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May 8, 2015

Via Hand Delivery

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



In re: Hess North Dakota Pipelines LLC
Hawkeye NGL and Crude Oil Pipeline Projects
McKenzie and Williams Counties
Case Nos. PU-15-031 & PU-15-032
Our File No.: 11-024-1427

Dear Mr. Nitschke:

Please find enclosed for filing eleven copies of the proposed Findings of Fact, Conclusions of Law and Order in each of the captioned cases.

If you have any questions or need additional information, please let me know.

Very truly yours,

John W. Morrison

John W. Morrison

lh
enc.

cc (via e-mail): Lacey Carver
Brian Schmidt

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Hess North Dakota Pipelines LLC
Hawkeye Crude Oil Pipeline Project
McKenzie and Williams Counties
Siting Application**

Case No. PU-15-031

PROPOSED FINDINGS OF FACT

CONCLUSIONS OF LAW, AND ORDER

_____, 2015

Appearances

John W. Morrison, Attorney at Law, Crowley Fleck PLLP, 100 West Broadway, Suite 250, Bismarck, North Dakota 58501 on behalf of Hess North Dakota Pipelines LLC.

Brian Schmidt, Special Assistant Attorney General, 122 E. Broadway Ave., P.O. Box 460, Bismarck, ND 58502-0460 on behalf of the Public Service Commission.

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

Janet Demarais Seaworth, Administrative Law Judge, Office of Administrative Hearings, 2911 North 4th Street, Suite 303, Bismarck, ND 58503, as Substantive Hearing Officer.

Preliminary Statement

On January 15, 2015, Hess North Dakota Pipelines LLC (“Hess”) filed applications for a certificate of corridor compatibility and a route permit for a proposed 12-inch crude oil pipeline, consisting of approximately 22.8 miles of new 12-inch diameter pipeline, 2.4 miles of existing 8-inch diameter crude pipeline, and associated facilities in McKenzie and Williams Counties, North Dakota. Also on January 15, 2015, Hess filed applications for a certificate of corridor compatibility and a route permit for a natural gas liquids (“NGL”) pipeline, consisting of approximately 10.5 miles of existing 8-inch diameter natural gas pipeline, 8.7 miles of existing 10-inch diameter natural gas pipeline, and associated facilities in McKenzie and Williams Counties, North Dakota. On that same day, Hess filed an application for waiver of procedures and time schedules established under North Dakota Century Code sections 49-22-07, 49-22-08(5), 49-22-08.1(5), 49-22-13, and North Dakota Administrative Code section 69-06-01-02 and

chapter 69-06-06, requiring separate filings, separate notices, and separate hearings on the certificate of corridor compatibility and route permit applications. On February 20, 2015, Hess filed a motion to consolidate the hearings for the crude oil and NGL projects.

On February 25, 2015, the Commission found the applications complete, consolidated the two cases for hearing, and issued a Notice of Filings and Notice of Hearing scheduling a public hearing on April 17, 2015 at 9:00 a.m. CST at The Brooks Hotel, 7115 2nd Avenue E., Williston, ND 58801.

The issues to be considered in Hess's request for a waiver of procedures and time schedules are as follows:

1. Are the proposed facilities of such length, design, location, or purpose that they will produce minimal adverse effects such that adherence to the 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 issues to be considered in Hess's applications for certificate of corridor compatibility and route permit are as follows:

1. Will the location, construction, and operation of the proposed facilities produce minimal adverse affects 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?

On April 17, 2015, the hearing was held as scheduled. Having allowed all interested persons an opportunity to be heard and having heard, reviewed, and considered all the evidence presented, the Commission makes the following:

Findings of Fact

1. Hess is a Delaware limited liability company authorized to transact business in the State of North Dakota as evidenced by corporate papers filed with the Commission on January 15, 2015.

Size, Type and Preferred Location of Facility

2. The proposed facilities (the "Hawkeye Crude Oil Project") consist of approximately 25.2 miles of pipe, including approximately 22.8 miles of new 12-inch diameter pipe, approximately 2.4 miles of existing 8-inch diameter pipe and some associated facilities, including the Hawkeye Oil Facility, consisting of tanks and a truck unloading area, and three sets of pig launchers and receivers, 4 emergency shut-down valves, and two mainline valves to be located either at the Hawkeye Oil Facility or at several existing facilities.

3. The Hawkeye Crude Oil Project will cross Lake Sakakawea. Hess currently owns steel pipelines crossing Lake Sakakawea, including three that were installed in 1956 and three that were installed in 1992. Hess intends to repurpose one of the pipelines installed in 1992 which is currently being used as a loop-line to carry gas from the tailgate of the Tioga Gas Plant in Williams County to a connection with the Northern Border Pipeline, to crude oil service. This is the 2.4 miles of existing 8-inch pipeline referred to above.

4. The maximum operating pressure of the pipeline will be 1,000 pounds per square inch, but Hess intends to operate the pipeline at 900 pounds per square inch or less. At the maximum operating pressure the pipeline would have the capacity to ship 76,000 barrels of oil per day, but Hess anticipates that at least initially the pipeline will be used to ship approximately 60,000 barrels of oil per day.

5. The Hawkeye Oil Facility is a new facility and Hess is currently negotiating to acquire rights to use the land upon which the facility will likely be located. All of the remaining aboveground facilities to be constructed as part of the Crude Oil Project will be located within the confines of existing Hess facilities.

Need for Facility

6. Hess concluded there is a need for the Hawkeye Crude Oil Project based on recent and significant increases in oil extraction in western North Dakota and a lack of efficient transportation methods. Additionally, the Crude Oil Project is part of a larger project to construct the NGL line which is the subject of Case No. PU-15-32 and a natural gas gathering line which is not subject to siting by the Commission. In Hess's opinion, the three pipelines are necessary to move oil and gas produced south of Lake Sakakawea to locations north of Lake Sakakawea where the oil can be marketed and the gas can be processed and sold. The overall project is critical to reduce the flaring of gas from production facilities south of Lake Sakakawea.

Study of Preferred Location

7. Through its consultants, Hess evaluated a two mile-wide study area (“Study Area”) routed from the proposed Hawkeye Oil Facility to the existing Ramberg Truck Facility. Field surveys were conducted for cultural resources and natural resources over a 200-foot wide area centered on the pipeline alignment (the “Environmental Survey Area”).

8. Hess conducted a Class I literature search in the Study Area and a Class III cultural resources inventory in the Environmental Survey Area. Environmental data collected in the Environmental Survey Area included information on soils, land use, wetlands and waterbody crossings, noxious weeds, trees and shrubs, and protected species and habitat.

9. In connection with the acquisition of several permits from the federal government, an environmental assessment (“EA”) is being prepared in accordance with the National Environmental Policy Act of 1970. The Bureau of Land Management is the lead agency and the United States Army Corps of Engineers, United States Forest Service and the U.S. First and Wildlife Service are serving as cooperating agencies. Hess’s consultant in this matter prepared the draft EA for the BLM. Some of the pertinent information from the draft EA was utilized in preparation of the corridor and route permit applications.

10. Hess also consulted with the North Dakota Game and Fish Department, the North Dakota Parks and Recreation Department, and the North Dakota Department of Trust Lands. The following agencies were contacted by Hess or its consultant: the United States Fish and Wildlife Service, the North Dakota Game and Fish Department, the North Dakota Parks and Recreation Department, and the North Dakota Department of Trust Lands. No agencies expressed any substantive concerns for the project.

11. In a February 17, 2015 letter, the SHPO concurred with a “no historic sites affected” determination for the Project.

Siting Criteria

12. 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 corridor compatibility and route permit. The criteria, as set forth in North Dakota Administrative Code section 69-06-07-02 are classified as Exclusion Areas, Avoidance areas, Selection Criteria, and Policy criteria.

13. A transmission facility route must not be sited within an exclusion area. No exclusion areas will be impacted by the Hawkeye Crude Oil Project.

14. An avoidance area is a geographical area that may not be considered in the routing of a transmission facility unless the applicant shows that, under the circumstances, there is no reasonable alternative. In determining whether an avoidance area should be designated for a transmission 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.

15. The Hawkeye Crude Oil Project intersects the Little Missouri National Grasslands which are managed by the United States Forest Service, but Hess has applied for and anticipates receiving all necessary permits from the Forest Service. The Hawkeye Crude Oil Project also crosses Lake Sakakawea, but will utilize an existing pipeline to cross the lake. Additionally, the Hawkeye Crude Oil Project is approximately 18.5 miles from the nearest municipal water source intake location. The proposed route also crosses the historic Elm Tree Archaeological District but the route is at least 50 feet from any of the archaeological sites and they will not be impacted by the Crude Oil Project. None of these avoidance areas will be adversely impacted by the Hawkeye Crude Oil Project.

Mitigation to Minimize Impact

16. Hess has conducted extensive inspections of the existing pipeline crossing Lake Sakakawea, including running a “smart” pig, or an “inline inspection pig” (“ILI”) in 2013. Extensive analysis of the ILI indicates that the pipeline is suitable for conversion to crude oil service.

17. When installed, the pipeline under the lake was installed 6 feet below the surface. Hess witnesses indicated that it is likely that the cover has increased under the lake due to sedimentation, and the biggest risk of cover erosion would be on the banks of the lake. Earlier in 2015 Hess conducted testing to determine the depth of cover on the banks of the lake and determined that the pipeline was buried at least 5 feet below the surface on the banks of the lake.

18. Hess also had a spill risk assessment prepared in connection with the EA being prepared for the federal government. That risk assessment reveals that while the risk of any spill or discharge in Lake Sakakawea is very small, with a likelihood of an occurrence once every 473 years for any given mile of pipe, if any spill were to occur, it would likely be less than 4 barrels of fluid.

19. Hess also committed to an extensive inspection and testing program for the lake crossing which will substantially exceed the requirements of the Pipeline and Hazardous Materials Safety Administration, including an in-line inspection once every three years to 3 ½ years and a visual inspection of the route 26 times per year.

20. The Crude Oil Project will also include emergency shut-down valves at various locations, including both sides of Lake Sakakawea. A SCADA system will result in constant monitoring of pressure, flow and temperature 24 hours per day, 7 days per week from a control room in Tioga, North Dakota, and the shut-down valves can be remotely operated from that control room.

21. Hess also has personnel available in the area to respond to any conditions 24 hours a day, seven days a week. Hess has contracted with third party response vendors to provide services in the unlikely event of a large spill. Hess has developed an Emergency Response Plan and an Incident Response Plan and conducts periodic drills.

22. Hess has also agreed to a number of steps to mitigate the impact of the Project as indicated by the 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.

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

Conclusions of Law

1. The Commission has jurisdiction over Hess, and the subject matter of this application under North Dakota Century Code Chapter 49-22.

2. Hess is a utility as defined in North Dakota Century Code Section 49-22-03(13).

3. The Hawkeye Crude Oil Project is a transmission facility as defined in North Dakota Century Code Section 49-22-03(12).

4. The location, construction, and operation of the pipeline as a transmission line will produce minimal adverse effects on the environment and upon the welfare of the citizens of North Dakota.

5. The pipeline corridor and route are compatible with the environmental preservation and the efficient use of resources.

6. The pipeline corridor and route 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 Hawkeye Crude Oil Project is of such design and location that it will produce minimal adverse effects, as defined under North Dakota Century Code Section 49-22-07.2.

8. It is appropriate for the Commission to waive those certain procedures and time schedules as requested in the Application pursuant to North Dakota Century Code section 49-22-07.2

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

Order

The Commission orders:

1. Applicant's application for waiver of procedures and time schedules is granted.
2. Certificate of Corridor Compatibility No. ___ is issued to Hess designating a corridor for the construction, operation and maintenance of an approximately 22.8 mile, 10-inch crude oil transmission pipeline and associated facilities in McKenzie and Williams Counties, North Dakota. For purposes of the Certificate, the Corridor will consist of a 200-foot wide corridor centered on the pipeline route.
3. Route Permit No. ___ is issued to Hess, granting authority to construct and operate an approximately 22.8 mile, 10 inch crude oil transmission pipeline and associated facilities in McKenzie and Williams Counties, North Dakota.
4. The Certificate of Compatibility for a Transmission Facility Corridor No. ___ and Route Permit for Construction of a Transmission Facility No. ___ are effective for the life of the Pipeline, but are subject to modification by order of the Commission if deemed necessary to further protect the public or the environment.
5. Hess shall comply with all the rules and regulations of all other agencies having jurisdiction over any phase of the proposed project. Prior to commencing construction of any phase of the proposed project, Hess shall obtain all other necessary licenses and permits for construction of such phase, and provide copies to the Commission prior to construction of each phase.
6. Hess shall conduct a preconstruction conference to be held prior to the commencement of any additional construction. The conference must include a Hess representative, Hess's construction supervisor, and Commission staff, to ensure that Hess fully understands the conditions set forth in this order.
7. Hess shall comply with the Certification Relating to Order Provisions – Pipeline Siting filed in this proceeding and attached hereto.

8. Hess 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 issued in this proceeding. In the event of any damage to underground facilities, Hess 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.

Dated this ____ day of _____, 2015.

PUBLIC SERVICE COMMISSION

Randy Christman
Commissioner

Julie Fedorchak
Chairman

Brian Kalk
Commissioner