

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF THE JOINT
APPLICATION OF PARADIGM
MIDSTREAM SERVICES - ND, LLC
AND SACAGAWEA PIPELINE
COMPANY, LLC FOR A TRANSFER
OF CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY NO.
5861 FOR THE CONSTRUCTION AND
OPERATION OF A CRUDE OIL
PIPELINE IN MCKENZIE AND
MOUNTRAIL COUNTIES, NORTH
DAKOTA

CASE NO. PU-16-_____

**JOINT APPLICATION FOR TRANSFER OF CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY**

Pursuant to Chapter 49-03.1 of the North Dakota Century Code and Section 69-02-02-04 of the North Dakota Administrative Code, Paradigm Midstream Services – ND, LLC (“Paradigm”) and Sacagawea Pipeline Company, LLC (“Sacagawea”) (hereinafter collectively referred to as “Applicants”), respectfully submit this Joint Application (“Application”) for the Transfer of Certificate of Public Convenience and Necessity No. 5861 (“CPCN”) from Paradigm to Sacagawea. The CPCN was originally issued by the North Dakota Public Service Commission (“Commission”) to Paradigm in Case No. PU-14-620 for the 70-mile-long crude oil pipeline and associated facilities in McKenzie and Mountrail Counties, North Dakota, known as the “Sacagawea Pipeline.” *See* Case No. PU-14-620, Docket No. 22.

A Certificate of Corridor Compatibility (“Corridor Certificate”) and Route Permit have also been issued by the Commission for the Sacagawea Pipeline, with construction of the Sacagawea Pipeline nearing completion. However, based on the establishment of a joint venture for construction, operation, and ownership of the Sacagawea Pipeline, the Corridor Certificate

and Route Permit were issued to Sacagawea instead of Paradigm. For consistency of all permits issued for the Sacagawea Pipeline, this Application is jointly submitted by Paradigm and Sacagawea to transfer the CPCN to Sacagawea.

I. Statutory Authority.

Certificates of public convenience and necessity are governed by Chapter 49-03.1 of the North Dakota Century Code. Before granting a certificate of public convenience and necessity, the Commission shall consider:

1. Need for the service.
2. Fitness and ability of applicant to provide service.
3. Effect on other public utilities providing similar service.
4. Adequacy of proposed service.
5. The technical, financial, and managerial ability of the applicant to provide service.

See N.D.C.C. § 49-03.1-04. The form of the application for a certificate of public convenience and necessity is prescribed by the Commission. *See* N.D.C.C. § 49-03.1-03. The same determination of necessary documents by the Commission likely applies to the Application, as no specific procedure is set forth governing the transfer of certificates of public convenience and necessity.

Under the powers granted to the Commission under Title 49 of the North Dakota Century Code with respect to public utilities, the Commission has broad authority to alter or amend any decision made by the Commission, including with respect to a decision regarding the CPCN. *See* N.D.C.C. § 49-05-09. Based on the existing relationship between Paradigm and Sacagawea as explained below, the Applicants request the Commission, in essence, alter or amend the

CPCN issued in Case No. PU-14-620, and reissue the CPCN to Sacagawea. The CPCN does not need to be modified other than to correct the name of the entity to which the CPCN is issued.

II. Background.

Pursuant to the Commission's Order dated January 22, 2015, in Case No. PU-14-620, the Commission approved the issuance of the CPCN to Paradigm for the construction and operation of the Sacagawea Pipeline in McKenzie and Mountrail Counties, North Dakota. *See* Case No. PU-14-620, Docket No. 22. According to the Order, the CPCN shall remain in force in effect so long as all necessary permits are obtained and applications for a certificate of corridor compatibility and route permit are filed within one year from the date of the Order. *See id.* All necessary permits were obtained and applications for a certificate of corridor compatibility and route permit for the Sacagawea Pipeline were filed on March 16, 2015. *See* Case No. PU-15-114. Accordingly, the CPCN remains in full force and effect.

While certain aspects of the Sacagawea Pipeline may have been slightly modified during the process of obtaining the CPCN, the Corridor Certificate, and the Route Permit, all three approvals were sought for the same project, namely the Sacagawea Pipeline. The Sacagawea Pipeline consists of approximately 70 miles of pipe and other facilities to be used for the transport of crude oil from locations south of the Missouri River to transfer points located north of the Missouri River. The Sacagawea Pipeline will provide intrastate pipeline capacity for the delivery of crude oil to multiple refineries and markets throughout the region.

III. Application for Transfer of Certificate of Public Convenience and Necessity.

The Applicants are jointly requesting the transfer of the CPCN from Paradigm to Sacagawea for consistency of all permits and approvals for the Sacagawea Pipeline. As required by the Order issuing the CPCN, the applications for a certificate of corridor compatibility and

route permit for the Sacagawea Pipeline were filed on March 16, 2015. *See* Case No. PU-15-114. However, the applications for a certificate of corridor compatibility and route permit were filed in the name of Sacagawea, and Certificate of Corridor Compatibility No. 177 and Route Permit No. 189 were ultimately issued to Sacagawea. The CPCN should also then be in the name of Sacagawea.

The Commission previously determined Paradigm satisfied the conditions necessary for issuing a CPCN. Sacagawea equally satisfies all factors the Commission must consider as detailed below. Factors similar as those to be considered by the Commission for the CPCN for were further discussed in the Corridor Certificate and Route Permit materials for the Sacagawea Pipeline. *See* Case No. PU-15-114.

A. The Certificate of Public Convenience and Necessity Factors are Satisfied by Sacagawea Pipeline Company, LLC.

1. Need for the service.

In addition to the need provided to the Commission in the original CPCN application, the need for the service of the Sacagawea Pipeline is explained in detail in the Consolidated Application for Certificate of Corridor Compatibility and Route Permit for the Sacagawea Pipeline. *See* Case No. PU-15-114, Docket No. 1. The testimony offered at the hearing for the Sacagawea Pipeline also discussed the need for the pipeline.

Sacagawea concluded there is a need for the Sacagawea Pipeline because the recent and significant increase in oil extraction has outpaced efficient transportation methods. The construction of additional transmission pipelines would have a positive effect on efficient transportation of crude oil and would relieve some of the impacts resulting from trucking the crude oil. Specifically, the Sacagawea Pipeline is needed to address transportation of growing volumes of crude oil from the Bakken Formation to refining centers on the East Coast, Mid-

Continent, and West Coast. For additional analysis of the need for the Sacagawea Pipeline, please see Section 3 of the Certificate of Corridor Compatibility or Route Permit Application. *See* Case No. PU-15-114, Docket No. 1.

In the order issuing the Corridor Certificate and Route Permit for the Sacagawea Pipeline, the Commission determined 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.” *See* Case No. PU-15-114, Docket Nos. 66, 100. In essence, the Commission has already determined the need exists for the service to be provided by the Sacagawea Pipeline in issuing the CPCN and the Corridor Certificate and Route Permit for the Sacagawea Pipeline. The need continues to remain for the service offered by the Sacagawea Pipeline, and will not change if the CPCN is issued in the name of Sacagawea.

2. Fitness and ability of applicant to provide service and the technical, financial, and managerial ability of the applicant to provide service.

Sacagawea has the fitness and ability to provide the service anticipated by the Sacagawea Pipeline, which includes the technical, financial, and managerial ability to provide the service. *See* Affidavit of Troy Andrews, provided herewith. An explanation of the relationship between Paradigm and Sacagawea is helpful in understanding the fitness of Sacagawea to provide service. Applicant Paradigm Midstream Services – ND, LLC is a wholly owned subsidiary of Paradigm Energy Partners, LLC. Applicant Sacagawea Pipeline Company, LLC, is a joint venture between Paradigm Energy Partners, LLC, Phillips 66 Partners, LP (“Phillips 66”), and Grey Wolf Midstream, LLC (“Grey Wolf”). Transferring the CPCN to Sacagawea will provide the additional fitness and ability of the joint venture partners in construction and operation of the Sacagawea Pipeline, in addition to the fitness already established by Paradigm.

Sacagawea is in the business of development and construction of crude oil pipelines and is active and in good standing in the State of North Dakota. Sacagawea is a Delaware limited liability company authorized to do business in the State of North Dakota, as evidenced by corporate papers filed by Sacagawea with the Commission in Case No. PU-15-115. A copy of the certificate of formation from the State of Delaware is attached hereto as **Exhibit A**. The Certificate of Authority of Sacagawea is attached hereto as **Exhibit B**. A Certificate of Good Standing from the Secretary of State for the State of North Dakota is attached hereto as **Exhibit C**.

As noted in the original application for the CPCN, financial commitment for the funding of the Sacagawea Pipeline was already complete at the time of filing. *See* Case No. PU-14-620, Docket No. 1. This information alone, along with the financial information submitted by Paradigm, established the ability to fund the Sacagawea Pipeline. *See* Case No. PU-14-620, Docket No. 17. As noted above, Sacagawea is a joint venture between Paradigm Energy Partners, LLC, Phillips 66, and Grey Wolf, so Sacagawea has the additional financial ability of the joint venture to support the Sacagawea Pipeline.

Further, the ability of Sacagawea to provide service through the Sacagawea Pipeline has been clearly established during the permitting process for the Corridor Certificate and Route Permit. As set forth in the monthly construction status report submitted to the Commission by Sacagawea, construction of the Sacagawea Pipeline is nearing completion. *See* Case No. PU-15-114, Docket No. 114. Sacagawea has had sufficient ability to obtain all permits necessary for construction and to be nearing completion for the project.

In addition to the financial aspect of the project, the Paradigm management team has extensive experience in the design, construction, and operation of pipeline systems. Sacagawea

has the experience of Paradigm's management team, with the added benefit of Phillips 66's experience for the Sacagawea Pipeline. As noted, the Sacagawea Pipeline is nearing completion under the management of Sacagawea. Accordingly, the technical, financial, and managerial ability of Sacagawea is clearly established by looking to the status of construction for the Sacagawea Pipeline.

3. Adequacy of Proposed Service and Effect on Other Public Utilities Providing Similar Service.

The capacity of the Sacagawea Pipeline in the original CPCN application was projected to be 230,000 barrels per day. As authorized in the Corridor Certificate and Route Permit, the maximum capacity of the Sacagawea Pipeline is 200,000 barrels per day. This capacity continues to be adequate for the proposed service.

As set forth in the original CPCN application, there are no other pipelines that deliver the service to be provided by the Sacagawea Pipeline. Similarly, project development which could provide similar service in the area is not presently occurring. Accordingly, the Sacagawea Pipeline will not have an effect on other public utilities providing a similar service in the area.

B. Sacagawea Pipeline Company, LLC Will Assume All Obligations of the CPCN.

Paradigm requests that the rights and obligations of the CPCN be transferred to Sacagawea, and the CPCN be reissued in the name of Sacagawea. *See* Affidavit of Criss Doss, provided herewith. Sacagawea agrees to assume the rights and obligations of the CPCN, as well as the conditions and limitations set forth in the Commission's Order, dated January 22, 2015, issuing the CPCN. *See* Affidavit of Troy Andrews, provided herewith. As noted above, Sacagawea is a joint venture between various entities, including the parent company of Paradigm. As such, Sacagawea is exceedingly fit, willing, and able to provide the service

requested. Public convenience and necessity will continue to be served by the construction and operation of the Sacagawea Pipeline because there is a continued need for the Pipeline, the transfer of the CPCN will have no effect on other public utilities providing similar service, the service under the CPCN will remain adequate, and Sacagawea has the technical, financial, and managerial ability to provide the service.

WHEREFORE, Applicants respectfully request that the Commission:

1. Proceed by the Commission's notice of opportunity for hearing procedures in determination of the joint transfer application;
2. Grant a transfer of Certificate of Public Convenience and Necessity No. 5861 from Paradigm Midstream Services – ND, LLC to Sacagawea Pipeline, LLC; and
3. Grant such other relief as the Commission shall deem appropriate.

Dated this 3rd day of November, 2016.

FREDRIKSON & BYRON, P.A.

By 

LAWRENCE BENDER, ND Bar #03908
DANIELLE M. KRAUSE, ND Bar #06874
*Attorneys for Paradigm Midstream Services –
ND, LLC and Sacagawea Pipeline Company, LLC*
1133 College Drive, Suite 1000
Bismarck, ND 58501-1215
lbender@fredlaw.com
dkrause@fredlaw.com
Telephone: (701) 221-8700

