

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF THE APPLICATION
OF TESORO HIGH PLAINS PIPELINE
COMPANY, LLC FOR A CERTIFICATE OF
CORRIDOR COMPATIBILITY AND
ROUTE PERMIT FOR THE
CONSTRUCTION OF PIPELINE
ASSOCIATED FACILITIES IN WILLIAMS
COUNTY, NORTH DAKOTA

CASE NO. PU-14-___

**Application of Tesoro High Plains Pipeline Company, LLC
for Waiver or Reduction of Procedures and Time Schedules**

In connection with its submission of a consolidated application for a Certificate of Corridor Compatibility and Route Permit (“Consolidated Application”) for the construction of additional pipeline associated facilities - i.e., an additional tank - for the Bakken Area Storage Hub (BASH), located in Williams County, North Dakota (the “Project”), Tesoro High Plains Pipeline, LLC (“TESORO”), submits to the North Dakota Public Service Commission (“Commission”) this application for a waiver or reduction of procedures and time schedules set forth in Chapter 49-22 of the North Dakota Century Code (“Siting Act”) and Article 69-06 of the North Dakota Administrative Code (“Siting Rules”). In accordance with Section 49-22-07.2 of the North Dakota Century Code and Chapter 69-06-06 of the North Dakota Administrative Code, TESORO requests that the Commission waive the following requirements:

1. That the Commission waive the requirements of Sections 49-22-08 and 49-22-08.1 of the North Dakota Century Code insofar as these sections may require the separate filing of applications for a Corridor Certificate and a Route Permit, and insofar as they require separate publication of notices and filing separate applications.

2. That the Commission hold a separate hearing on a waiver request, a Certificate of Corridor Compatibility (Corridor Certificate) application, and a Route Permit application, as may be required by Sections 49-22-07.2, 49-22-08, 49-22-08.1, and 49-22-13 of the North Dakota Century Code and Chapter 69-06-01-02 of the North Dakota Administrative Code.
3. TESORO also requests that the Commission shorten the three-month period specified in Section 49-22-08(5) of the North Dakota Century Code, and the six-month period specified in Section 49-22-08.1(5) of the North Dakota Century Code.
4. TESORO requests the Commission waive in its entirety the hearing requirement for this Application for Waiver or Reduction of Procedures and Time Schedules. Further, TESORO requests that the Commission waive any requirements for a hearing in the request for an order on the Consolidated Application for a Certificate of Corridor Compatibility and Route Permit and instead proceed by virtue of the Commission's notice and opportunity for hearing procedure.

Consistent with the Commission's Energy and Transmission Facility Siting Guidelines ("Commission's Guidelines"), TESORO provides the following information in support of its waiver requests:

A. Description of Proposed Project.

1. **Type:** TESORO owns and operates a 233-mile existing underground petroleum gathering and mainland pipeline system that extends from eastern Montana through North Dakota to Mandan, North Dakota. The pipeline system also extends northward to the United States/Canadian International Border, where it ties into a pipeline system near Lignite, North Dakota, in Burke County. The Project would be an upgrade to the BASH, previously known as

the New Ramberg Station, located in Williams County, North Dakota. The Project will include installing additional tank storage and associated piping and infrastructure. The changes include adding additional above ground storage tanks to incrementally increase the storage capability by approximately 620,000 barrels. The Project will enable TESORO to better utilize its existing pipeline system, increase the storage capacities of its system, and provide increased flexibility in transporting Bakken production to TESORO's Mandan Refinery and other destinations, to be determined at a later time, for various Bakken Oil producers.

2. **Product:** The Project will store crude oil.

3. **Size and Design:** The current BASH facilities were authorized pursuant to North Dakota siting exclusion certification PU-13-224 for the installation of three 120,000 barrel (net) storage tanks, multiple pumps, and interconnecting piping to TESORO's existing pipeline system. TESORO proposes to expand the existing BASH facility located on approximately 42.47 acres in the SW1/4 of Section 32, Township 156 North, Range 95 West, Williams County, North Dakota, to incorporate the entire property parcel currently owned in fee. TESORO proposes to incrementally increase storage capacity by adding additional above ground storage tanks. The expansion will increase the total storage capacity to approximately 980,000 barrels over the next several years based on commercial market demand by Bakken area shippers. TESORO proposes to install one 300,000 barrel and one 160,000 barrel tank in the southeast corner of the property. Additionally, the appropriate containment dike, additional piping manifolds, and pumps will be installed as required in order to meet the commercial needs of Bakken Area shippers. Once complete, the BASH facility is expected to provide approximately 980,000 barrels of storage capacity and the ability to handle over 100,000 BPD of crude oil.

4. **Location:** The Project will occur entirely within land owned by TESORO consisting of approximately 40 acres located in the NW1/4 of Section 32, Township 156 North, Range 32 West, Williams County, North Dakota. No additional land acquisition is required for the Project. Maps of the proposed project are provided in the Consolidated Application, submitted herewith.

5. **Geographic Service Area:** As noted above, the Project will be located in Williams County, North Dakota. The immediate area served by the Project will be western North Dakota. However, the Project will allow TESORO to better utilize its existing pipeline system and provide increased flexibility in transporting Bakken production to TESORO's Mandan Refinery and other locations to be determined at a later date.

6. **Time Schedule:** TESORO has a target in-service date for the Project of November 2015. TESORO proposes to develop the Project on the following schedule:

- September 2014 – TESORO files with the Commission a consolidated application for a Corridor Certificate and Route Permit.
- November/December 2014 – The Commission issues a Corridor Certificate and Route Permit for the Project.
- Construction of the Project is anticipated to commence in 2015, subject to receipt of all appropriate approvals.
- December 2015 – TESORO will complete construction of the Project.

7. **Future Plans:** At this time, TESORO has no specific plans for additions to or modifications of the Project.

B. Need for the Project.

The development of hydrocarbon production in the Williston Basin has increased significantly in recent years due to advancements in deep horizontal directional drilling techniques and subsequent oil extraction in the Bakken and Three Forks shale formations. The

total recoverable amount of Bakken and Three Forks oil reserves is subject to interpretation and speculation. Studies conducted by the North Dakota Department of Mineral Resources (NDDMR)¹ and the U.S. Geological Survey² in 2008 and 2010 indicate that 4.0 to 6.3 billion barrels of recoverable reserves are available in North Dakota's Bakken and Three Forks formations. The most recent U.S. Geological Survey information estimated there may be 7.4 billion barrels of oil still undiscovered in the Bakken and Three Forks formations.³ Information from the NDDMR indicates that oil production has increased dramatically over the past five years from approximately 263,000 bpd in 2010 to over 1,000,000 bpd in April 2014,⁴ and production is expected to continue to increase dramatically.⁵ Further, natural gas production was nearly 260 million in 2012.⁶ Production is expected to continue to increase dramatically.

As demand for the crude oil production from the Williston Basin of North Dakota continues to increase, so does the demand for additional storage and pipeline capacity for crude

¹ Bohrer, M., Fried, S., Helms, L., Hicks, B., Juenker, B., McCusker, D., Anderson, F., LeFever, J., Murphy, E., and Nordeng, S., North Dakota Department of Mineral Resources, *State of North Dakota Bakken Resource Study Project 23* (2008).

² United States Geological Survey, *Assessment of Undiscovered Oil Resources in the Devonian-Mississippian Bakken Shale Formation, Williston Basin Province, Montana and North Dakota, 2008*, available at http://pubs.usgs.gov/fs/2008/3021/pdf/FS08-3021_508.pdf.

³ United States Geological Survey, *Assessment of Undiscovered Oil Resources in the Bakken and Three Forks Formations, Williston Basin Province, Montana, North Dakota, and South Dakota, 2013*, available at <http://pubs.usgs.gov/fs/2013/3013/>.

⁴ North Dakota Department of Mineral Resources, *North Dakota Monthly Oil Production Statistics*, available at <https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf>.

⁵ North Dakota Department of Mineral Resources, *Development of the Bakken Resource*, available at <https://www.dmr.nd.gov/oilgas/presentations/ActivityUpdate2014-06-11NCSLBismarck.pdf>.

⁶ 2012 North Dakota Gas Production by Formation, available at <https://www.dmr.nd.gov/oilgas/stats/2012gasprod.pdf>.

oil transportation on the TESORO system. The basis for the Project is the continued and forecasted increase in drilling activities and produced crude volumes, coupled with the opportunity to provide an outlet to refineries and marketing hubs for this production. With the constraints to the existing transportation and storage infrastructure in the Project area, construction of the Project will provide TESORO with increased storage facilities and efficient mechanisms to transfer crude oil. Additionally, transporting crude oil in western North Dakota currently involves significant movement of crude oil by tanker truck over public roadways, a public safety issue that the Project will prevent by increasing storage and pipeline capacity on TESORO's existing pipeline system.

For additional analysis of the need for the Project, including a discussion of alternatives evaluated, please see Section 7 of TESORO's Consolidated Application, which accompanies this waiver application.

C. Cost.

TESORO estimates that it will cost approximately \$31.5 million to develop the Project.

D. Waiver Request.

TESORO requests that the Commission grant the waivers requested herein because said waivers are needed to prevent potentially significant delays to the Project. As noted above, the Project is needed to provide a safe and economical means of storing crude oil and allowing TESORO to better utilize its existing pipeline system and providing increased flexibility in transporting crude oil to TESORO's Mandan Refinery and elsewhere. Utilizing the Project will continue to eliminate the need to transport the crude oil to rail facilities or other pipeline facilities via truck, which, in turn, will reduce truck traffic on North Dakota roads and highways. Without the waivers of time schedules and procedures requested, operation of the Project will be delayed

and the Project will not be able to satisfy the immediate need for a safer, more efficient means of storing and transporting crude oil to facilities that have access to major markets.

Section 49-22-07.2 of the North Dakota Century Code provides that the Commission may waive procedures and time schedules upon a finding that “the proposed facility is of such length, design, location, or purpose that it will produce minimal adverse effects.” Based upon the investigation and analysis set forth in TESORO’s Consolidated Application, granting the waivers requested is appropriate because the proposed facility will produce minimal adverse effects due to its design (additional tank storage added to an existing facility and pipeline), its location (on land already owned by TESORO), and its purpose (storage of crude oil).

In determining whether the proposed facility will result in adverse impacts on the environment, TESORO evaluated the Project using the criteria set forth in the Siting Act, the Siting Rules, and the Commission’s Guidelines. More specifically, TESORO evaluated the impacts of the Project considering the siting criteria set forth in Section 69-06-08-02 of the North Dakota Administrative Code and the factors set forth in Section 49-22-09 of the North Dakota Century Code. Impacts associated with the Project, and mitigation measures that will be taken with respect to said impacts, are summarized in Sections 6 and 9 of the Consolidated Application. Based upon TESORO’s siting criteria evaluation, and the factors set forth in the Guidelines, the Project will have minimal adverse effects. Accordingly, TESORO respectfully requests that the Commission grant the requested waivers and render an expeditious decision.

Dated this 25th day of September, 2014.

FREDRIKSON & BYRON, P.A.

By 

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