

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

ONEOK Rockies Midstream, L.L.C.
Lonesome Creek Gas Plant – McKenzie County, ND
Siting Application

Case No. PU-14-218

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

July 10, 2014

Appearances

Commissioners Brian P. Kalk, Randy Christmann, and Julie Fedorchak.

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.

Brian Schmidt, Special Assistant Attorney General, 122 East Broadway Avenue, Bismarck, North Dakota 58502, on behalf of the Public Service Commission.

Julie Prescott, Public Utility Analyst, Public Service Commission, State Capitol, Bismarck, North Dakota 58505, on behalf of the Public Service Commission.

Wade C. Mann, Administrative Law Judge, Office of Administrative Hearings, 2911 North 4th Street, Suite 303, Bismarck, North Dakota 58503, as Procedural Hearing Officer.

Preliminary Statement

On April 21, 2014, ONEOK Rockies Midstream, L.L.C. (“ONEOK”) filed with the Public Service Commission an application for a certificate of site compatibility to authorize construction of its proposed Lonesome Creek Gas Plant (“Plant”), to be located approximately 13 miles southwest of Watford City in McKenzie County. The Plant will process up to 200 million standard cubic feet of gas per day.

On May 1, 2014, the Commission deemed the application of ONEOK complete and issued a Notice of Filing and Notice of Hearing scheduling a hearing for June 18, 2014, at 10:00 a.m. CDT, at Teddy’s Residential Suites, 113 9th Avenue SE, Watford City, North Dakota 58854.

The Notice of Filing and Notice of Hearing identified the following issues to be considered with respect to the application for a certificate of site compatibility:

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?

The 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 Commission makes the following:

Findings of Fact

1. ONEOK is a registered North Dakota foreign limited liability company with offices located at 100 W 5th St., Tulsa, OK 74103-4279.
2. ONEOK is authorized to do business in the State of North Dakota, as evidenced by the Certificate of Good Standing issued by the North Dakota Secretary of State dated April 21, 2014.

Size, Type and Preferred Location of Facility

3. The Plant will have a design capacity of 200 million cubic feet per day. The anticipated cost of the Plant is \$280 million.
4. The Plant will be constructed on a 160-acre plot in the NE 1/4 of Section 36, Township 150 North, Range 101 West ("Project Site").
5. The Plant 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 to a planned interconnection with Northern Border Pipeline Company.
6. The Plant will include underground piping, above-ground piping, and above-ground gas processing facilities.

Need for Facility

7. Hydrocarbon production in Western North Dakota has continued to increase as a result of technological advances in drilling and completing horizontal wells in the Bakken and Three Forks formation. Increased production of oil and related natural gas has resulted in constraints on take-away capacity for both oil and gas, which in turn has resulted in flaring of gas due to infrastructure limitations. Operation of the Plant will decrease flaring of natural gas at wellheads that would otherwise occur.

8. ONEOK considered expansion of existing facilities at its Grasslands Gas Plant near Sidney, Montana, and at its Garden Creek Gas Plant near Watford City. ONEOK determined that further expansion of those plants was not feasible. ONEOK states that the Grasslands Plant site has insufficient space and limited capacity of peripheral equipment to accommodate expansion. In addition, ONEOK states that its gathering system has insufficient capacity to deliver significant volumes of gas to the Grasslands Plant, which is located approximately 70-80 miles from the area where production is currently being developed. ONEOK also determined that further expansion at its Garden Creek Gas Plant, which is currently undergoing expansion, was not feasible.

Study of Preferred Location(s)

9. ONEOK studied a 1-mile buffer area ("Study Area") centered upon the Project Site.

10. ONEOK conducted a Class I Cultural Resources Literature Search of the Study Area and a Class III Cultural Resource Inventory of the Project Site. While ten previously recorded cultural resources were located within the Study Area, none were within the Project Site.

11. ONEOK contacted the United States Fish and Wildlife Service ("USFWS"), the North Dakota Game and Fish Department ("NDGFD"), the North Dakota Parks and Recreation Department ("NDPRD"), the North Dakota State Historic Preservation Office ("SHPO"), and the North Dakota Department of Health ("NDDoH") regarding potential impacts to environmental resources within the Study Area.

12. In a response dated March 28, 2014, the USFWS indicated its concurrence with the ONEOK natural resource inventory study report that the siting of the Plant will have no significant impact on fish and wildlife resources within the Study Area.

13. In a response dated April 14, 2014, the NDGFD indicated that no significant adverse effects on wildlife or wildlife habitat, including species of conservation priority, are expected to occur within the Study Area.

14. In a response dated April 14, 2014, the NDPRD indicated that the Plant will not

affect state park lands managed by or Land and Water Conservation Fund recreation projects coordinated by the NDPRD, and that no documented occurrences or plant and animal species of concern or other significant ecological communities are known to exist within the Study Area. The NDPRD recommended that the project be accomplished with minimal impacts and that impacted areas be revegetated with native species.

15. In a response dated April 11, 2014, the SHPO concurred with ONEOK's Class III study report recommendation of "No Significant Sites" within the Project Site.

16. ONEOK submitted, or is in the process of submitting, applications for zoning relief and road approaches with McKenzie County and air quality permits with the NDDoH. ONEOK will obtain those permits prior to engaging in construction activity for which the various permits are required.

17. The Commission has established criteria pursuant to North Dakota Century Code section 49-22-05.1 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.

18. ONEOK evaluated the Study Area and the Project Site for the Exclusion, Avoidance, Selection, and Policy criteria of the Commission.

19. With the exception of prime and unique farmland, an energy conversion facility must not be sited within an Exclusion Area.

20. No Exclusion areas are included within either the Study Area or the Project Site.

21. 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.

22. Woodlands exist within the Study Area, but none are located within the Project Site. An area of geologic instability, consisting of landslide deposits near Hay Butte, is located approximately 0.4 miles north of the Project Site. No other avoidance areas were included within the Study Area.

23. ONEOK proposes to begin construction during the 3rd quarter of 2014 and maintain an active construction site during the 2014 and 2015 breeding season. ONEOK will undertake measures necessary to deter nesting and thereby minimize impact on migratory birds.

Measures to Minimize Impact

24. 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.

25. ONEOK will coordinate with local authorities and emergency managers regarding emergency response measures. ONEOK's emergency response plan will include the Plant.

From the foregoing Findings of Fact, the Commission now makes its:

Conclusions of Law

1. The Commission has jurisdiction over ONEOK and 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. The Plant 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 Plant will produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota.
5. The Plant 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.
6. The Plant is compatible with environmental preservation and the efficient use of resources.
7. The Plant is of such design and location that it will produce minimal adverse effects, pursuant to North Dakota Century Code section 49-22-07.2.

From the foregoing Findings of Fact and Conclusions of Law, the Commission now issues its:

Order

The Commission orders:

1. Certificate of Site Compatibility for Energy Conversion Facility No. 40 is issued to

ONEOK Rockies Midstream, L.L.C., for the construction, operation, and maintenance of its Lonesome Creek Gas Plant. For the purposes of this Certificate, the designated site consists of the 160-acre Project Site.

2. The Certification Relating to Order Provisions - Energy Conversion Facility Siting executed on June 4, 2014, is incorporated by reference and attached to this Order.

PUBLIC SERVICE COMMISSION



Randy Christmann
Commissioner



Brian P. Kalk
Chairman



Julie Fedorchak
Commissioner

PUBLIC SERVICE COMMISSION

STATE OF NORTH DAKOTA

Certificate of Site Compatibility Number 40

This is to certify that the Commission has designated an energy conversion facility site for ONEOK Rockies Midstream, L.L.C., which is described as follows:

160 acres for the construction, operation, and maintenance of a 200 million standard cubic feet per day gas processing plant (the Lonesome Creek Gas Plant) in McKenzie County, North Dakota.

The facility may be sited in this designated location in compliance with the energy conversion facility siting criteria. This certificate is issued in accordance with the Finding of Fact, Conclusion of Law and Order of the Commission in Case No. PU-14-218 dated July 10, 2014 and is subject to the conditions and limitations noted in the order.

Bismarck, North Dakota, July 10, 2014.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

ONEOK Rockies Midstream, L.L.C.
Lonesome Creek Gas Plant – McKenzie County
Siting Application

Case No. PU-14-218

**CERTIFICATION RELATING TO ORDER PROVISIONS - ENERGY CONVERSION
FACILITY SITING**

I am BRIAN BOULTER, a representative of ONEOK Rockies Midstream, L.L.C. ("Company") with authority to bind Company to requirements to be set forth by the Commission in its Order and I certify the following:

1. Company understands and agrees that the Certificate of Site Compatibility will be issued by the Commission subject to the conditions and criteria set forth in Chapter 49-22 of the North Dakota Century Code and Chapter 69-06-08 of the North Dakota Administrative Code, and that Company shall be responsible for compliance with this order and conditions and criteria set forth in the applicable laws and rules.
2. Company agrees to hold a preconstruction conference prior to commencement of any construction, which must include a Company representative, its construction supervisor, and a representative of Commission Staff, to ensure that Company fully understands the conditions set forth in the Commission's order.
3. Company agrees to comply with the rules and regulations of all other agencies having jurisdiction over any phase of the proposed energy conversion facility including all city, township, and county zoning regulations.
4. Company understands and agrees that it shall obtain all other necessary licenses and permits, and shall provide copies of all licenses and permits to the Commission prior to construction activity associated with the energy conversion facility that requires said license or permit.
5. Company agrees to inform the Commission and the Commission's third-party construction inspector of its intent to start construction on the energy conversion facility prior to the commencement of construction. Once construction has started, Company shall keep the Commission and the Commission's third-party construction inspector updated of construction activities on a weekly basis.
6. Company understands and agrees that the Certificate of Site Compatibility is subject to suspension or revocation and may, in an appropriate and proper case, be suspended or revoked for failure to comply with the Commission's order, the conditions and criteria of the certificate or subsequent modification, or failure to

comply with the applicable statutes, rules, regulations, standards, and permits of other state or federal agencies.

7. Company agrees to maintain records that will demonstrate that it has complied with the requirements of the Commission's order and the Certificate of Site Compatibility, and that it will preserve these records for Commission inspection at any reasonable time upon reasonable notice.
8. Company agrees to construct and operate the energy conversion facility in accordance with all applicable safety requirements.
9. Company agrees to construct and operate the energy conversion facility in the manner described in Company's application, in any late filed exhibits, and supplemental materials, (Application). To the extent there are any conflicts or inconsistencies between Company's Application and the provisions in this Certification Relating to Order Provisions, the Certification provisions control.
10. Company agrees to report promptly to the Commission the presence in or near the approved site of any critical habitat of threatened species, endangered species, bald eagles, or golden eagles that Company becomes aware of and which were not previously reported to the Commission.
11. Company understands and agrees that all cultural resource mitigation plans must be submitted to the North Dakota State Historic Preservation Office and approved prior to the start of any fieldwork and construction activity in the affected area.
12. Company understands and agrees that if any cultural resource, paleontological site, archeological site, historical site, or grave site is discovered during construction, it must be marked, preserved and protected from further disturbances until a professional examination can be made by the State Historical Society, a report of such examination is filed with the Commission, and clearance to proceed is given by the Commission.
13. Company understands and agrees that all buried facility crossings of graded roads shall be bored unless the responsible governing agency specifically permits Company to open cut the road.
14. Company understands and agrees that all pre-existing township and county roads and lanes used during construction must be repaired or restored to a condition that is equal to or better than the condition prior to the construction of the energy conversion facility and that will accommodate their previous use, and that areas used as temporary roads or working areas during construction must be restored to their original condition.

15. Company understands and agrees that construction must be suspended when weather conditions are such that construction activities will cause irreparable damage to roads or land, unless adequate protection measures approved by the Commission are taken.
16. During construction, at least 12 inches of topsoil, where available (or topsoil to the depth of cultivation, whichever is greater), over and along areas where facilities will be placed must be stripped and segregated from subsoil. Any area on which excavated subsoil will be placed must first be stripped of topsoil. After backfilling with subsoil is completed, any excess subsoil must be placed over the excavation area, blending the grade into existing topography. Topsoil must not be placed within the footprint of the facilities, and must be placed over areas containing topsoil.
17. Company understands and agrees that reclamation, fertilization, and reseeding is to be done according to the Natural Resources Conservation Service recommendations, unless otherwise specified by the landowner and approved by the Commission.
18. Company understands and agrees that its obligation for reclamation and maintenance of the approved site will continue throughout the life of the energy conversion facility.
19. Company agrees to comply with the Tree and Shrub Mitigation Specifications, attached.
20. Company understands and agrees that it shall repair or replace all fences and gates removed or damaged during all phases of construction and operation of the proposed energy conversion facility.
21. Company understands and agrees that it shall repair or replace all drainage tile broken or damaged as a result of construction and operation of the proposed energy conversion facility.
22. Company understands and agrees that it shall work with landowners and residents to mitigate any increase in television and residential radio interference that results from the construction of the energy conversion facility.
23. Company understands and agrees that staging areas or equipment shall not be located on land owned by a person other than Company unless otherwise negotiated with landowners.

24. Company understands and agrees that it shall remove all waste that is a product of construction and operation, restoration, and maintenance of the site, and properly dispose of it on a regular basis.
25. Company agrees that it shall, as soon as practicable upon the completion of the construction of the energy conversion facility, restore the area affected by the activities to as near as is practicable to the condition as it existed prior to the beginning of construction.
26. Company understands and agrees that it shall provide any necessary safety measures for traffic control or to restrict public access to the energy conversion facility.
27. Company understands and agrees that it shall advise the Commission of any extraordinary events which take place at the site of the energy conversion facility, including injuries to any person, the death of any threatened or endangered species, within five business days of such event.
28. Company understands and agrees that it shall implement a procedure for how complaints concerning the proposed energy conversion facility will be handled by Company
29. Upon request, Company agrees to provide the Commission with engineering design drawings showing surveyed structure prior to construction.
30. Company understands and agrees that it shall inform the Commission in writing of any plans to modify the energy conversion facility, or of any plans to modify the site plan for the energy conversation facility. Company understands and agrees to obtain written approval from the Commission prior to any modifications to the site plan or the energy conversion facility, associated facilities, and roadway locations. Approval may be granted after notice and opportunity for hearing.
31. Company agrees to provide the Commission with both an electronic and a paper copy of the site approved by the Commission and the facility design specifications for the construction of the energy conversation facility showing the location of the energy conversion facility as built, and will provide this information within 3 months of the completion of the construction. Company also agrees to provide an electronic version of the site approved by the Commission and the facility design specifications for the construction of the energy conversation facility showing the location of the energy conversion facility as built that can be imported into ESRI GIS mapping software within 3 months of the completion of the construction. This electronic map data must be referenced to the North Dakota coordinate system of 1983, North and/or South zones US Survey feet (NAD 83) UTM Zone 13N or 14N feet (NAD 83), or geographic coordinate system (WGS 84) feet. The vertical data

must be in the appropriate vertical datum for the coordinate system used. All submissions must specify the datum in which the data was developed.

32. Company understands and agrees that the authorizations granted by the Certificate of Site Compatibility for the energy conversion facility are subject to modification by order of the Commission if deemed necessary to protect further the public or the environment.
33. Company understands and agrees that in the event Company desires to construct, within any site granted by a Certificate of Site Compatibility in this proceeding, an energy conversion facility that was not requested in Company's application in this proceeding, Company shall apply for a Certificate of Site Compatibility for the facility.
34. Company shall notify the Commission, as soon as reasonably possible, if any damage, as defined by North Dakota Century Code Chapter 49-23, occurs to underground facilities during construction conducted under the certificate or permit issued in this proceeding. In the event of any damage to underground facilities, Company shall suspend construction in the vicinity of the damage until compliance with One-Call Excavation Notice System requirements under North Dakota Century Code Chapter 49-23 has been determined and clearance to proceed has been given by the Commission.
35. The certificate of site compatibility is subject to suspension or revocation and may, after hearing, be suspended or revoked for failure to comply with the Commission's order, requirements of the One-Call Excavation Notice System under North Dakota Century Code Chapter 49-23, the conditions and criteria of the certificate or permit or subsequent modification, or failure to comply with applicable statutes, or rules, regulations, standards, and permits of other state or federal agencies.

Dated this 4 day of JUNE, 2014.

ONEOK Rockies Midstream, L.L.C.



By J. Ben Boulet

Its VP CONSTRUCTION PROJECTS

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

ONEOK Rockies Midstream, L.L.C.
Lonesome Creek Gas Plant – McKenzie County
Siting Application

Case No. PU-14-218

Tree and Shrub Mitigation Specifications

Inventory

1. Trees and shrubs anticipated to be cleared, including those that are considered invasive species or noxious weeds (e.g., *Caragana arborescens*, *Elaeagnus angustifolia*, *Rhamnus cathartica*, *Tamarix chinensis*, *T. parviflora*, *T. ramosissima*, *Ulmus pumila*), must be inventoried before cutting. The inventory must record the location, number, and species of trees and shrubs.
2. In windbreaks, shelterbelts and other planted areas, trees or shrubs anticipated to be cleared, regardless of size, must be inventoried for replacement.
3. In native growth areas, trees anticipated to be cleared that are 1 inch diameter at breast height (dbh) or greater must be inventoried for replacement.
4. In native growth areas, shrubs anticipated to be cleared in the permanent right-of-way must be inventoried for replacement.
5. In native growth areas outside the permanent right-of-way, shrubs must be cut flush with the surface of the ground, taking care to leave the naturally occurring seed bank and root stock intact. If soil disturbance is necessary, the native topsoil must be preserved and replaced after construction. Shrubs must be allowed to regenerate naturally where native topsoil is preserved and replaced. Where native topsoil is not preserved and replaced, shrubs anticipated to be cleared must be inventoried for replacement.
6. In native growth areas, trees and shrubs may be inventoried by actual count or by a sampling method that will properly represent the woody vegetation

population. A sampling plan developed by the company, filed with the North Dakota Public Service Commission (Commission) and approved prior to the start of construction must define the sampling method to be used for trees, for tall shrubs and for low shrubs. The data from the sample plots must be extrapolated to the total acreage of the wooded area to be cleared to determine the species and quantity of trees and shrubs to be replaced.

Clearing for Construction

7. Trees and shrubs must be selectively cleared, leaving mature trees and shrubs intact where practical.
8. The maximum width of clear cuts through windbreaks, shelterbelts and all other wooded areas is 50 feet, unless otherwise approved by the Commission.
9. If the area of trees or shrubs actually cleared differs from the area inventoried, the difference in number of trees and shrubs to be replaced must be noted on the inventory.

Replacement

10. Prior to tree and shrub replacement, documentation identifying the number and variety of trees and shrubs removed, as well as the mitigation plan for the proposed number, variety, type, location and date of replacement plantings, must be filed with the Commission for approval.
11. Two 2-year-old saplings must be planted for every one tree removed. Two shrubs (stem cuttings) must be planted for every one shrub removed.
12. Except in the case of invasive or noxious species, trees and shrubs must be replaced by the same species or similar species, suitable for North Dakota growing conditions as recommended by the North Dakota Forest Service. Invasive or noxious species must be replaced by similar non-invasive or non-

noxious species suitable for North Dakota growing conditions as recommended by the North Dakota Forest Service.

13. Landowners must be given the option of having replacement trees and shrubs planted on the landowner's property, either on or off the right-of-way. The landowner must also be given the opportunity to waive those options in writing in order to have replacement trees and shrubs planted off the landowner's property.
14. At the conclusion of the project, documentation identifying the actual number, variety, type, location and date of the replacement plantings must be filed with the Commission.
15. Tree and shrub replacements must be inspected annually, in September, for three years. The first annual inspection must be at least one year from the anniversary date of the original plantings. A report of each annual inspection must be submitted to the Commission by October 1 of each year, documenting the condition of plantings and any woodlands work completed as of September of each year. If after the third annual report the survival rate is less than 75%, the Commission may order additional planting(s).