

May 18, 2015

VIA HAND DELIVERY

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



**RE: Targa Badlands LLC —
Case Number PU-14-853**

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".

LAWRENCE BENDER

LB/dmk

cc: Tom Meriwether (*via e-mail*)
Zack Pelham (*via e-mail*)
Julie Prescott (*via e-mail*)

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STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Targa Badlands LLC
Little Missouri Gas Plant Expansion – McKenzie County
Siting Application

Case No. PU-14-853

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

June _____, 2015

Appearances

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

Lawrence Bender and Danielle M. Krause, Attorneys at Law, Fredrikson & Byron, P.A., 1133 College Drive, Suite 1000, Bismarck, North Dakota 58501, on behalf of Targa Badlands LLC.

Tom Meriwether, Senior Counsel for Targa Resources, 1000 Louisiana, Suite 4300, Houston, Texas 77002.

Zachary E. Pelham, Special Assistant Attorney General, Legal Counsel for the Public Service Commission, 314 E. Thayer Avenue, Bismarck, North Dakota 58502.

Wade Mann, Administrative Law Judge, Office of Administrative Hearings, 2911 North 14th Street, Suite 303, Bismarck, North Dakota 58503.

Preliminary Statement

On December 31, 2014, Targa Badlands LLC (“Targa”), filed with the North Dakota Public Service Commission (“Commission”) an application for a Certificate of Site Compatibility for the Little Missouri Gas Plant (“Plant”), to include the original plant (“LMGP I”), a first expansion (“LMGP II”), a second expansion (“LMGP III”), and a third expansion (“LMGP IV”). The total processing capacity for the Plant will be up to 273 million standard cubic feet per day (“MMSCFD”). LMGP I, LMGP II, and LMGP III were originally constructed with a total processing capacity equal to 73 MMSCFD. When originally constructed and expanded to a processing capacity less than 100 MMSCFD, the facility did not require siting by the Commission.

On January 21, 2015, the Commission deemed the application of Targa complete and issued a Notice of Filings and Notice of Hearing scheduling a hearing for April 15, 2015, at 9:00 a.m. CST at Teddy’s Residential Suites, 113 9th Avenue SE, Watford City, North Dakota 58854.

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

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 April 15, 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. Targa is a Delaware limited liability company. Targa has been authorized to do business in the State of North Dakota since January 11, 2013, as evidenced by the corporate papers filed with the Commission on September 10, 2014, in Case No. PU-14-711.

Size, Type, and Preferred Location of Facility

2. LMGP I was originally constructed with a design capacity of 12 MMSCFD. Since being placed into service, two expansions have been constructed. LMGP II has a design capacity of 21 MMSCFD and LMGP III has a design capacity of 40 MMSCFD. The total processing capacity of the current facility is 73 MMSCFD.
3. Targa now proposes to further expand the facility from 73 MMSCFD to as much as 273 MMSCFD through the addition of LMGP IV. LMGP IV will have a design capacity of up to 200 MMSCFD, which would increase the total design processing capacity of the Plant to as much as 273 MMSCFD. The estimated cost for LMGP IV is \$140 million.
4. The location for which Targa requests a site certificate consists of: (1) a 40-acre tract located in the SE1/4SE1/4 of Section 30, Township 149 North, Range 98 West, where LMGP I and II are located ("Parcel 1"); (2) a 40-acre tract located in the SW1/4SW1/4 of Section 29, Township 149 North, Range 98 West, where LMGP III is constructed and LMGP IV is proposed ("Parcel 2"); and (3) a 13-acre tract in Section 29, Township 149 North, Range 98 West ("Parcel 3"). The 93-acre area consisting of Parcel 1, Parcel 2, and Parcel 3 comprises the Project Site.
5. The addition of processing capacity at the Plant at its existing location will have economic benefits and will minimize environmental disturbance by facilitating the use of existing infrastructure, including access roads, utilities, gathering systems, and delivery pipelines.

Need for the Facility

6. Gas production from the Bakken Shale and Three Forks formations has exceeded the limited processing capacity available at existing facilities, and construction of additional processing capacity is required to meet the demand of area producers. Absent the construction of additional processing capacity, gas produced in association with oil from wells must be flared, which is a loss of revenue to the producers, royalty owners, and the state of North Dakota.

Study of Preferred Location

7. Targa studied three parcels of land encompassing the Project Site that have been developed as a natural gas processing plant or where further expansion and construction activities for the Plant are proposed (“Study Area”). Parcels 1 and 2, as described above, are each 40 acres in size and are adjacent to one another, east to west. Parcel 3 is 13 acres in size and is located north of Parcel 2. In addition, areas within 1/2 mile of the Study Area were studied for raptor nests centered upon the Project Site.

8. Targa initiated consultations with the appropriate state agencies as required by North Dakota Administrative Code Section 69-06-01-05. Responses were received from the North Dakota Department of Transportation, the North Dakota State Water Commission, the North Dakota Department of Health (“NDDoH”) Division of Air Quality, the Minot Air Force Base, North Dakota Game and Fish Department, NDDoH Environmental Health Section, North Dakota Parks and Recreation Department, and the U.S. Army Corps of Engineers. No agencies expressed concern with the Plant expansion.

9. Agency consultation was sent to the North Dakota State Historic Preservation Office (“SHPO”) on November 19, 2014, identifying the Project Site and requesting recommendations. In a response dated November 24, 2014, the SHPO recommended that Targa conduct a Class III archaeological survey for all areas directly impacted by the expansion. A Class III Cultural Resource Inventory was conducted by Beaver Creek Archeology in December of 2014 for Parcel 2 and March of 2015 for Parcel 3. By further response dated _____, the SHPO concurred with the Class III study report recommendation of “No Significant Sites” within Parcel 2 or Parcel 3, the only areas possibly affected by Plant construction.

10. Targa will submit applications for a building permit to McKenzie County and air quality permits to the NDDoH. Targa will obtain those permits prior to engaging in construction activity for which the various permits are required.

11. 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.

12. Targa evaluated the Study Area and the Project Site for the Exclusion, Avoidance, Selection, and Policy Criteria of the Commission.

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

14. No Exclusion Areas are located within the Study Area or the Project Site.

15. 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 sites.

16. Targa conducted a Class I Cultural Resource Literature Search of lands within the Study Area and a Class III Cultural Resource Inventory for Parcels 2 and 3. A cultural resource was identified in Parcel 1, but was recommended not eligible for the National Register of Historic Places. Additionally, one previously recorded cultural resource was located within Parcel 2, but the site was recommended not eligible for inclusion on the National Register of Historic Places, with the site having lost all integrity as a result of cultivation, pipeline construction, and landscaping. No cultural resources were identified within Parcel 3. No cultural resources will be affected by Plant expansion.

17. One wetland is located in the northern portion of Parcel 3. However, in connection with the LMGP IV Plant expansion, Targa intends to utilize only the southern portion of Parcel 3 as a laydown yard, which will have no impact on the wetland. Three waterbodies were recorded in the Study Area, but no impacts will occur as a result of Plant expansion.

18. In accordance with the Commission's policy criteria, preference may be given to an application demonstrating certain benefits of the energy conversion facility. Targa has committed to conducting its business in compliance with applicable laws and regulations, fostering a work culture that rewards and holds employees and contractors accountable for work safety, to reduce discharges and waste, and to minimize land disturbance. Targa has additionally sited and designed the Plant to conserve energy through location, process, and design; to utilize a raw material located within the state; and to take advantage of economies of scale. The proposed Plant expansion will not require relocation of residents. Targa submitted evidence to demonstrate its commitment to maximize the benefits of the proposed energy conversion facility to the extent possible so as to meet the policy criteria.

Measures to Minimize Impact

19. Targa has made other representations and covenants as indicated in the Certification Relating to Order Provisions – Energy Conversion Facility Siting as executed by Targa and filed with the Commission.

20. Targa will continue to coordinate with local authorities and emergency managers regarding emergency response measures. Targa's current emergency response plan utilized for LMGP I, LMGP II, and LMGP III will also include LMGP IV.

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

Conclusions of Law

1. The Commission has jurisdiction over Targa and the subject matter of the Application under North Dakota Century Code Chapter 49-22.
2. Targa 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 is compatible with environmental preservation and the efficient use of resources.
6. 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.

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

Order

1. Certificate of Site Compatibility for Energy Conversion Facility No. ___ is issued to Targa Badlands LLC, for the construction, operation, and maintenance of the Little Missouri Gas Plant. For purposes of this Certificate, the designated site consists of 93-acres in McKenzie County as follows: (1) a 40-acre tract located in SE1/4SE1/4 of Section 30, Township 149 North, Range 98 West; (2) a 40-acre tract located in the SW1/4SW1/4 of Section 29, Township 149 North, Range 98 West; and (3) a 13-acre tract to the north of the expansion area in Section 29, Township 149 North, Range 98 West.
2. The Certification Relating to Order Provisions – Energy Conversion Facility Siting executed on _____, 2015, is incorporated by reference and attached to this Order.

**State of North Dakota
Public Service Commission**

**Randy Christmann
Commissioner**

**Julie Fedorchak
Chairman**

**Brian Kalk
Commissioner**