

December 30, 2014

VIA HAND DELIVERY

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



**RE: TESORO HIGH PLAINS PIPELINE
COMPANY, LLC
Case No. PU-14-730**

Dear Mr. Nitschke:

Enclosed for filing, please find an original and ten (10) copies of the Proposed Findings of Fact, Conclusions of Law and Order in the above-referenced matter. Also enclosed is a CD containing the above-referenced document in PDF format.

If you should have any questions, please advise.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lawrence Bender", written over the word "Sincerely,".

LAWRENCE BENDER

LB/dmk
Enclosure

cc: Julie Prescott (*via e-mail*)
James Sanford (*via e-mail*)

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Attorneys & Advisors
main 701.221.8700
fax 701.221.8750
www.fredlaw.com

Fredrikson & Byron, P.A.
1133 College [unclear]
Bismarck, North Dakota
58501-1215

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Proposed Findings of Fact, Conclusions of Law and Order

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Tesoro High Plains Pipeline Company, LLC
Bakken Area Storage Hub – Williams County
Siting Application

Case No. PU-14-730

[PROPOSED] FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

January _____, 2015

Appearances

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

Lawrence Bender, Attorney at Law, Fredrikson & Byron, P.A., 1133 College Drive, Suite 1000, Bismarck, North Dakota 58501, on behalf of Tesoro High Plains Pipeline Company, LLC.

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 September 25, 2014, Tesoro High Plains Pipeline Company, LLC (“TESORO”), filed with the North Dakota Public Service Commission (“Commission”) a consolidated application for a Certificate of Corridor Compatibility and Route Permit to authorize the expansion of the Bakken Area Storage Hub (“BASH”), located in Williams County, North Dakota (the “Project”). TESORO also filed an application requesting a waiver of procedures and time schedules. On October 13, 2014, TESORO filed an amended application for a Certificate of Corridor Compatibility and Route Permit (“Application”), and an amended application for waiver of procedures and time schedules.

On October 22, 2014, TESORO filed with the Commission a map of the Project suitable for publication. On November 3, 2014, TESORO filed a letter containing supplemental information with the Commission.

On November 6, 2014, the Commission issued a Notice of Filings and Notice of Opportunity for Hearing (“Notice of Filings”) stating that the Application was deemed complete and invited those interested to comment on the application in writing and file written requests for hearing by December 12, 2014.

The Notice of Filings 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 identified the following issues to be considered with respect to the Application:

1. Will the location 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?

No comments or requests for hearing were filed in response to the Notice of Filings.

Having allowed all interested persons an opportunity to be heard and having reviewed and considered all documentary evidence presented, the Commission makes the following:

Findings of Fact

1. TESORO is a Delaware Limited Liability Company.
2. TESORO has been authorized to do business in the State of North Dakota since August 1, 2001, as evidenced by the corporate papers filed with the Commission (*see* Case No. PU-11-229).

Size, Type, and Preferred Location of Facility

3. The Project will be an upgrade to the current BASH facility located in Williams County, North Dakota. The Project will include installing additional tank storage and associated piping and infrastructure to incrementally increase the total storage capacity by approximately 410,000 barrels over the next several years.
4. The current BASH facilities were authorized pursuant to North Dakota siting exclusion certification PU-13-224 for the installation of three (3) 120,000 barrel (net) storage tanks, multiple pumps and interconnecting piping to TESORO's existing pipeline system.
5. The Project will occur entirely within land owned by TESORO consisting of approximately 40 acres located in the NW1/4 SE1/4 of Section 32, Township 156 North, Range 95 West, Williams County, North Dakota.

6. The anticipated cost of the Project is approximately \$31.5 million.

Need for the Facility

7. TESORO concluded there is a need for the facility based on the increase of crude oil production in the Williston Basin of North Dakota. As demand for the crude oil production from the Williston Basin continues to increase, so does the demand for additional storage and pipeline capacity for crude oil transportation on the TESORO system. The Project will allow TESORO the opportunity to provide an outlet to refineries and marketing hubs for production based on the continued increase in drilling activities and produced crude volumes.

8. In determining the need for the BASH expansion, TESORO evaluated alternatives to the Project. As an alternative to expansion of the BASH facility, trucking the crude oil was identified as the primary alternative. However, utilizing trucks to transport additional volumes of crude oil could result in negative impacts to the environment and other engineering and economic factors.

Study of Preferred Location(s)

9. 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.

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

11. 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.

12. In its Application, TESORO defined the study area as an approximately 40-acre parcel in NW1/4 SE1/4 of Section 32, Township 156 North, Range 95 West, in Williams County ("Study Area"). An environmental analysis was conducted for the entire area. A field assessment was conducted, with a survey area consisting of the proposed property boundary plus a surrounding one-mile buffer in all directions.

13. TESORO contacted the U.S. Fish and Wildlife Service, the U.S. Army Corps of Engineers, the North Dakota Game and Fish Department, the North Dakota Parks and Recreation Department, the North Dakota State Historic Preservation Office ("SHPO"), and the North Dakota Department of Health regarding impacts to the environmental resources within the Study Area.

14. TESORO conducted a Class I literature search and a Class III cultural resource inventory for the entire proposed Project area. 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.

15. The SHPO has concurred with the determination that no 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 III Cultural Resource Inventory Report.

16. 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. TESORO 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.

17. In accordance with the Commission's Policy Criteria, preference may be given to an applicant demonstrating certain benefits of the transmission facility. TESORO has analyzed the relevant Policy Criteria and has committed to designing, constructing, and operating the facility 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. TESORO 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.

18. It is appropriate to designate a corridor for the approximately forty-acre area for which TESORO performed the field surveys.

Measures to Minimize Impact

19. TESORO has agreed to a number of steps to mitigate the impact of the Project, as indicated by the executed Certification Relating to Order Provisions – Transmission Facility Siting, with accompanying Tree and Shrub Mitigation Specifications, which is incorporated by reference and attached to this Order.

20. TESORO is committed to protecting the environment and complying with all applicable environmental laws, regulations, and standards. TESORO proposes to implement environmental training and will designate an environmental representative to oversee the Project and to ensure environmental compliance throughout the course of the Project.

21. TESORO will develop a Storm Water Pollution Prevention Plan to regulate erosion and sediment control and prevent impacts to sensitive environmental features on site during construction.

22. TESORO will develop a Spill Prevention, Containment, and Control Plan that describes planning, prevention, and control measures to minimize impacts of Project-related spills.

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

Conclusions of Law

1. The Commission has jurisdiction over the Application, over TESORO, and over the subject matter of the Application under Chapter 49-22 of the North Dakota Century Code.
2. TESORO is a utility as defined in Section 49-22-03(13) of the North Dakota Century Code.
3. The proposed Project 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 Project is 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 the 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 Commission now issues the following:

Order

1. TESORO's application for waiver of procedures and time schedules is granted.
2. Certificate of Corridor Compatibility No. ___ is issued to TESORO designating a corridor for the construction, operation, and maintenance of the Bakken Area Storage Hub expansion located in Williams County, North Dakota. For purposes of the Certificate, the designated corridor will consist of the project area and survey area as identified in the maps provided in Exhibit A of the Consolidated Application.
3. Route Permit No. ___ is issued to TESORO granting authority to construct and operate the expansion to the Bakken Area Storage Hub to be located in Williams County, North Dakota.

4. That the Certification Relating to Order Provisions – Transmission Facility Siting be incorporated by reference and attached to this Order.

**State of North Dakota
Public Service Commission**

**Commissioner
Julie Fedorchak**

**Chairman
Brian Kalk**

**Commissioner
Randy Christmann**

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