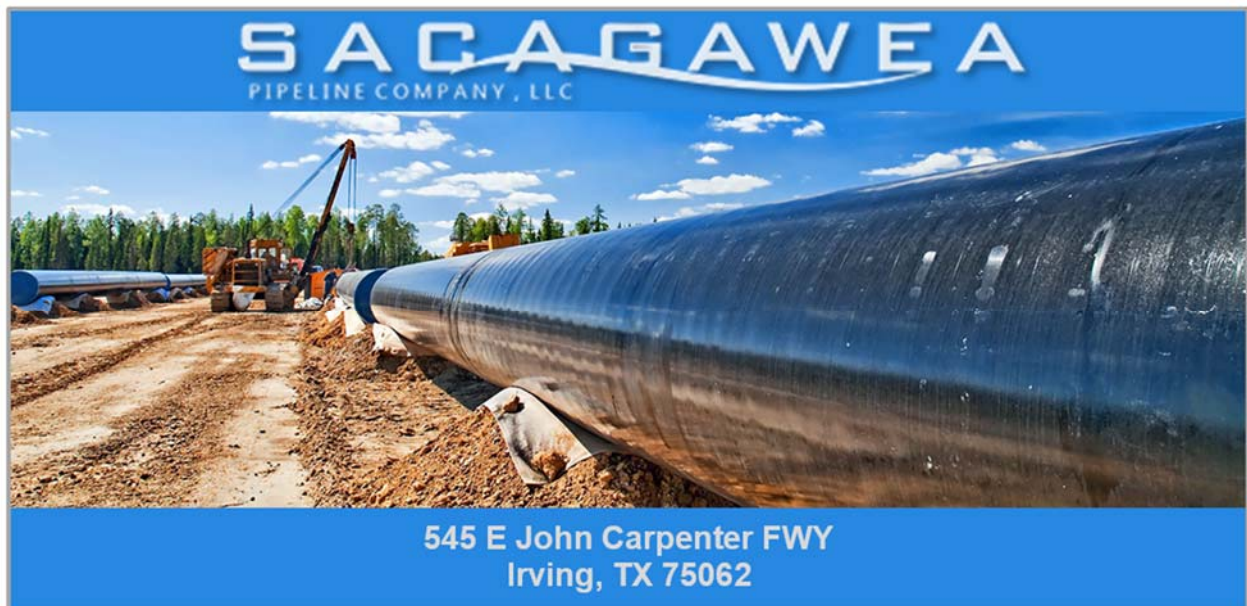


Pipeline Siting Application

***Palermo to Enbridge Crude Oil Pipeline
Mountrail County***

September 2015



Prepared by



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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA**

IN THE MATTER OF THE COMBINED
APPLICATION OF SACAGAWEA PIPELINE
COMPANY, LLC, FOR A CERTIFICATE OF
CORRIDOR COMPATIBILITY AND ROUTE
PERMIT FOR THE PALERMO TO
ENBRIDGE PIPELINE PROJECT IN
MOUNTRAIL COUNTY, AND REQUEST
FOR WAIVER OF PROCEDURES AND TIME
SCHEDULES

CASE NO. PU-15-_____

**Application of Sacagawea 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 a 12-inch crude oil pipeline, approximately 8 miles in length, known as the Palermo to Enbridge Pipeline Project to be located in Mountrail County, North Dakota (the “Project”), Sacagawea Pipeline Company, LLC (“Sacagawea”) 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”). Sacagawea requests that the Commission waive and/or reduce procedures and time schedules required by the Siting Act and Siting Rules to accomplish the purposes as requested herein. Sacagawea’s request includes, but is not limited to:

1. That the Commission waive, pursuant to North Dakota Century Code Sections 49-22-07.2 and 49-22-13, and North Dakota Administrative Code Section 69-06-01-02 and Chapter 69-06-06, the provisions of North Dakota Century Code Sections 49-22-08, 49-22-08.1, and 49-22-13, and North Dakota Administrative Code Section 69-06-01-02 insofar as they require the separate filing of applications for

a Certificate of Corridor Compatibility (“Corridor Certificate”) and a Route Permit, separate notices of such applications, separate hearings on such applications, and certain time schedules as set forth in said statutes and rules.

2. That the Commission allow for consolidation of the applications for a Corridor Certificate and a Route Permit, and allow for a consolidated notice of publication.
3. That the Commission hold a single consolidated hearing on this waiver request and its Consolidated Application.

Consistent with the Commission’s Energy and Transmission Facility Siting Guidelines (“Commission’s Guidelines”), Sacagawea provides the following information in support of its waiver requests:

A. Description of Proposed Project.

1. **Type:** The Project will require installation of an underground steel pipeline that will transport crude oil. Surface structures will include one block valve, check valves, pig launchers and receivers, pipeline markers, and rectifiers.

The Palermo Rail Facility and the Enbridge Crude Oil Terminal are existing above-ground sites owned by entities other than Sacagawea. Above-ground facilities at the Palermo Rail Facility will include a valve and pumping equipment. Above-ground valves and meters will be installed at the Enbridge Crude Oil Terminal.

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

3. **Size and Design:** The proposed Project will have a maximum operating temperature of 120 degrees Fahrenheit and a maximum operating pressure (“MOP”) of 1,440 pounds per square inch gauge (“psig”). The proposed Project will have a capacity of 100,000 barrels per day (“bpd”). The steel pipeline used for the Project will meet United States

Department of Transportation regulations, specifically the design criteria outlined in 49 CFR Part 195, Subpart C. The Project will be constructed, operated, and maintained in accordance with 49 CFR Part 195.

4. **Location:** The total length of the Project is approximately 8 miles located in Mountrail County, North Dakota. The Project will result in a transmission pipeline originating at the Palermo Rail Facility owned by Phillips 66 Partners Terminal, LLC in Mountrail County and terminating at the Enbridge Crude Oil Terminal located in Stanley, North Dakota, also in Mountrail County. Maps of the proposed Project are provided in the Consolidated Application, submitted herewith.

5. **Geographic Service Area:** As noted above, the Project is located in Mountrail County and will connect the Palermo Rail Facility with the Enbridge Crude Oil Terminal. The immediate area served by the Project will be western North Dakota; however, the crude oil will ultimately be distributed throughout the United States.

6. **Time Schedule:** Sacagawea proposes to develop the Project on the following schedule:

- September 2015 — Sacagawea files with the Commission a consolidated application for a Corridor Certificate and Route Permit.
- December 2015 — The Commission issues a Corridor Certificate and Route Permit for the Project.
- First Quarter 2016 — Sacagawea will begin construction of the Project. Construction is anticipated to last approximately two to three months.
- Commissioning and restoration activities will commence immediately following construction of the Project.

7. **Future Plans:** At this time, Sacagawea 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 are 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. Information from the NDDMR indicates that oil production has increased dramatically over the past five years from approximately 277,640 bpd in March of 2010 to over 1,190,583 bpd in March of 2015.³

The major constraint in transporting oil from North Dakota to distribution centers and eventual end users in the United States is the lack of pipeline capacity. With the constraints to the existing transportation infrastructure in the Project area, construction of the Project will provide firm, reliable transport of 100,000 bpd of crude oil between the Palermo Rail Facility and the Enbridge Crude Oil Terminal. The interconnection with the Enbridge Crude Oil Terminal will allow access to all of Enbridge’s existing pipeline, as well as a proposed pipeline.

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 Resources Study Project 23 (2008).

² United State Geological Survey, Assessment of Undiscovered Oil Resources in the Devonian-Mississippian Bakken Formation, Williston Basin Province, Montana and North Dakota, 2008, <http://pubs.usgs.gov/fs/2008/3021/> (last visited Sept. 8, 2015).

³ North Dakota Department of Mineral Resources, North Dakota Monthly Oil Production Statistics, <https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf> (last visited Sept. 8, 2015).

The Project, with its interconnections to rail terminals and other pipeline systems, will provide access to multiple refinery markets throughout the United States.

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 help prevent. The Project will help to provide the needed capacity to transport crude oil production safely and economically from the Bakken and Three Forks formations to facilities with access to major markets.

For additional analysis of the need for the Project, please see Section C of the Certificate of Corridor Compatibility portion of the Consolidated Application, which accompanies this waiver application. For a discussion of alternatives evaluated, please see Section C.2 of the Certificate of Corridor Compatibility portion of the Consolidated Application.

C. Cost.

Sacagawea estimates that it will cost approximately \$18 million to develop the Project.

D. Waiver Request.

Sacagawea 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 transporting crude oil between the Palermo Rail Facility and the Enbridge Crude Oil Terminal. Utilizing the Project will eliminate the need to transport the crude oil between the two locations via truck, which, in turn, will reduce truck traffic on North Dakota roads and highways. Without the waivers of time schedules and procedures requested, completion 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 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 Sacagawea’s Consolidated Application, granting the waivers requested is appropriate because the proposed facility will produce minimal adverse effects due to its length (approximately 8 miles), its design (an underground pipeline), its location (located in rural Mountrail County and avoiding Exclusion and Avoidance Areas), and its purpose (underground pipeline transportation of crude oil).

In determining whether the proposed facility will result in adverse impacts on the environment, Sacagawea evaluated the Project using the criteria set forth in the Siting Act, the Siting Rules, and the Commission’s Guidelines. More specifically, Sacagawea 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 C and D of the Route Application. Based upon Sacagawea’s siting criteria evaluation, and the factors set forth in the Guidelines, the Project will have minimal adverse effects.

Accordingly, Sacagawea respectfully requests that the Commission grant the requested waivers and render an expeditious decision.

Dated this 9th day of September, 2015.

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