

August 15, 2013

VIA HAND DELIVERY

Mr. Darrell Nitschke
Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480



**RE: BASIN TRANSLOAD, LLC
CRUDE OIL PIPELINE – MERCER
COUNTY, CASE NUMBER: PU-12-675**

Dear Mr. Nitschke:

Enclosed for filing, please find an original and ten (10) copies of: Proposed Findings of Fact, Conclusions of Law and Order, regarding the above mentioned case.

Also enclosed is a CD containing the above-referenced documents in PDF format.

If you have any questions, please advise.

Sincerely,


JILLIAN RURNOW

Enclosure

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Proposed Findings of Fact, Conclusions of Law and Order

Basin Transload, LLC
Jillian Rurnow, Fredrikson&Byron, P.A.

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Basin Transload, LLC
Zap Pipeline Project — Mercer County
Siting Application

Case No. PU-12-675
OAH File No. 20130241

PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

September __, 2013

Appearances

Bonnie M. Fetch, Administrative Law Judge, Office of Administrative Hearings, 2911 North 14th Street, Suite 303, Bismarck, North Dakota 58503.

Jillian R. Rupnow, Attorney at Law, Fredrikson & Byron P.A., 200 North Third Street, Suite 150, Bismarck, North Dakota 58501, on behalf of Basin Transload, LLC.

Ryan Norrell, Legal Counsel, Public Service Commission, 600 East Boulevard, Bismarck, North Dakota 58505.

Sarah Cardwell, Public Utility Analyst, Public Service Commission, 600 East Boulevard, Bismarck, North Dakota 58505.

Preliminary Statement

Under North Dakota Century Code Section 49-22-07, a utility may not begin construction of a transmission facility in the state without first having obtained a route permit. The facility must be constructed, operated, and maintained in conformity with the permit and any terms, conditions, or modifications of the permit.

On May 10, 2013, Basin Transload, LLC (“Basin”), filed with the North Dakota Public Service Commission (“Commission”) a consolidated application for a Certificate of Corridor Compatibility and Route Permit (“Application”) to authorize construction of a crude oil pipeline (“Project”) in Mercer County, North Dakota.

On May 10, 2013, Basin also filed an application requesting waiver of the following procedures and time schedules: (1) separate hearings on Basin’s waiver request, Certificate of Corridor Compatibility Application, and Route Permit Application; (2) separately filed applications for a Corridor Certificate and a Route Permit, and separate publication of notices of filing the applications; and (3) submission of mylar maps and stereo-pair aerial photographs per the Commission’s Application Guidelines for a Corridor Certificate and a Route Permit.

On May 31, 2013, the Commission submitted a request for an Administrative Law Judge to the Office of Administrative Hearings. On June 3, 2013, Allen C. Hoberg, Director of the

Office of Administrative Hearings, designated Bonnie M. Fetch as Administrative Law Judgment in the above-captioned matter.

On June 5, 2013, the Commission issued a Notice of Filings and Notice of Hearing stating that the Application was deemed complete and scheduling a public hearing for July 29, 2013 at 9:30 a.m. CDT at the Beulah Civic Center, 120 7th Street NE, Beulah, ND 58523.

The Notice of Filings and Notice of Hearing identified the following issues to be considered with respect to the application for waiver of procedures and time schedules:

1. Are the proposed facilities of such length, design, location, or purpose that they will produce minimal adverse effects and that adherence to applicable procedures and time schedules may be waived?
2. Is it appropriate for the Commission to waive any procedures and time schedules as requested in the application?

The Notice of Filings and Notice of Hearing identified the following issues to be considered with respect to the applications for a certificate of corridor compatibility and route permit:

1. Will the location, construction, and operation of the proposed facilities produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota?
2. Are the proposed facilities compatible with the environmental preservation and the efficient use of resources?
3. Will the proposed facility locations 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 July 29, 2013, the public hearing was held as scheduled.

Having allowed all interested persons an opportunity to be heard and having heard, reviewed, and considered all testimony and evidence presented, the Hearing Officer makes the following recommended:

Findings of Fact

1. Basin is a North Dakota limited liability company.
2. Basin has been authorized to do business in the State of North Dakota since November 6, 2008, when it filed its Articles of Incorporation with the North Dakota Secretary of State, as evidenced by the corporate papers filed with the Commission on November 9, 2012 (*see* Case No. PU-12-791).

Size, Type, and Preferred Location of Facility

3. The Project will consist of the construction of approximately 4 miles of pipeline that will originate at Tesoro's High Plains Pipeline North Knife River valve station located in Section 1, Township 143 North, Range 89 West, and terminate at Basin Transload's rail loading storage facility located in Section 19, Township 144 North, Range 88 West of Mercer County, North Dakota.
4. The Project will utilize 10-inch nominal diameter steel pipe and the maximum operating pressure will be 1,480 pounds of pressure per square inch gauge. The maximum capacity will be 80,000 barrels per day.
5. Aboveground facilities will include a mainline check valve, a mainline block valve, pig launching and receiving stations, cathodic protection equipment, and pipeline markers.

Need for the Facility

6. Basin has concluded there is a need for the facility because existing pipelines for transporting crude oil in the area are at or near capacity. The Project will provide an additional means of transporting Bakken and Three Forks crude oil to an existing rail facility, from which the crude oil can be transported to key markets within the United States.

Study of Preferred Route(s)

7. In its Application, Basin defined a one-mile-wide study area centered on the preferred pipeline route. Basin identified a survey corridor a minimum of 120 feet wide for the purpose of conducting cultural resource field surveys, biological and wetland/waterbody field surveys, and other environmental field assessments. Field surveys were also conducted for all Project facility locations and temporary workspace areas. The field survey corridor for the Project, which encompasses the final proposed Project route, is identified in the maps provided in Appendix C to Exhibit 1.
8. Basin analyzed a number of alternatives and factors, including engineering, economic, and environmental factors to determine the most feasible route. The alternative considered included a trucking alternative.
9. The following agencies were contacted by Basin and provided written comments: North Dakota Department of Health, State Historical Society of North Dakota, State Historic Preservation Office ("SHPO"), North Dakota Game and Fish Department, North Dakota Geological Survey Division, North Dakota Parks and Recreation Department, North Dakota State Water Commission, U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service North Dakota Field Office.
10. Basin conducted a Class I literature search on the one-mile-wide corridor, and a Class III cultural resource inventory was completed on the narrower field survey corridor. Additionally, environmental data collected included information on soils, land use, wetlands and waterbody crossings, noxious weeds, trees, saplings, and shrubs, and protected species and habitats.

11. The SHPO has concurred with the determination that no historic properties or significant sites will be affected by the Project so long as the Project remains of the nature and in the location described in the Class I and Class III Cultural Resource Inventory Report and the Addendum to the Class I and Class III Cultural Resource Inventory Report, and Basin follows any site avoidance measures set forth in those reports.

12. The Commission has established criteria pursuant to Section 49-22-05.1 of the North Dakota Century Code to guide the Commission in evaluating the suitability of granting a Certificate of Corridor Compatibility and Route Permit. The criteria, as set forth in Section 69-06-08-02 of the North Dakota Administrative Code, are classified as Exclusion Areas, Avoidance Areas, Selection Criteria, and Policy Criteria.

13. A transmission facility route must not be sited within an Exclusion Area. No Exclusion Areas will be impacted by the Project.

14. A transmission facility route must not be sited within an Avoidance Area unless the applicant shows 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. No Avoidance Areas will be impacted by the Project.

15. In accordance with the Commission's Selection Criteria, a transmission facility route shall be approved if it is demonstrated that any significant adverse impacts that will result from the location, construction, and maintenance of the transmission facility will be at an acceptable minimum or managed and maintained at an acceptable minimum. Basin has analyzed the impacts of the Project in relation to all of the relevant Selection Criteria. The Project will have no significant adverse impacts on the Commission's Selection Criteria.

16. A wetlands and waterbodies inventory was completed along the proposed route. Three wetlands or waterbodies are present within the study area. Two wetlands will be avoided by the Project route, and the third will be bored to avoid impacts. Basin will take steps to protect wetlands and waterbodies, and no permanent impacts to wetlands or waterbodies are anticipated. No woodlands are present within the study area. However, if any trees or shrubs are removed during construction of the Project, they will be replaced in accordance with the Commission's Tree and Shrub Mitigation Specifications.

17. The Project may result in modification of habitat and temporary displacement of wildlife, due to clearing and construction. The Project will have no significant impact on fish and wildlife resources and no impacts are anticipated to endangered, threatened, or sensitive plant or animal species.

18. In accordance with the Commission's Policy Criteria, preference may be given to an applicant demonstrating certain benefits of the transmission facility. Basin has analyzed the relevant Policy Criteria and has committed to designing, constructing, and operating the pipeline in accordance with all applicable federal, state, and local laws and regulations; energy conservation through the facility's location, process, and design; training and utilizing available

labor in the state; constructing the Project to take advantage of economies of scale; achieving capacity in the most minimally intrusive and most efficient way possible; and coordinating with state and local officials. Basin submitted evidence to demonstrate its commitment to maximize the benefits of the proposed transmission facility to the extent possible so as to meet the Policy Criteria.

19. It is appropriate to authorize a corridor only for the area for which Basin performed the more thorough field surveys.

Measures to Minimize Impact

20. Basin has agreed to a number of steps to mitigate the impact of the Project, as indicated by the July 22, 2013 Certification Relating to Order Provisions – Transmission Facility Siting, with accompanying Tree and Shrub Mitigation Specifications, which is attached to this Order.

21. The Project's permanent right-of-way ("ROW") will be 70 feet wide, while its temporary ROW will generally be 120 feet wide. Additional temporary workspace may be required at certain locations (*e.g.*, road, railroad, and waterbody crossings). The construction ROW will be reduced to 50 feet wide in wooded areas. Basin will generally use existing public roads to access the ROW, but may need to construct short gravel roads to access valve sites.

22. The design, construction, and operation of the pipeline will be in accordance with the United States Department of Transportation regulations governing the transportation of crude oil.

23. Basin will participate in the North Dakota One-Call Excavation Notice System.

24. Basin's existing emergency response plan will include the Project. Further, Tesoro High Plains Pipeline LLC's emergency response plan, which will also include the Project, will be applicable to Basin at all times that Basin remains the owner and/or operator of the Project.

25. Basin agrees to additional monitoring of the Project in areas where the Project route traverses reclaimed mine areas, as depicted in Late-Filed Exhibit 9.

From the foregoing Findings of Fact, the Hearing Officer now makes the following recommended:

Conclusions of Law

1. The Commission has jurisdiction over the Application, Basin Transload, LLC, and over the subject matter of the Application under Chapter 49-22 of the North Dakota Century Code.

2. Basin is a utility as defined in Section 49-22-03(13) of the North Dakota Century Code.

3. The proposed pipeline is a transmission facility as defined in Section 49-22-03(12) of the North Dakota Century Code.

4. The location, construction, and operation of the Project will produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota.

5. The location, construction, and operation of the Project are compatible with environmental preservation and the efficient use of resources.
6. The Project 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 Project is of such design and location that it will produce minimal adverse effects, in accordance with Section 49-22-07.2 of the North Dakota Century Code.
8. It is appropriate for the Commission to waive those certain procedures and time schedules as requested in the Application and provided under Section 49-22-07.2 of the North Dakota Century Code.

From the foregoing Findings of Fact and Conclusions of Law, the Hearing Officer now issues the following:

Recommended Order

1. The Basin Transload, LLC's application for a waiver of procedures and time schedules be granted.
2. That a Certificate of Corridor Compatibility be issued to Basin Transload, LLC, designating a corridor for the construction, operation, and maintenance of a 10-inch crude oil pipeline and associated facilities in Mercer County, North Dakota. For purposes of the Certificate, the Corridor will consist of the field survey corridor identified in the maps provided in Appendix C of Exhibit 1.
3. That a Route Permit be issued to Basin Transload, LLC, granting authority to construct and operate a 10-inch crude oil pipeline and associated facilities in Mercer County, North Dakota.
4. That the July 22, 2013 Certification Relating to Order Provisions – Transmission Facility Siting be incorporated by reference and attached to the Order issued by the Commission.

State of North Dakota Public Service Commission

**Commissioner
Julie Fedorchak**

**Chairman
Brian Kalk**

**Commissioner
Randy Christmann**