

ZUGER KIRMIS & SMITH

Lyle W. Kirmis
Lance D. Schreiner, P.C.
James S. Hill, P.C.
Patrick J. Ward
Rebecca S. Thiem, P.C.
Jerry W. Evenson, P.C.
Lawrence A. Dopson
Lawrence E. King, P.C.
Tracy Vigness Kolb, P.C.

COUNSELORS AND ATTORNEYS AT LAW

316 North Fifth Street
Provident Building
P.O. Box 1695
Bismarck, ND 58502-1695
(701) 223-2711
fax (701) 223-9619
pward@zkslaw.com

Shawnda R. Ereth
Constance N. Hofland
Paul R. Sanderson, P.C.
Kara J. Johnson
Claire J. Holloway
Erica J. Shively
Rebecca L. Binstock
Kelsey A. Krapp

John A. Zuger
1940-2006
Thomas O. Smith
1944-2001

RECEIVED

DEC 19 2012

December 18, 2012

PUBLIC SERVICE COMMISSION

John Hamre
Public Service Commission
600 East Boulevard Ave., Dept. 408
Bismarck, ND 58505-0480

**RE: ONEOK Rockies Midstream, L.L.C.
Case No. PU-12-656**

Dear Mr. Hamre:

Enclosed for filing is the original signed Recommended Findings of Fact, Conclusions of Law, and Order and Affidavit of Mailing with regard to the above case.

Sincerely,



Val Leapaldt, Secretary to
Patrick J. Ward
Administrative Law Judge

Enclosure

c: Mitch Armstrong
John Morrison

P:\PWARD\OAH\ONEOK Rockies Midstream\Hamre.12.18.12.doc

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

ONEOK Rockies Midstream, L.L.C.
Garden Creek II Plant –
McKenzie County, ND
Siting Application

Case No. PU-12-656

RECOMMENDED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

December 18, 2012

Appearances

John W. Morrison, Attorney at Law, Crowley Fleck, PLLP, 400 East Broadway, Suite 600, Bismarck, North Dakota 58501, on behalf of the Applicant, ONEOK Rockies Midstream, L.L.C.

Mitchell D. Armstrong, Special Assistant Attorney General, 122 East Broadway Avenue, Bismarck, ND 58501, on behalf of the Public Service Commission.

Patrick Fahn, Director- Compliance and Competitive Markets Division, North Dakota Public Service Commission, 600 East Boulevard, Bismarck, North Dakota 58505

Patrick J. Ward, Administrative Law Judge, Office of Administrative Hearings, P.O. Box 1695, Bismarck, North Dakota 58502-1695, as Substantive Hearing Officer.

Preliminary Statement

On July 31, 2012, ONEOK Rockies Midstream, L.L.C. (“ONEOK”) filed a Letter of Intent to construct a natural gas processing plant to be known as the Garden Creek II Plant

("Plant II") and an Application for Waiver of Procedures and Time Frames with the Public Service Commission ("Commission.

On August 29, 2012, the Commission acknowledged ONEOK's Letter of Intent, shortened the waiting period for filing the siting application to thirty days, and assessed a filing fee of \$80,000.00.

On September 17, 2012, ONEOK filed an application for a certificate of site compatibility authorizing the construction of Plant II.

On October 10, 2012, the Commission found the application was complete.

On October 12, 2012 the Commission requested the Director of the Office of Administrative Hearings to appoint an Administrative Law Judge to preside as a substantive hearing officer in this case. On October 15, 2012, Patrick J. Ward was designated as administrative law judge to conduct the hearing, make recommended findings of fact and conclusions of law, and issue a recommended order.

On October 26, 2012, the Commission issued a Notice of Filing and Notice of Hearing for a public hearing for December 11, 2012, at 1:30 p.m. CDT at the Watford City Civic Center, 213 2nd Street NE, Watford City, North Dakota, 58854. The issues to be considered in this matter include:

1. Will the location, construction, and operation of the proposed facility produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota?
2. Is the proposed facility compatible with the environmental preservation and the efficient use of resources?

3. Will the proposed facility location minimize adverse human and environmental impact while ensuring continuing system reliability and integrity and ensuring that energy needs are met and fulfilled in an orderly and timely fashion?

On December 5, 2012, ONEOK filed a revised Overall Plot Plan for Plant II.

Having allowed all interested persons an opportunity to be heard and having heard, reviewed and considered all testimony and evidence presented, the Substantive Administrative Law Judge makes the following:

Recommended Findings of Fact

1. ONEOK is a Delaware limited liability company with its principal place of business located at 100 W. 5th Street, Tulsa, Oklahoma.
2. ONEOK proposes to construct Plant II at a location approximately 4.3 miles northeast of Watford City, North Dakota, adjacent to the current location of the Garden Creek I Plant (“Plant I”).

Project Design

3. Plant II will have a design capacity of 100 million cubic feet per day utilizing a cryogenic turboexpander process, and will be constructed on an 80-acre plot directly north of Plant I. Plant II will operate independently of Plant I, but there will be interconnecting piping between the two plants for plant balancing or to provide backup processing capability. Plant II will process associated natural gas from oil production wells connected to ONEOK’s gathering system. Natural gas liquids (NGLs) will be delivered to facilities owned and operated by ONEOK and residue gas will be delivered via pipeline to a pipeline owned and operated by Williston Basin Interstate Pipeline Company.

4. Plant II will include underground piping, above ground piping and above ground gas processing facilities product from the Terminal.

Need for the facility

5. Hydrocarbon production in Western North Dakota has continued to dramatically increase as a result of technological advances in drilling and completing horizontal wells in the Bakken and Three Forks formation. The rig count in North Dakota increased to 215 in June, 2012 and the rapid increase in gas production has exceeded the limited processing capacity available at existing facilities. Without the construction of additional gas processing facilities, casing head gas would continue to be flared, resulting in a loss of revenue to producers, royalty owners, and the State of North Dakota.

Location and Study of Preferred Site

6. Location of Plant II adjacent to the existing Plant I will have economic benefits and will minimize environmental disturbance by facilitating the use of existing infrastructure, including access roads, utilities, gathering systems, and delivery pipelines. ONEOK considered expansion of existing facilities at its Grasslands Gas Plant near Sidney, Montana, but further expansion of that plant was determined to be uneconomical due to a lack of sufficient space, limited capacity of peripheral equipment at the Grasslands Plant, and a lack of capacity in ONEOK's high-pressure gathering system. ONEOK also considered further expansion of its Stateline 1 and 2 plants in Williams County, but the distance between the Plant 1 and the Stateline plants would make it uneconomic to connect some wells.

7. ONEOK also identified a no-action alternative, but determined that no action would result in increased flaring at wellheads and the loss of natural resources and was therefore not desirable.
8. ONEOK identified a study area consisting of a 1-mile wide buffer area (the “Study Area”) centered upon the 80-acre project site (the “Project Site”).
9. ONEOK initiated consultations with the United States Fish and Wildlife Service (“USFWS”), the United States Farm Service Agency, the North Dakota Game and Fish Department, the North Dakota Parks and Recreation Department, the North Dakota State Historic Preservation Office, the North Dakota State Lands Department, and the North Dakota Department of Health.

Siting Criteria

10. North Dakota Administrative Code Chapter 69-06-08 sets forth certain criteria to guide the Commission in evaluating the suitability of granting an application for a certificate of site compatibility. The criteria as set forth in North Dakota Administrative Code Section 69-06-08-01 are classified as Exclusion Areas, Avoidance Areas, Selection Criteria and Policy Criteria. With the exception of prime and unique farm land, an energy conversion facility must not be sited within an Exclusion Area. An energy conversion facility must not be sited within an Avoidance Area unless the applicant demonstrates that under the circumstances there are no reasonable alternatives. In determining whether an Avoidance Area shall be designated for a facility, the Commission may consider, among other things, the proposed management of adverse impacts; the orderly siting of facilities; system reliability and integrity; the efficient use of resources; and alternative routes. In

accordance with the Commission's Selection Criteria, an energy conversion facility shall be approved if it is demonstrated that no significant adverse impacts will result from the location, construction, and maintenance of the facility. In accordance with the Commission's Policy Criteria, preference may be given to an applicant demonstrating certain benefits of the conversion facility.

11. ONEOK evaluated the Study Area and the Project Site for the exclusion, avoidance, selection and policy criteria of the Commission.
12. No exclusion areas are included within either the Study Area or the Project Site.
13. There are woodlands associated with waterways and section lines within the Study Area, but none are located within the Project Site. No other avoidance areas were included within either the Study Area or the Project Site.

Cultural Resources

14. Through a consultant, ONEOK conducted a Class I Cultural Resources Literature Search and a Class III Cultural Resource Inventory of the Project Site. While 3 previously recorded cultural resources were located within one mile of the Project Site, none were within the Study Area, none were within the Project Site and no cultural resources were identified by the Class III study within the Project Site. ONEOK's consultants prepared a report recommending no further cultural resource work and the State Historic Preservation Officer concurred with the recommendation.

Wetlands and Wildlife

15. There are no wetlands within the Project Site.

16. A natural resource inventory indicated that the wildlife on the Project Site consist of species commonly associated with agricultural communities and no Federal or state species of concern were observed on the Project Site. The USFWS concurred with ONEOK's consultant that the project will not adversely impact any federally protected species or their critical habitats.
17. ONEOK proposes to clear the Project Site of vegetation prior to the growing season to avoid direct impacts to breeding migratory birds and the USFWS has concurred that such measures will adequately avoid and mitigate potential impacts to migratory birds.

Policy Criteria

18. The Commission's policy criteria provide that preference may be given to an applicant demonstrating certain benefits of the energy conversion facility. ONEOK has committed to maximize the benefits of Plant II so as to meet the policy criteria.

Measures to Minimize Impact

20. ONEOK has made other representations and covenants as indicated in the Certification Relating to Order Provisions – Facility Siting as executed by ONEOK and filed with the Commission.
21. The anticipated cost of Plant II is \$160,000,000.

From the foregoing Findings of Fact, the Administrative Law Judge now makes the following:

Recommended Conclusions of Law

1. The Commission has jurisdiction over the applicant, ONEOK, and over the subject matter of this application under North Dakota Century Code Chapter 49-22.

2. ONEOK is a utility as defined in North Dakota Century Code Section 49-22-03(13).
3. Plant II is an energy conversion facility as defined in North Dakota Century Code Section 49-22-03(5).
4. The location, construction, and operation of the proposed energy conversion facility will produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota.
5. The proposed energy conversion facility is compatible with the environmental preservation and the efficient use of resources.
6. The proposed energy conversion facility will minimize adverse human and environmental impact while ensuring continuing system reliability and integrity and ensuring that energy needs are met and fulfilled in an orderly and timely fashion.
7. The proposed project is of such design and location that it will produce minimal adverse effects, as defined under North Dakota Century Code Section 49-22-07.2.

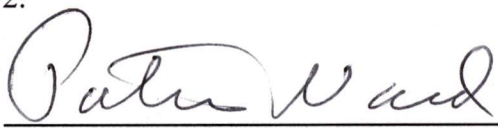
From the foregoing Findings of Fact and Conclusions of Law, the Administrative Law Judge now makes his Recommendation and

Proposed Order

The Commission orders:

1. ONEOK is issued Certificate of Site Compatibility for Energy Conversion Facility No. ____ for the construction, operation and maintenance of the Garden Creek II Gas Plant. For purposes of the Certificate, the Site consists of the 80-acre Project Cite.
3. The Certification Relating to Order Provisions – Facility Siting filed December 11, 2012 is incorporated by reference and attached to this order.

Dated this 18th day of December, 2012.



Patrick J. Ward
Substantive Administrative Law Judge

P:\PWARD\OAH\ONEOK Rockies Midstream\Recommended Findings of Fact, Conclusions fo Law and Order.docx

