and wear in a pipeline. PIGs used for inspection are sometimes referred to as “in-line inspection,” “intelligent,” or “smart” PIGs. The PIG utilizes magnetic flux leakage (“MFL”) technology that detects corrosion and pitting in the pipeline.¹

Information that can be provided by a PIG may include the following:

- Temperature and pressure recording,
- Metal-loss and corrosion detection,
- Photographic inspection,
- Crack detection,
- Leak detection, and
- Mapping.

The PIG is introduced to the pipeline in a module known as a PIG Launcher. The PIG is inserted and then launched from a PIG trap. When the inspection is complete, the PIG is received in a PIG Receiver and removed. The PIG is propelled by the pressure of the product and collects real-time data while traveling through the pipeline. The sophisticated MFL technology allows the PIG to detect defects as small as 1 x 1 cm.²

After a PIG run is complete, positional data and pipeline evaluation data are collected from the PIG to ultimately provide a specific defect map of the pipeline. By evaluating these defects, the pipeline can be repaired before any leakage or environmental damage develops.³

If leakage occurs, the NGLs are non-recoverable and, therefore, cease to retain monetary value. Furthermore, leaked NGLs are a fugitive material that can contribute to the pollution of waters and lands of the State of Texas.

¹ *Fact Sheet: In-line Inspections (Smart Pig)*. U.S. Department of Transportation. 12/1/2011.

² *Ibid.*

³ *Pipeline Safety & Pigging*, Patchworks, May 2012. Petroleum Services Association of Canada.

Applicable Rule

12. What adopted environmental rule or regulation is being met by the construction or installation of the property? The citation must be to the specific section, subsection, paragraph, subparagraph, or clause level. Describe how the property meets or exceeds the requirements.

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 §335.1(138)(a). The Intelligent Pig Launchers and Receivers are installed to meet the requirements of 30 TAC §335.4 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 require under 49 Code of Federal Regulations § 195.120(a) that pipelines must be designed and constructed to accommodate the passage of instrumented internal inspection devices

Environmental Benefit

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

Intelligent PIG Launchers and Receivers are used in conjunction with intelligent PIGs to detect and locate pipeline leaks and defects that can lead to inadvertent leaks or spills, contaminating groundwater, surface water, and lands of the State of Texas.

Section 6. Process Flow Diagram (Optional)

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

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

Section 7. 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.

This application is for Tier I 100% pollution control property.

Section 8. Property Categories and Costs

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

Property Name	Tier 1 Table No. or Expedited Review List No.	Use Percent	Estimated Dollar Value
Land:			
Property: Intelligent PIG Launchers & Receivers	S-9	100%	\$392,743
Property:			
Total:			\$392,743

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

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

Section 9. 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: **\$150.00**

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

6. Total Amount of Payment: **\$150.00**

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 10. 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 listed in this application is eligible for a tax exemption under Texas Tax Code, §11.31 given that:

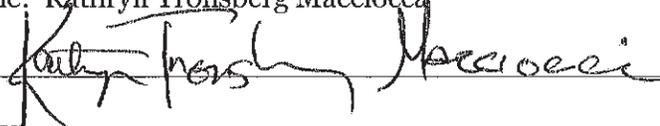
- the property is not solely used, constructed, acquired, or installed to manufacture or produce a good or provide a service, including a good or service that prevents, monitors, controls, or reduces air, water, or land pollution,
- the environmental benefit associated with the property is not wholly derived from the use or characteristics of the goods or services produced by the property,
- the property 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 is not used for residential purposes, or for recreational, park, or scenic uses as defined by Texas Tax Code, §23.81,
- the property is not a motor vehicle, except for a dedicated service motor vehicle used solely for pollution control, and
- the property 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: December 10, 2015

Signature: _____



Title: Director

Company Name: Duff & Phelps, LLC

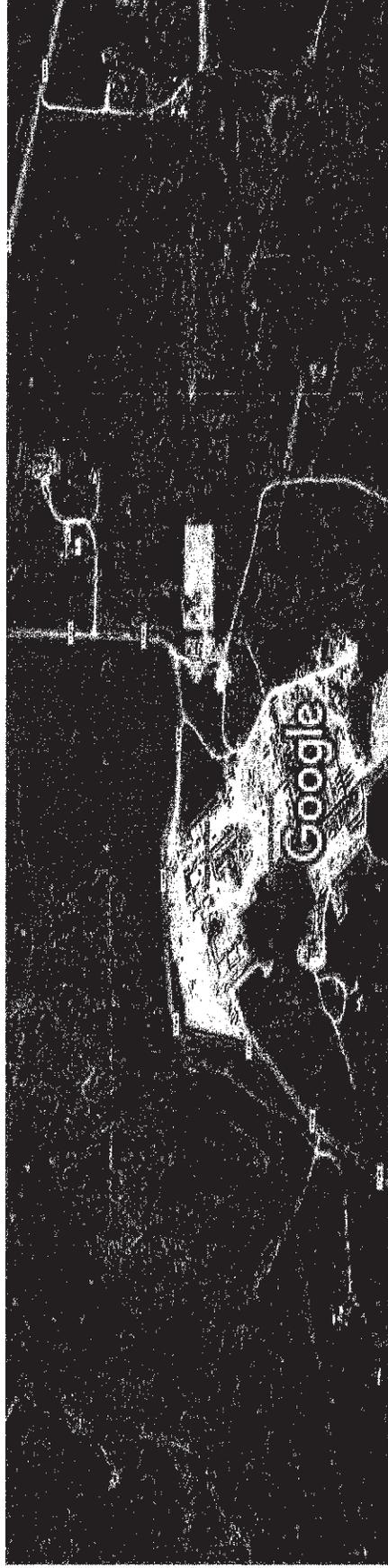
Under Texas Penal Code 37.10, if you make a false statement on this application, you could receive a jail term of up to one year and a fine up to \$2,000, or a prison term of two to 10 years and a fine of up to \$5,000.

Attachment B

33°18'45.4"N 97°52'29.6"W

Google Maps

8" Intelligent "PIG" Launcher in Wise County



Imagery ©2015 DigitalGlobe, Texas Orthoimagery Program, USDA Farm Service Agency, Map data ©2015 Google 200 ft

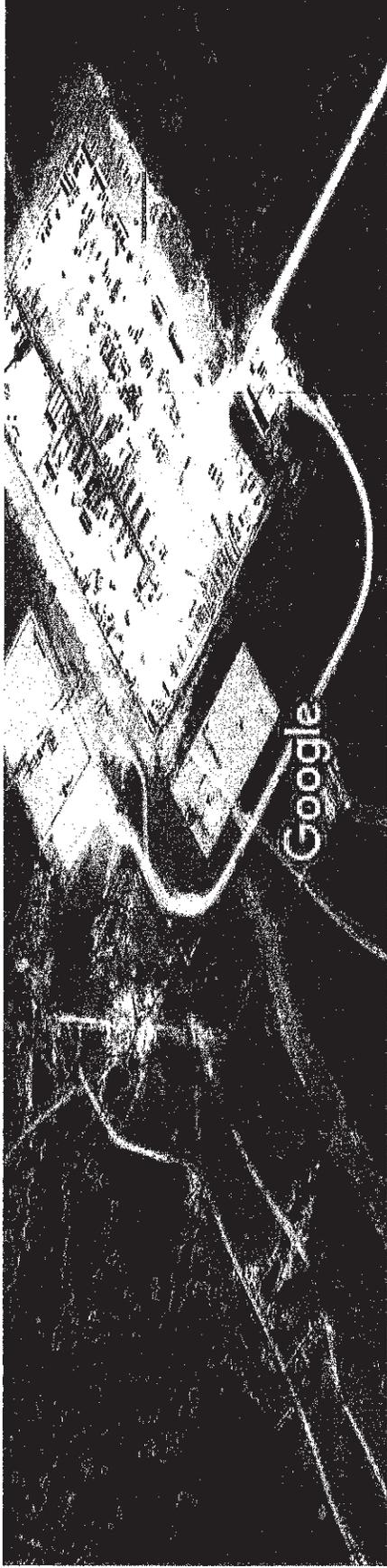
33°18'45.4"N 97°52'29.6"W

Attachment B

Google Maps

33°18'39.2"N 97°31'44.8"W

8" Intelligent "PIG" Launcher in Wise County



Imagery ©2015 DigitalGlobe, Texas Orthoimagery Program, Map data ©2015 Google 100 ft

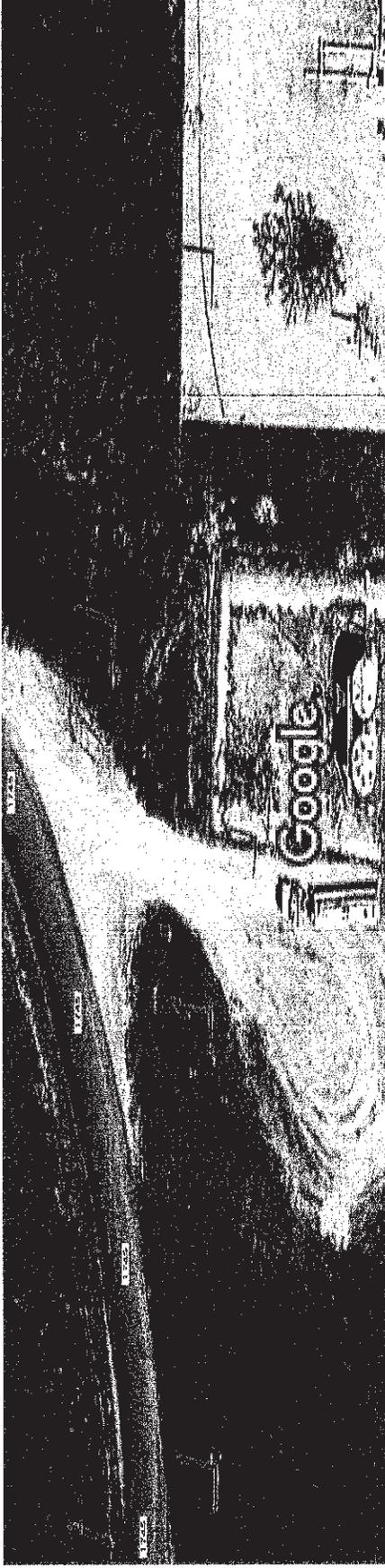
33°18'39.2"N 97°31'44.8"W

Attachment B

Google Maps

33°18'45.4"N 97°52'29.3"W

8" Intelligent "PIG" Receiver in Wise County



Map data ©2015 Google 20 ft

33°18'45.4"N 97°52'29.3"W

Attachment 2

The State of Texas
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



Application Number: 19538

County: Wise

USE DETERMINATION CERTIFICATE

This certifies that
DCP Southern Hills Pipeline, LLC
DCP Southern Hills Pipeline – Wise County
Natural Gas Liquids Pipeline 8 Inch
Wise County, Texas

installed the following property that is used 100% for pollution control to meet or exceed federal or state regulations:
three 8 inch automatic shut-off valves for natural gas liquids pipeline.

December 23, 2015

Date

A handwritten signature in black ink that reads "David Brymer".

David Brymer
Division Director

The State of Texas
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



Application Number: 19543

County: Wise

USE DETERMINATION CERTIFICATE

This certifies that
DCP Southern Hills Pipeline, LLC
DCP Southern Hills Pipeline – Wise County
Natural Gas Liquids Pipeline 8 Inch
Wise County, Texas

installed the following property that is used 100% for pollution control to meet or exceed federal or state regulations:
cathodic protection; fusion-bonded epoxy (FBE) on the pipe surface; adhesive for top coat; and top coat consisting of polyethylene or polypropylene.

December 23, 2015

Date

A handwritten signature in black ink, appearing to read "David Brymer".

David Brymer
Division Director

The State of Texas
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



Application Number: 19551

County: Wise

USE DETERMINATION CERTIFICATE

This certifies that
DCP Southern Hills Pipeline, LLC
DCP Southern Hills Pipeline -- Wise County
Natural Gas Liquids Pipeline 8 Inch
Wise 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.

December 23, 2015

Date

A handwritten signature in black ink, appearing to read "David Brymer".

David Brymer
Division Director

The State of Texas
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



Application Number: 19575

County: Wise

USE DETERMINATION CERTIFICATE

This certifies that

DCP Southern Hills Pipeline, LLC
DCP Southern Hills Pipeline – Wise County
Natural Gas Liquids Pipeline 8 Inch
Wise County, Texas

installed the following property that is used 100% for pollution control to meet or exceed federal or state regulations:
one 8 inch intelligent pipeline inspection gauge (PIG) receiver and two 8 inch PIG launchers.

December 23, 2015

Date

A handwritten signature in black ink that reads "David Brymer".

David Brymer
Division Director