



**INDUSTRIAL COMMISSION OF NORTH DAKOTA**  
**NORTH DAKOTA PIPELINE AUTHORITY**

Governor  
**John Hoeven**  
Attorney General  
**Wayne Stenehjem**  
Agriculture Commissioner  
**Roger Johnson**

**STATEMENT**  
Before the North Dakota Public Service Commission  
July 23, 2007

My name is Mark Makelky. I am the Director of the North Dakota Pipeline Authority. During the 2007 legislative session, the North Dakota Pipeline Authority was created for the purpose of diversifying and expanding the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability, and improving the state's economy.

The North Dakota Industrial Commission--Governor John Hoeven, Attorney General Wayne Stenehjem, and Agriculture Commissioner Roger Johnson--acting as the North Dakota Pipeline Authority has previously submitted a letter indicating their support of the TransCanada Keystone Pipeline Project.

Canada is the largest exporter of crude oil to the United States, comprising over 11% of our imports. Growing oil production in Canada has the potential to decrease our dependence on crude oil from more unstable parts of the world. Pipeline projects such as Keystone are essential in order to move that crude oil into the United States to ensure secure future supplies of energy.

The Keystone pipeline could provide a direct benefit to North Dakota if its producers or pipeline companies are able to connect their facilities to it. That would provide another delivery path for North Dakota produced crude oil to access Midwest markets that pay premium prices for light sweet crude oil. Capacity bottlenecks on present pipeline infrastructure have created a situation where North Dakota crude oil has suffered price penalties of \$5 to \$30 per barrel. We are aware of at least one North Dakota company that has expressed an interest in connecting its facilities to the Keystone system.

In addition, Keystone provides the indirect benefit of relieving some capacity problems on other parts of the crude oil pipeline system. A majority of North Dakota crude oil is shipped through the Montana-Wyoming-Colorado-Nebraska pipeline infrastructure referred to as the "Guernsey Hub" which is filled to capacity with oil supplies from Canada. Construction of the Keystone pipeline is expected to relieve some strain on the Guernsey Hub. This would allow more production and thereby increase mineral royalties paid to North Dakota citizens and increase state tax revenues to help fund schools and other government functions across the state.

According to US Department of Transportation statistics, pipelines are the safest method of transporting petroleum products. Pipelines are also the most efficient and economical method of shipping the large quantities needed by this country on a daily basis.

If due care is provided during construction to prevent damage to the pipe and its coating system and adequate cathodic protection measures are applied to the pipe with regular monitoring to ensure its effectiveness, a pipeline system can last for decades without significant deterioration of the pipe itself. And with proper pipeline patrol and inspection programs to minimize chances of third party mechanical damage to facilities, the risk of failure is reduced even further. Finally, appropriate emergency response and spill prevention/containment programs can minimize the effects of any leak and prevent significant environmental damage on the remote chance that something does happen to the pipe. Keystone has gone on record as planning to meet or exceed industry standards in all these regards.

I am not here to comment on routing issues. The physical location of the pipeline is a matter best resolved by Company representatives, the affected landowners and the Public Service Commission.

Thank you for this opportunity to appear before the Public Service Commission and express the position of the North Dakota Industrial Commission acting in its capacity as the North Dakota Pipeline Authority.



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