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2 **STATE OF NORTH DAKOTA**
3 **PUBLIC SERVICE COMMISSION**
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5 TransCanada Keystone Pipeline, LP Case No. PU-07-15

6 Keystone Pipeline

7 Public Convenience and Necessity OAH Case No. 20070258

8
9 Testimony of Dean Cowling

10 In Support of Application for a Certificate of Public Convenience and
11 Necessity

12 DEAN COWLING, BEING FIRST DULY SWORN, ON OATH, DEPOSES AND STATES AS
13 FOLLOWS:

- 14
- My name is Dean Cowling. I am the Project Director for TransCanada Keystone Pipeline, L.P. (Keystone).
 - I am filing this testimony on behalf of Keystone, in support of its application for a certificate of public convenience and necessity. Keystone's parent company is TransCanada Corporation (TransCanada).
 - I am attaching a copy of my resume and professional qualifications.
 - TransCanada filed an application for a certificate of public convenience and necessity to construct and operate the Keystone Pipeline in the North Dakota Counties of Cavalier, Pembina, Walsh, Nelson, Steele, Barnes, Ransom, and Sargent.
 - The pipeline will cross approximately 218 miles of North Dakota from the Canada border to the South Dakota border.
 - The purpose of the pipeline is to transport crude oil from Hardisty, Alberta, Canada to Patoka, Illinois, with an extension to Cushing, Oklahoma.
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1 **Public Convenience and Necessity will be served by construction and operation**
2 **of the pipeline facilities.**

3 **A. Pipeline serves the National Interest.**

- 4 • As a cross-border crude oil pipeline, Keystone is required to obtain a
5 Presidential Permit from the United States Department of State (DOS),
6 authorizing the construction, operation, and maintenance of its pipeline border
7 crossing. In order to grant a Presidential Permit, the DOS must find that a
8 proposed project will serve the national interest of the United States. In its
9 application for a Presidential Permit, filed with the DOS in April 2006, Keystone
10 explained that construction of the Keystone Pipeline Project, including the
11 proposed border crossing facilities, will serve the national interest of the United
12 States by providing refineries and markets with access to a substantial and
13 reliable incremental supply of Canadian crude oil to meet growing U.S. demand
14 for petroleum products. As summarized in the Environmental Report submitted
15 with Keystone's Presidential Permit application, and attached as an Appendix to
16 Keystone's application to the North Dakota PSC for a Certificate of Corridor
17 Compatibility, the need for the project is dictated by:

- 18 1. Increasing Canadian crude oil supplies combined with insufficient
19 export pipeline capacity.
- 20 2. Increasing crude oil demand in the U.S., coupled with decreasing
21 domestic supply.
- 22 3. The opportunity to reduce U.S. dependence on foreign offshore oil
23 through increased access to stable, secure Canadian crude oil
24 supplies.
- 25 4. Demonstrated shipper interest in the Keystone Pipeline Project.

- 26 • Section 1.2.1 of the Environmental Report discusses crude oil supplies in the
27 Western Canadian Sedimentary Basin (WCSB) and particularly in Canada's vast
28 oil sands reserves located in northern Alberta. The Canadian Association of
29 Petroleum Producers ("CAPP") reports that established crude oil reserves in the

1 WCSB are estimated at 179 billion barrels. Over 97 percent of those reserves are
2 sourced from Canada's oil sands region. The Alberta Energy and Utilities Board
3 ("AEUB") estimates that there are 175 billion barrels of established reserves
4 recoverable from the oil sands. The Oil and Gas Journal has reported that Alberta
5 has the second largest crude oil reserves in the world, second only to Saudi
6 Arabia.

- 7 • Existing crude oil pipeline export capacity out of the WCSB is insufficient to
8 accommodate the forecasted crude oil supply growth. The Keystone Pipeline
9 Project initially will provide 435,000 bpd of incremental export capacity to address
10 this deficiency. Moreover, TransCanada recently announced that it has received
11 adequate shipper commitments to go forward with its plans for a proposed
12 expansion of Keystone's capacity to 590,000 bpd, through the addition of
13 incremental pumping capacity, and an extension of the proposed pipeline to
14 Cushing, Oklahoma.

- 15 • Section 1.2.2 of the Environmental Report notes that, according to the Energy
16 Information Administration ("EIA"), U.S. demand for petroleum products has
17 increased by over 17 percent or three million bpd over the past 10 years and is
18 expected to increase further. The EIA estimates that total U.S. petroleum
19 consumption will increase by approximately 5.3 million bpd over the next 20
20 years, representing average demand growth of approximately 265,000 bpd per
21 year.

- 22 • At the same time, domestic U.S. crude oil production continues to decline.
23 According to CAPP, domestic crude production in the Petroleum Area for Defense
24 District II ("PADD II") is declining at an average rate of about three percent per
25 year. Over the past 20 years, PADD II crude oil production has decreased by
26 over 600,000 bpd or 60 percent.

- 27 • The Keystone Pipeline Project will provide the United States with access to
28 secure and growing Canadian crude oil supplies. Access to incremental
29 Canadian crude supplies will provide the United States with an opportunity to

1 offset declines in domestic crude oil production and to decrease its dependence
2 on offshore foreign crude oil supplies, consistent with national policies.

- 3 • Oil pipelines operating in interstate commerce are subject to regulation by the
4 Federal Energy Regulatory Commission ("FERC") under the Interstate Commerce
5 Act ("ICA"). Under the ICA, oil pipelines are statutory "common carriers."
6 Keystone is willing and able to entertain discussions with North Dakota producers
7 concerning entering into interconnection agreements.

8 **B. Direct and indirect economic benefits for North Dakota are anticipated for**
9 **the proposed facility as follows:**

- 10 1. Keystone will acquire pipeline Right-of-Way easements from landowners in
11 predominately rural areas. Landowners will receive compensation for the
12 easements as well as compensation for crop loss or other damages.
- 13 2. Construction will involve two spreads in North Dakota with 500-600 workers
14 for each spread.
- 15 3. An additional 20 workers will be hired for construction of each pump station.
- 16 4. 10-15% of the workforce will be hired locally.
- 17 5. There will be a net positive impact on the local economy for the approximately
18 18 months of construction.
- 19 6. Capital construction costs will be in excess of \$300 million dollars.
- 20 7. Food and lodging for construction will be approximately \$3.25 million dollars.
- 21 8. Construction materials and other supplies will be approximately \$750,000
22 dollars.
- 23 9. Based on 2005 property assessment and tax rate information, Keystone's
24 North Dakota property taxes will be approximately \$5.2 million in the first year

1 after construction, and will be continued to be paid over the lifetime of the
2 pipeline.

3 10. In addition Keystone will pay ad valorem taxes to the local governments
4 during the years of operation of the pipeline.

5 11. Direct and contract employees will be hired locally for pipeline operations.

6 12. Keystone will also pay sales and use taxes.

7 **C. Keystone Pipeline may ease current bottlenecks in oil pipeline**
8 **infrastructure in North Dakota.**

9 • Pipeline bottlenecks currently exist in North Dakota which inhibits area
10 producers from readily accessing markets with their production.

11 • This has caused depressed prices for western North Dakota crude oil.

12 • The Keystone pipeline could play a role in resolving this problem by providing
13 another transportation route for moving crude oil to refineries in the United
14 States.

15 • The North Dakota Industrial Commission, acting in its capacity as the North
16 Dakota Pipeline Authority, is in support of the TransCanada Keystone pipeline
17 project. A letter stating the North Dakota industrial Commission's position is
18 attached hereto as Exhibit A.

19
20 **Keystone is fit, willing and able to provide the proposed pipeline service.**

21 **A. TransCanada has the experience and capability to provide the proposed**
22 **pipeline service.**

23 • TransCanada has 36,500 miles of wholly owned pipeline.

- 1 • TransCanada has more than 50 years of pipeline construction and operating
2 experience.
- 3 • TransCanada has developed significant expertise in large-diameter, cold
4 weather pipeline design, construction, operation, and maintenance.
- 5 • TransCanada operates one of the largest, most sophisticated, remote
6 controlled pipeline networks in the world with a solid reputation for safety and
7 reliability.
- 8 • TransCanada has skilled and expert people.
- 9 • TransCanada has relationships with approximately 40,000 landowners.
- 10 • Through its annual Customer Satisfaction Survey, TransCanada received
11 feedback from customers served by its Canadian pipelines. The survey
12 found that TransCanada maintained high levels of overall customer
13 satisfaction.
- 14 • Keystone has a pipeline Management Program that meets or exceeds federal
15 requirements, and includes
 - 16 1. In-line inspection,
 - 17 2. Repair criteria, and
 - 18 3. On-going monitoring.
- 19 • Keystone has 24 hour monitoring 365 days a year through the use of a
20 dedicated leak detection system.
- 21 • As required by the United States Department of Transportation, Pipeline
22 Hazardous Materials and Safety Administration (PHMSA), Keystone is
23 developing a detailed Emergency Response Plan (ERP) that includes:
 - 24 1. Response equipment pre-positioned at manned locations.

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2. First responders located along the route able to respond in compliance with 49 CFR Part 194

3. Remediation of the area of any spill in coordination with federal and state agencies.

- The ERP will be filed with PHMSA prior to Keystone commencing operations.

B. TransCanada has the financial ability to provide the pipeline service.

- TransCanada in its 2006 annual financial report shows the following, in Canadian dollars:

1. \$25,909,000,000 in total assets.

2. \$7,520,000,000 in gross revenues.

3. \$1,079,000,000 in total net income.

Dated this 20 day of July, 2007.



Dean Cowling

COUNTRY OF CANADA)

) ss.

PROVINCE OF Alberta)

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On the 20th day of July, 2007, before me personally appeared Dean Cowling, known to me to be the same person described in and who executed the within and foregoing instrument and acknowledged to me that he executed the same.



Notary Public, Province of Alberta

(SEAL) PETER A. PILIOUNIS
BARRISTER AND SOLICITOR

QUALIFICATIONS AND RESUME FOR DEAN COWLING

QUALIFICATIONS

Seventeen years experience in the areas of pipeline project development and implementation; pipeline and power operations and maintenance; and pipeline business development.

EDUCATION SUMMARY

Bachelor of Science Degree in Business, 1989
Ferris State University at Big Rapids, Michigan, U.S.A.

CONTINUING EDUCATION

Executive Development Program, 2005
Richard Ivey School of Business – The University of Western Ontario

CAREER HISTORY

TransCanada Pipelines Ltd

2006 – Present Director, Keystone Pipeline Project

Responsible for the development and implementation of the Keystone Pipeline Project in both Canada and the United States, which includes oversight of permitting, engineering, land acquisition, community safety and environment, construction and commissioning.

2005– 2006 Director, Pipeline Projects Implementation

Responsible for development and implementation of pipeline projects in both Canada and the United States. These projects included pipeline; compressor station and meter station installations and improvements.

2003 – 2005 Director, Field Operations

Responsible for the operations and maintenance of pipeline, compressor stations, meter stations and power plants in Northern Alberta, Canada. Responsibilities included oversight of community, safety and environment, operating and capital budgets, and asset performance.

2000 - 2003 Manager, Eastern Business Development

Responsible for Business Development activities mainly focused in the New England and Mid Atlantic regions of the United States. Responsibilities included identifying business development opportunities and optimizing pipeline investments.

NOVA Gas Transmission Ltd

1998 – 2000 Manager, Program Planning and Estimating, Operations and Engineering

1997 - 1998 Customer Service Representative, Customer Service

1996 - 1997 Program Planner, Operations and Engineering

1994 - 1996 General Rate Application Coordinator, Regulatory Affairs

1992 - 1994 Employee Development Coordinator, Engineering

1990 - 1992 Business Systems Analyst, Information Technology

July 19, 2007



INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PIPELINE AUTHORITY

Governor
John Hoeven
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Roger Johnson

June 27, 2007

The Honorable Susan E. Wefald, President
North Dakota Public Service Commission
State Capitol
Bismarck, North Dakota 58505

The Honorable Kevin Cramer, Commissioner
North Dakota Public Service Commission
State Capitol
Bismarck, North Dakota 58505

The Honorable Tony Clark, Commissioner
North Dakota Public Service Commission
State Capitol
Bismarck, North Dakota 58505

Dear Commissioners Wefald, Cramer and Clark:

The Public Service Commission has before it Case No. PU-06-421 regarding the TransCanada Keystone Pipeline. This case involves the construction of a 1,845 mile crude oil pipeline from Hardisty, Alberta to key United States market centers in the Midwest. This project is expected to initially transport about 435,000 barrels per day of crude oil with future expansion capabilities to increase that volume to 590,000 barrels per day. Approximately 218 miles of this pipeline will cross eastern North Dakota and the siting of this pipeline in North Dakota is being considered by the Public Service Commission.

Pipeline bottlenecks currently exist on the oil pipeline infrastructure in North Dakota which inhibit area producers from readily accessing markets with their production. This situation has created market conditions that have resulted in depressed prices for western North Dakota crude oil. The TransCanada Keystone Pipeline could play a role in resolving this problem by providing another transportation route for moving crude oil to the refineries in the United States. We also want to make you aware that in conversations with the management of the TransCanada Keystone Pipeline we have strongly urged them to allow future connections to this pipeline in North Dakota that could provide additional capacity to move North Dakota production to market.

There are additional North Dakota economic benefits of future property tax and sales tax revenues as well as benefits to local communities during the construction process.

Mark Makelky, Director
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kingswoodconsulting@gmail.com PHONE: 701-220-1778 FAX: 701-328-2820
"Your Gateway to North Dakota": www.nd.gov

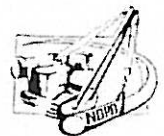


Exhibit A

For the above reasons, the North Dakota Industrial Commission acting in its capacity as the North Dakota Pipeline Authority wishes to go on record in support of the TransCanada Keystone Pipeline project. Thank you for your consideration of the Pipeline Authority's position.

Sincerely,

Mark Makelky, Director
North Dakota Pipeline Authority

C: TransCanada Keystone Pipeline