

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: HORIZON ETHANOL, LLC	DOCKET NO. P-862
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**ORDER ACCEPTING COMPLIANCE FILING AND ALLOWING
OPERATION OF PIPELINE**

(Issued March 6, 2006)

On September 30, 2005, Horizon Ethanol, LLC (Horizon), filed with the Utilities Board (Board) a petition for a pipeline permit to allow Horizon to construct, maintain, and operate 10 miles of 6-inch diameter natural gas pipeline in Hamilton County and Story County, Iowa. The proposed pipeline would extend from a tap on the Northern Natural Gas Company pipeline west of Story City, Iowa, to the Horizon Ethanol Plant, northwest of Jewell, Iowa. The proposed pipeline will be owned by Horizon. Horizon has contracted with Montana-Dakota Utilities Company (MDU), a North Dakota corporation, to construct, operate, and maintain the proposed pipeline.

On November 1, 2005, the Board issued an order assigning the docket to an administrative law judge (ALJ) to establish a procedural schedule, conduct a hearing, and issue a proposed order. On December 6, 2005, the ALJ issued a proposed order that granted the petition for a permit. The proposed order provided for the issuance of the permit and the beginning of construction of the pipeline, but prohibited Horizon from beginning operation of the pipeline until certain safety

conditions were met. On December 13, 2005, the Board issued Permit No. 1219 to Horizon subject to the safety conditions set forth in the December 6, 2005, order.

The safety conditions require Horizon to take certain actions as follows:

1. Horizon must file satisfactory assurance with the Board that it has filed the necessary information regarding the pipeline with Iowa One Call;
2. Horizon must file satisfactory assurance with the Board that it will complete a written continuing public education program that conforms to 49 CFR § 192.616 within one year of placement of the pipeline into service;
3. Horizon must finalize arrangements to use appropriately trained local personnel and/or contractors to provide emergency response in the event of a line break or other emergency, and qualified local personnel and/or contractors to provide leak investigation services and file appropriate documentation regarding the arrangements with the Board;
4. Horizon must evaluate the pipeline to determine whether a pipeline integrity management program is required and must prepare a program, if required, in conformance with applicable requirements at 49 CFR Part 192, Subpart O, and file satisfactory assurance it has done so with the Board;
5. Horizon must file a Drug and Alcohol Plan that conforms to applicable requirements at 49 CFR Part 199 with the Board; and

6. Horizon must have personnel who are qualified under applicable federal pipeline safety standards at 49 CFR Part 192, including local personnel, available for the operation and maintenance of the pipeline.

On February 16, 2006, MDU, on behalf of Horizon, filed information to comply with the safety conditions in Permit No. 1219. Horizon also informed the Board that MDU has signed an "Operations & Maintenance Services Agreement" (Agreement) with Aquila, Inc. (Aquila), to perform several safety functions. Aquila is a public natural gas utility that operates in the same area as the Horizon pipeline. A copy of the Agreement, dated January 2, 2006, was included with the filing. On February 23, 2006, Board staff requested additional information. On February 27, 2006, Horizon filed supplemental information in response to the Board staff request.

The information filed by Horizon shows: (1) that the pipeline is registered with Iowa One Call and Aquila will mark the pipeline in response to location requests; (2) MDU will complete a written continuing education program within one year; (3) Aquila will provide 24-hour emergency service and will conduct the leak surveys required by federal regulation; (4) Aquila's emergency telephone number will appear on marker signs; (5) some Horizon employees will be trained for emergency response; and (6) MDU has determined there are no high consequence areas, as defined in 49 CFR Part 192, Subpart O, near this pipeline and an integrity management plan is not required.

The information shows that Horizon will be using both MDU and Aquila personnel to meet the safety requirements for the pipeline. Operation and maintenance personnel will be covered by either the Aquila or MDU drug and alcohol plan. A copy of MDU's Anti-Drug Plan and Alcohol Misuse Prevention Program was filed and Aquila has a plan that has been reviewed by Board staff during past inspections. The information indicates that Horizon employees will not be performing functions that require drug testing and the personnel performing operation and maintenance will be either Aquila or MDU employees and will be qualified under either the Aquila or MDU Operator Qualification Plan. Horizon indicates that in the future some of its employees may also be qualified to perform certain tasks and this may require those employees to meet the drug and alcohol program requirements.

Based upon the information provided and discussed above, the Board finds that Horizon has substantially complied with the conditions for operation of the pipeline under Permit No. 1219. The Board will accept the filing as complying with the conditions in the permit and Horizon will be allowed to place the pipeline into service following completion of construction and testing. Horizon should be aware that further review, inspections, experience with the pipeline, and changes in federal regulations may require future changes to the operation of the pipeline or the compliance documents.

IT IS THEREFORE ORDERED:

1. The compliance filings made by Horizon Ethanol, LLC, on February 16, 2006, as supplemented on February 27, 2006, are accepted as satisfying the conditions required for operation of a pipeline under Permit No. 1219.
2. Horizon Ethanol, LLC, may begin operation of the pipeline once it has completed construction and testing.
3. Horizon Ethanol, LLC, shall operate and maintain the pipeline in compliance with Permit No. 1219 and applicable federal and Board safety standards.

UTILITIES BOARD

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 6th day of March, 2006.