

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

ONEOK Rockies Midstream, L.L.C.
Demicks Lake Gas Processing Plant – McKenzie Cnty
Siting Application

Case No. PU-14-764

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

March 25, 2015

Appearances

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

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

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 October 23, 2014, ONEOK Rockies Midstream, L.L.C. (ONEOK) filed an application for a certificate of site compatibility to authorize construction of its proposed Demicks Lake Gas Processing Plant (Project), to be located approximately 13.5 miles northeast of Watford City in McKenzie County, North Dakota. The Project will process up to 400 million standard cubic feet of gas per day.

On December 17, 2014, the Commission deemed the application of ONEOK complete and issued a Notice of Filing and Notice of Hearing scheduling a hearing for February 9, 2015, at 9:00 a.m. Central Time 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?

On February 9, 2015, 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 Street, Tulsa, Oklahoma 74103.
2. ONEOK is authorized to do business in the State of North Dakota, as evidenced by corporate papers filed with the Commission on November 2, 2011, in Case No. PU-11-684.

Size, Type, and Preferred Location of Facility

3. The Project will consist of two cryogenic turboexpander processing units, with each unit capable of processing 200 million standard cubic feet per day of wellhead gas gathered from local crude production wells. The anticipated cost of the Project is \$642 million.
4. The Project will be constructed on approximately 160 acres of land owned by ONEOK, located in the NE¼ of Section 20, Township 151 North, Range 96 West (Site).
5. The Project will process natural gas liquids (NGLs) to produce propane, butane, natural gasoline, pipeline grade natural gas, methane, and ethane.
6. The Project will include underground piping, above-ground piping, and above-ground gas processing facilities.

Need for Facility

7. ONEOK concluded there is a need for the Project, based on recent and significant increases in natural gas production in the Williston Basin that have exceeded available regional processing capacity.

8. ONEOK considered expansion of existing facilities at its Grasslands Plant near Sidney, Montana, and at its Garden Creek and Lonesome Creek gas plants near Watford City, North Dakota, and determined that further expansion of these facilities is not feasible. ONEOK indicated that insufficient space and limited capacity of peripheral equipment at the Grasslands Plant, along with a lack of capacity in ONEOK's high pressure gathering system to deliver a significant volume of wellhead gas to the plant, preclude expansion at that facility. ONEOK indicated that expansion at its Garden Creek Gas Plant is similarly constrained by available space and therefore also not a feasible option. Regarding its Lonesome Creek Gas Plant, currently under construction, ONEOK has determined that available space at the facility should be reserved for future local processing needs.

Study of Preferred Location

9. ONEOK studied an area one mile in diameter centered on the Site (Study Area) for cultural and natural resources.

10. ONEOK conducted a Class I Cultural Resources Literature Search of the Study Area and a Class III Cultural Resource Inventory of the Site. One previously unrecorded cultural resource was identified within the Site during the Class III field investigation and was recommended by ONEOK as not eligible for the National Register of Historic Places.

11. ONEOK contacted the United States Army Corps of Engineers (USACE), 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), the North Dakota Department of Trust Lands (NDDTL), and the North Dakota Department of Health (NDDOH) regarding potential impacts to cultural and natural resources within the Study Area.

12. In a response dated September 25, 2014, the USACE indicated that the wetland present within the Study Area was not subject to its jurisdiction.

13. In a response dated October 6, 2014, the USFWS indicated its concurrence with ONEOK's natural resource study report conclusion that the siting of the Project will not adversely affect endangered, threatened, proposed and candidate species, or designated critical habitat within the Study Area.

14. In a response dated October 15, 2014, the NDGFD indicated that the siting of the Project will not adversely affect wildlife or wildlife habitat, including species of conservation priority.

15. In a response dated September 19, 2014, the NDPRD indicated that no occurrences of species or ecological communities of concern have been documented within the Study Area, and that the Project will not affect state park lands managed or Land and Water Conservation Fund recreation projects coordinated by the NDPRD.

16. In a response dated September 23, 2014, the SHPO indicated their concurrence with a "No Significance Sites" determination by for the Site.

17. ONEOK submitted, or is in the process of submitting, applications for a conditional use permit with McKenzie County, and air and water quality permits with the NDDOH. ONEOK will obtain these permits prior to engaging in construction activity for which the various permits are required.

Siting Criteria

18. 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 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.

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

20. With the exception of prime and unique farmland, an energy conversion facility must not be sited within an Exclusion Area. ONEOK determined that 8.7 acres of prime farmland exist within the Site, which is approximately 5% of the Site area.

21. An energy conversion facility must not be sited within an Avoidance Area unless the applicant demonstrates that under the circumstances no reasonable alternative exists. 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. An area of 0.02 acres of woodlands exists within the Site. Trees and shrubs removed during Project construction will be replaced pursuant to the Commission's Tree and Shrub Mitigation Specifications.

Measures to Minimize Impact

23. 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.

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

25. ONEOK testified that based on the blast study performed by ONEOK, no impacts to occupied residences located at least one-half mile from the Project are expected to occur.

26. ONEOK's environmental consultant testified that stormwater runoff at the Site will be adequately contained within an on-site detention pond designed specifically for this purpose.

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

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 Project 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 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.

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

Order

The Commission orders:

1. Certificate of Site Compatibility for Energy Conversion Facility No. 42 is issued to ONEOK Rockies Midstream, L.L.C., for the construction, operation, and maintenance of its Demicks Lake Gas Processing Plant. For the purposes of this Certificate, the designated site consists of the 160-acre Site.
2. ONEOK will obtain a conditional use permit from McKenzie County prior to engaging in construction activity for which the permit is required.
3. The Certification Relating to Order Provisions - Energy Conversion Facility Siting with attached Tree and Shrub Mitigation Specifications executed by ONEOK on February 5, 2015, is incorporated by reference and attached to this Order.
4. To the extent there are any conflicts or inconsistencies between ONEOK's application and the Certification, the Certification provisions control.

PUBLIC SERVICE COMMISSION



Randy Christmann
Commissioner



Julie Fedorchak
Chairman



Brian P. Kalk
Commissioner

PUBLIC SERVICE COMMISSION

STATE OF NORTH DAKOTA

Certificate of Site Compatibility Number 42

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 400 million standard cubic foot per day gas processing plant (the Demicks Lake Gas Processing 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-14-764 dated March 25, 2015, and is subject to the conditions and limitations noted in the Order.

Bismarck, North Dakota, March 25, 2015.

ATTEST:

PUBLIC SERVICE COMMISSION


Executive Secretary


Commissioner