

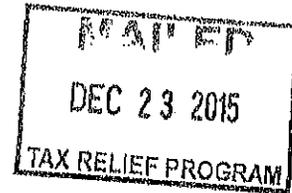
Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 23, 2015



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

Re: Notice of Administrative Completeness and Positive Use Determination
DCP Southern Hills Pipeline, LLC
DCP Southern Hills Pipeline – Wise County
Natural Gas Liquids Pipeline 8 Inch
Wise County (Wise County)
Regulated Entity Number: RN108852948
Customer Reference Number: CN604984823
Application Number: 19575
Tracking Number: SO-2015-48

Dear Ms. Tronsberg Macciocca:

This letter responds to DCP Southern Hills Pipeline, LLC's Application for Use Determination for DCP Southern Hills Pipeline – Wise County, received December 14, 2015, pursuant to the Texas Commission on Environmental Quality's (TCEQ) Tax Relief for Pollution Control Property Program.

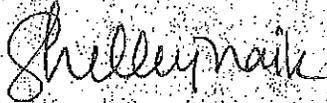
In accordance with Title 30 Texas Administrative Code (TAC) §§17.10 and 17.4, the TCEQ has completed the review for application #19575 and has issued a Positive Use Determination. A copy of the application has been provided to the appropriate county appraisal district. In order to request an exemption, the attached Use Determination and a completed Application for Pollution Control Property Tax Exemption, Form #50-248 (please see www.cpa.state.tx.us), must be provided to the chief appraiser of the appropriate appraisal district no later than April 30th of the applicable tax year.

Please be advised that a Positive Use Determination may be appealed by the chief appraiser of the applicable appraisal district. The appeal must be filed with the TCEQ Chief Clerk within 20 days after the receipt of this letter in accordance with 30 TAC §17.25.

Ms. Kathryn Tronsberg-Macciocca
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December 23, 2015

If you have questions regarding this letter or need further assistance, please contact Ronald Hatlett of the Tax Relief for Pollution Control Property Program by telephone at (512) 239-6348, by e-mail at Ronald.Hatlett@teeq.texas.gov, or write to the Texas Commission on Environmental Quality, Tax Relief for Pollution Control Property Program, MC-110, P.O. Box 13087, Austin, Texas 78711-3087.

Sincerely,



Shelley Naik, Team Leader
Stationary Source Programs
Air Quality Division

SN/RH

Enclosure

cc: Chief Appraiser, Wise County Appraisal District, 400 W Business 380, Decatur,
Texas 76234

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.

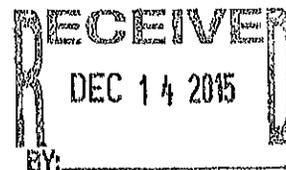
December 23, 2015

Date

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

David Brymer
Division Director

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:

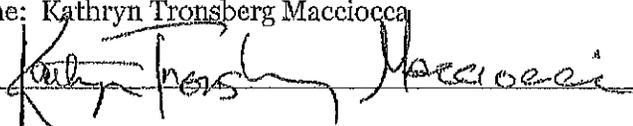
- the property is not solely used, constructed, acquired, or installed to manufacture or produce a good or provide a service, including a good or service that prevents, monitors, controls, or reduces air, water, or land pollution,
- the environmental benefit associated with the property is not wholly 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

Google Maps

33°18'45.4"N 97°52'29.6"W

8" Intelligent "PIG" Launcher in Wise County



Imagery ©2015 DigitalGlobe, Texas OrthoImagery Program, USDA Farm Service Agency, Map data ©2015 Google

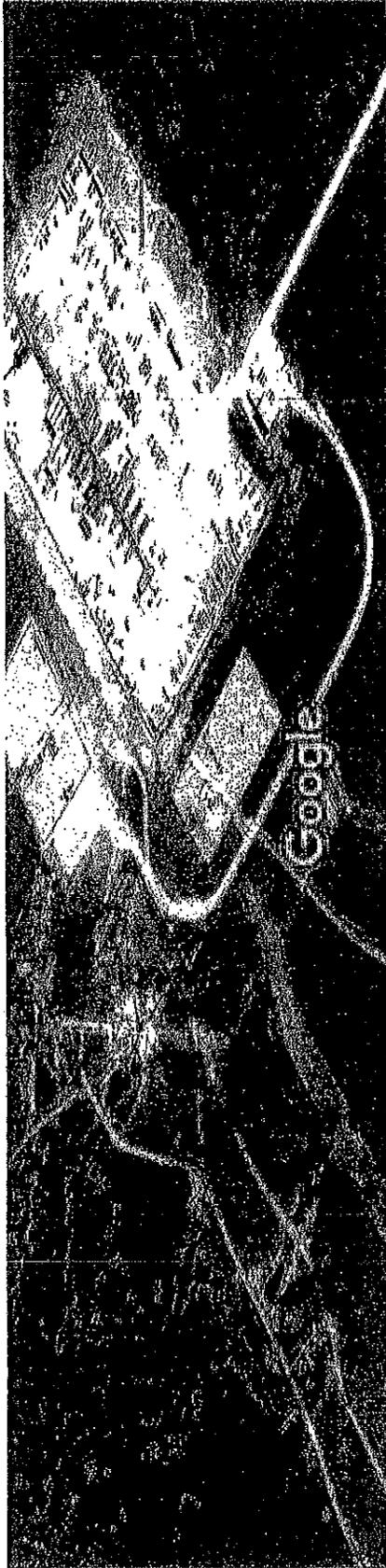
33°18'45.4"N 97°52'29.6"W

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

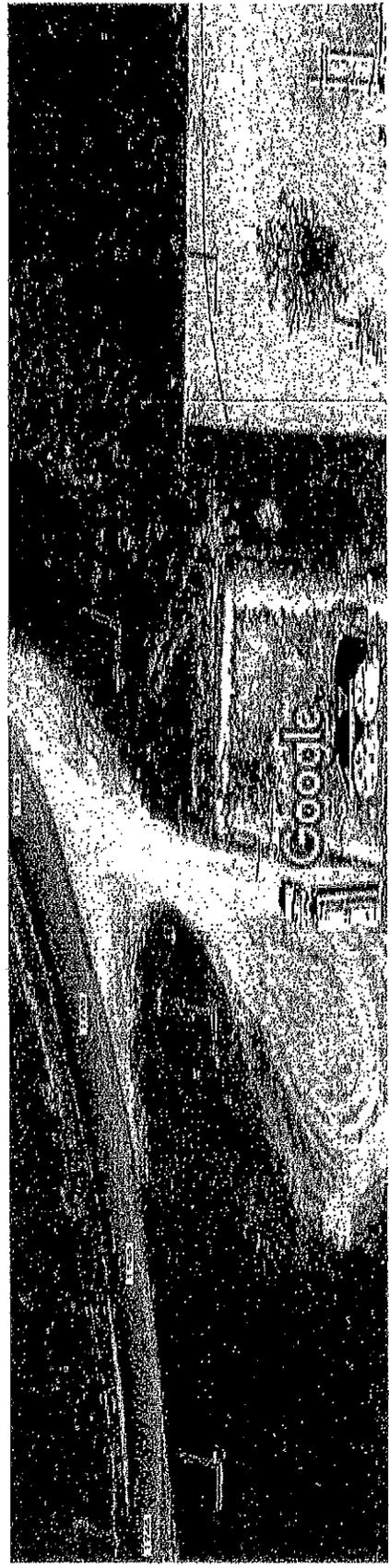
33°18'39.2"N 97°31'44.8"W

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

