



ORIGINAL

Oil Pipeline Depreciation Rates

Docket No. DOP-4 000

December 30, 2011

The Honorable Kimberly D. Bose
 Secretary
 Federal Energy Regulatory Commission
 888 First Street, N.E.
 Washington, DC 20426

FILED
 SECRETARY OF THE
 COMMISSION
 2012 JAN -4 A 11:44
 FEDERAL ENERGY
 REGULATORY COMMISSION

Re: Independent Trading and Transportation Company I, L.L.C.
 Request for Approval of Proposed Depreciation Rates

Dear Ms. Bose,

Pursuant to Part 347 of the Commission's regulations, Independent Trading and Transportation Company I, L.L.C. ("ITT") is requesting approval to use the attached depreciation rates so that depreciation of its pipeline assets is reflective of the projected remaining life of the ITT crude oil pipeline system, located in the Williston basin in southwestern North Dakota.

ITT requests to use the same set of property and depreciation records for FERC Form No.6 reporting purposes and for ratemaking purposes. ITT requests approval to use the proposed depreciation rates beginning January 1, 1998, the approximate date the ITT crude oil pipeline system was placed into service. The proposed depreciation rates are based on independent reserve studies which projected a nine year remaining life of the crude oil pipeline system as of December 31, 2010.

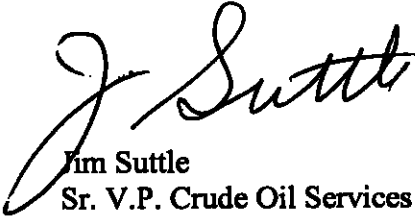
We respectfully request that the confidential version of ITT's "Information Supporting Proposed Oil Pipeline Depreciation Rates" be afforded privileged and confidential treatment, exempt from all public disclosure, including the mandatory public disclosure requirements of the Freedom of Information Act, 4 U.S.C. §522. Certain information in and attached to ITT's Supporting Proposed Oil Pipeline Depreciation Rates contains confidential information subject to Section 15(13) of the Interstate Commerce Act.

Please return the duplicate transmittal letter in the self-addressed, stamped envelope, showing the date of receipt by the Commission.

I hereby certify that I have on or before this date distributed, by First Class Mail, one copy of this transmittal letter to each shipper and subscriber.

Should you have any questions, please contact Angie Grothe with ITT, P.O. Box 5103, Enid, Oklahoma 73702 at 580-616-2051.

Respectfully submitted,



Jim Suttle
Sr. V.P. Crude Oil Services

Attachments

cc: Joseph Athey, Federal Energy Regulatory Commission

All Subscribers and Shippers

PUBLIC VERSION

Independent Trading and Transportation Company I, L.L.C.

**Information Supporting Proposed Oil Pipeline
Depreciation Rates**

12/30/2011

Independent Trading and Transportation Company I, L.L.C.
Information supporting proposed oil pipeline depreciation rates

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Attachment A - Calculation of Depreciation Rates (page 8)

Attachment B - System Map(page 9)

Attachment C - Volume Information (Removed for Confidential Treatment, Due to Commercial Sensitivity Concerns).....(page 10)

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SUMMARY OF GENERAL PRINCIPLES

§347.1(e)(1)

A brief summary relating to the general principles on which the proposed depreciation rates are based.

Independent Trading and Transportation Company I, L.L.C. ("ITT") is requesting approval to use the attached depreciation rates as its book and ratemaking depreciation rates so that depreciation of its crude oil pipeline assets is reflective of the remaining life of the crude oil pipeline system. ITT is requesting approval to use the proposed depreciation rates as of January 1, 1998, the approximate date the ITT crude oil pipeline system was placed into service.

These proposed depreciation rates give consideration to both physical and economic factors. For long-lived assets, remaining lives were determined based on economic factors. For short-to-medium-lived assets, determinations of physical lives of assets are based upon analyses of the types of assets and the physical lives generally accepted by FERC for assets of similar crude oil pipelines. A more detailed explanation of the remaining lives of ITT's crude oil pipeline system assets is discussed in response to §347.1(e)(4).

PIPELINE OVERVIEW

§347.1(e)(2)

An explanation of the organization, ownership, and operation of the pipeline.

ITT is a wholly-owned subsidiary of Hiland Partners, LP ("Hiland"), an Oklahoma midstream energy limited partnership.

On May 7, 2010, effective April 1, 2010, Hiland entered into a contribution agreement with the owners (the "Sellers") of ITT whereby the Sellers contributed their equity interests of ITT in exchange for Hiland limited partner common units.

At the time of the contribution agreement, ITT's principal asset was a crude oil gathering system located in the Williston basin in southwestern North Dakota. The crude oil gathering system consists of 29 miles of crude oil gathering pipelines with a throughput capacity to gather approximately 28,000 Bbls/d of crude oil. As of December 31, 2010, 12 central tank batteries were connected to the ITT gathering system. The wells behind these receipt points primarily produce crude oil from the Bakken formation.

PROPOSED DEPRECIATION RATES

§347.1(e)(3)

A table of the proposed depreciation rates by account.

ITT requests to use the same set of property and depreciation records for FERC Form No.6 reporting purposes and for ratemaking purposes. ITT requests to use these rates as of January 1,

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1998, the approximate day the ITT crude oil pipeline system was placed into service. The proposed depreciation rates are listed in the following table.

These rates will be utilized for subsequent additions of property. ITT has not recorded assets in some of the accounts shown below, nor has immediate plans to purchase or add assets that would be recorded in some of these accounts. ITT seeks approval of depreciation rates for these assets categories in the event assets are subsequently added in these categories.

Depreciation Rates (based on original costs)

Please see Attachment A for development of the proposed depreciation rates.

Account #	Account Names	Proposed Depreciation Rate
102, 152	Right of Way	4.55%
103, 153	Line Pipe	4.55%
104, 154	Line Pipe Fittings	4.55%
105, 155	Pipeline Construction	4.55%
106, 156, 176	Building	4.55%
107, 157	Boilers	4.55%
108, 158	Pumping Equipment	4.55%
109, 159, 179	Machine Tools and Machinery	20.00%
110, 160	Other Station Equipment	4.55%
111, 161	Oil Tanks	4.55%
112, 162	Delivery Facilities	4.55%
113, 163	Communication Systems	4.55%
114, 164, 184	Office Furniture and Equipment	20.00%
115, 165, 185	Vehicles and Other Work Equipment	20.00%
116, 166, 186	Other Property	4.55%

AVERAGE REMAINING LIFE

§347.1(e)(4)

An explanation of the average remaining life on a physical basis and on an economic basis.

Volumes transported on ITT's crude oil pipeline system are derived from shipper crude oil reserves in the Cedar Hills fields, located in Bowman County, North Dakota. The economic life of the ITT crude oil gathering pipeline system is wholly dependent upon proved crude oil reserves in the Cedar Hills fields which, based on a producer's independent study of proved crude oil reserves, is estimated to contain nine years of economically recoverable crude oil reserves as of December 31, 2010. As of January 1, 2011, we believe ITT will have access to sufficient supplies of crude oil to economically operate this crude oil pipeline system for at least nine years. The remaining economic life of the ITT crude oil pipeline gathering system would have been 22 years on January 1, 1998, the date ITT requests to apply the proposed depreciation rates. We believe the remaining life of 22 years is also applicable for all long-lived crude oil pipeline assets in the ITT crude oil pipeline system.

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For short-to-medium-lived assets, the remaining lives of the assets depend upon their physical lives. The determinations of the various physical lives of gathering assets are based upon analyses of the types of assets and the physical lives generally accepted by FERC for similar assets of crude oil pipelines. ITT estimates the physical lives of mechanic tools, machinery, vehicles and other miscellaneous equipment to be five years.

SYSTEM MAPS

§347.1(e)(5)(i)

Up-to-date engineering maps of the pipeline including the location of all gathering facilities, trunkline facilities, terminals, interconnections with other pipeline systems, and interconnections with refineries/plants. Maps must indicate the direction of flow.

Please see attachment B.

SUMMARY OF OPERATIONS

§347.1 (e) (5) (ii)

A brief description of the carrier's operations and an estimate of any major near-term additions or retirements including the estimated costs, location, reason, and probable year of transaction.

For a description of ITT's operations, please refer to information provided in response to §347.1 (e) (2).

No major near-term additions or retirements are currently anticipated by ITT for this crude oil pipeline system.

CURRENT DEPRECIATIONS RATES

§347.1 (e) (5) (iii)

The present depreciation rates being used by account.

This filing requests approval of initial depreciation rates for this crude oil pipeline system.

**Independent Trading and Transportation Company I, L.L.C.
Information supporting proposed oil pipeline depreciation rates**

VOLUME INFORMATION

§347.1 (e) (5) (iv) and (vi)

For the most current year available and for the two prior years, a breakdown of the throughput (by type of product, if applicable) received with source (e.g. name of well, pipeline company) at each receipt point and throughput delivered at each delivery point. A list of shipments and their associated receipt points, delivery points, and volumes (in barrels) by type of product (where applicable) for the most current year.

This information is confidential in accordance with Section 15 (13) of the Interstate Commerce Act, and is correspondingly not included in the public version of this document.

Independent Trading and Transportation Company I, L.L.C.
Information supporting proposed oil pipeline depreciation rates

CAPACITY INFORMATION

§347.1 (e) (5) (v)

The daily average capacity (in barrels per day) and the actual average capacity (in barrels per day) for the most current year, by line section.

ITT's crude oil gathering pipeline system consists of 29 miles of crude oil gathering pipelines with 28,000 Bbls/d throughput capacity. During the year ended December 31, 2010, the ITT crude oil pipeline system gathered approximately 14,029 Bbls/d.

PLANT AND RESERVE BALANCES

§347.1 (e) (5) (vii)

For each primary carrier account, the latest month's book balances for gross plant and for accumulated reserve for depreciation.

ITT completed the first phase of construction of its crude oil pipeline system in 1997 and placed the system into service effective January 1, 1998. All costs related to the 1997 pipeline construction, including costs of the line pipe laid, line pipe fittings, pipeline construction and other gathering system equipment have been recorded by ITT's as a single pipeline asset. Separate details of these construction costs are not available and therefore, ITT requests to record the entire 1997 construction costs totaling \$1,386,855.00 into the accounts "Line Pipe" (Accounts 103/153), which will not affect the proposed depreciation rates or the total amount of depreciation expense since the long-lived pipeline assets in the ITT crude oil pipeline system will have the same depreciation rate based on the economic life of the entire pipeline system.

Details of costs subsequent to January 1, 1998, when and if available, have been and or will be recorded into the appropriate asset account according to FERC regulations.

Account No.	Account Name	Gross Plants (1/1/1998)	Accumulated Reserves for Depreciation (1/1/1998)
103	Line pipe	\$1,275,907.00	\$0
153	Line pipe	\$110, 948.00	\$0
Total		\$1,386,855.00	

REMAINING LIFE ESTIMATE

§347.1 (e) (5) (viii)

An estimate of the remaining life of the system (both gathering and trunk lines) including the basis for the estimate.

For an estimate of remaining life of the crude oil pipeline system, please refer to information provided in response to §347.1 (e) (4).

Independent Trading and Transportation Company I, L.L.C.
Information supporting proposed oil pipeline depreciation rates

LIST OF CRUDE OIL FIELDS **§347.1 (e) (5) (ix)**

For crude oil, a list of the fields or areas from which crude oil is obtained.

ITT obtains its supply of crude oil from one shipper's crude oil production from the Williston Basin in the Cedar Hills fields in southwestern North Dakota. The wells behind 12 separate central tank batteries connected to the ITT crude oil pipeline system primarily produce crude oil from the Bakken formation.

SERVICE LIFE DATA FORM **§347.1 (e) (5) (x)**

If the proposed depreciation rate adjustment is based on the remaining physical life of the properties, a complete, or updated, if applicable, Service Life Data Form (FERC Form No. 73) through the most current year.

As the proposed depreciation rates are based primarily on economic lives, updated Service Life Data Form (FERC Form No. 73) is not required.

ESTIMATED SALVAGE VALUE **§347.1 (e) (5) (xi)**

Estimated salvage value of properties by account.

Given the potential for future removal and/ or remediation costs associated with the retirement of the pipeline system, ITT assumes no salvage value.

Independent Trading and Transportation Company I, L.L.C.
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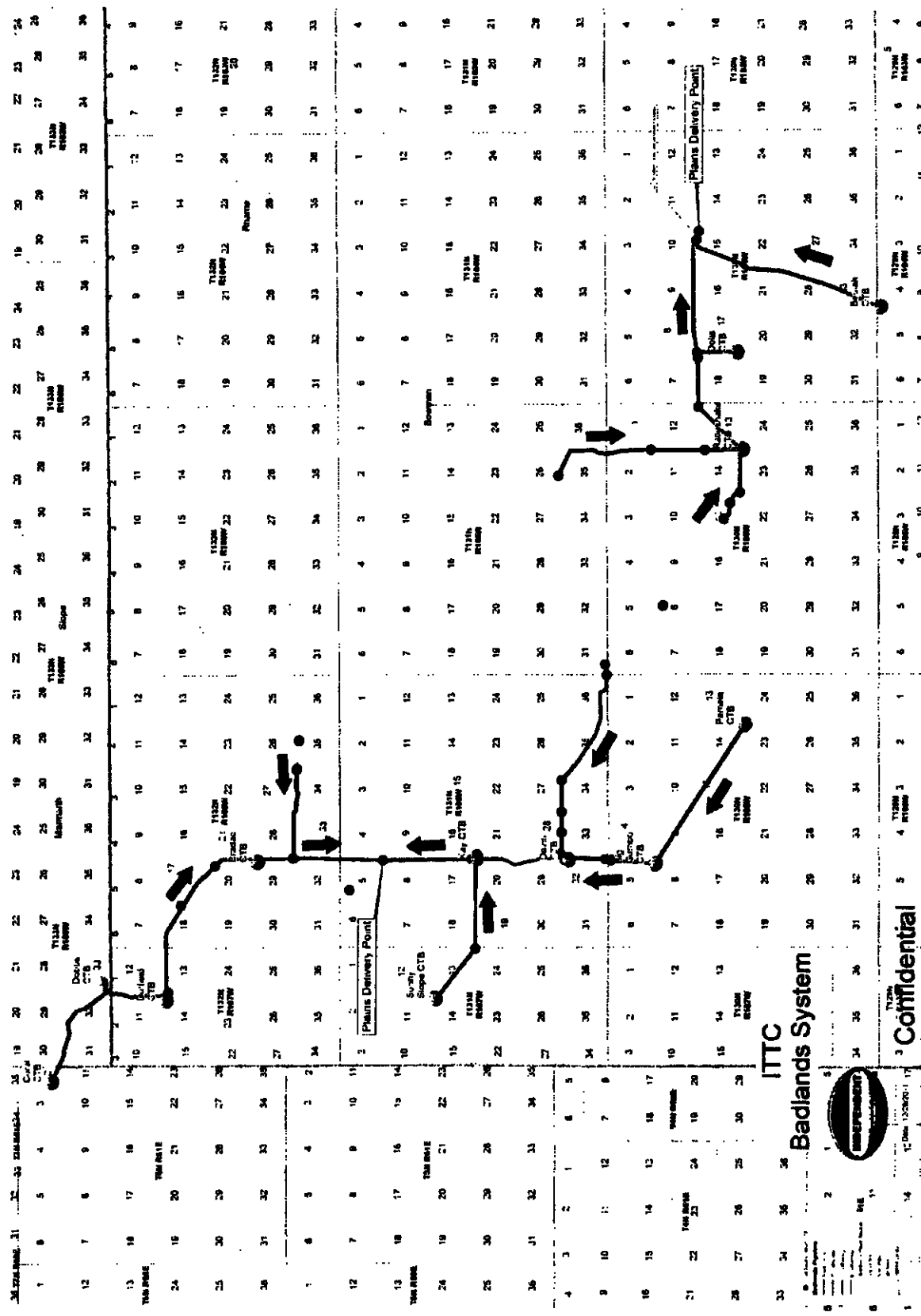
ATTACHMENT A – CALCULATION OF DEPRECIATION RATES

As of 1/1/1998

Account #	Account Names	Depreciation Base (%)	Accumulated Reserve for Depreciation (%)	Net Book Value (%)	Average Service Life (years)	Proposed Depreciation Rate
		(a)	(b)	(c)	(d)	(e) = 1/ (d)
102, 152	Right of Way	100	0	100	22	4.55%
103, 153	Line Pipe	100	0	100	22	4.55%
104, 154	Line Pipe Fittings	100	0	100	22	4.55%
105, 155	Pipeline Construction	100	0	100	22	4.55%
106, 156, 176	Building	100	0	100	22	4.55%
107, 157	Boilers	100	0	100	22	4.55%
108, 158	Pumping Equipment	100	0	100	22	4.55%
109, 159, 179	Machine Tools and Machinery	100	0	100	5	20.00%
110, 160	Other Station Equipment	100	0	100	22	4.55%
111, 161	Oil Tanks	100	0	100	22	4.55%
112, 162	Delivery Facilities	100	0	100	22	4.55%
113, 163	Communication Systems	100	0	100	22	4.55%
114, 164, 184	Office Furniture and Equipment	100	0	100	5	20.00%
115, 165, 185	Vehicles and Other Work Equipment	100	0	100	5	20.00%
116, 166, 186	Other Property	100	0	100	22	4.55%

**Independent Trading and Transportation Company I, L.L.C.
Information supporting proposed oil pipeline depreciation rates**

ATTACHMENT B--SYSTEM MAP



**Independent Trading and Transportation Company L, L.L.C.
Information supporting proposed oil pipeline depreciation rates**

ATTACHMENT C-VOLUME INFORMATION

This information is confidential in accordance with Section 15 (13) of the Interstate Commerce Act, and is correspondingly not included in the public version of this document.

LARGE-FORMAT IMAGES

One or more large-format images (over 8 ½" x 11") go here.
These images are available in e-Library at:

Accession Number(s) 2012 0104-0206

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