

125 FERC ¶ 61,052  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

October 20, 2008

In Reply Refer To:  
Enbridge Pipelines (North Dakota) LLC  
Docket No. OR08-6-000

Enbridge Pipelines (North Dakota) LLC  
1330 Connecticut Avenue, NW  
Washington, DC 20036

Attention: Steven Reed  
Attorney for Enbridge Pipelines (North Dakota) LLC

Reference: Approval of Offer of Settlement

Dear Mr. Reed:

1. On January 18, 2008, Enbridge Pipelines (North Dakota) LLC (Enbridge North Dakota) filed an Offer of Settlement (Settlement) seeking Commission approval of a mechanism to recover the costs of the planned Phase 6 expansion of capacity on the pipeline's system. Enbridge North Dakota states that it has worked with its shippers to develop a project that will allow it to accommodate the increasing needs of industry and alleviate the bottleneck caused by the system's physical limitations, which currently is prorated. Enbridge North Dakota asserts that the Settlement enjoys wide support from shippers, public officials, and others.
2. Enbridge North Dakota states that the Phase 6 expansion is expected to add approximately 40,000 barrels per day (bpd) of capacity into Minot, North Dakota, from the western end of the pipeline system and approximately 51,000 bpd of capacity from Minot to the eastern end of the system at Clearbrook, Minnesota. Enbridge North Dakota states that, under the Settlement terms, the expansion costs will be recovered through a cost-based surcharge on all shipments to Clearbrook and that the surcharge will be trued-up annually. Enbridge North Dakota explains that the surcharge will be added to its existing base rates and other previously-approved surcharges for a seven-year period.
3. Enbridge North Dakota states that it is owned by Enbridge Energy Partners, L.P., which also owns the Lakehead pipeline system that provides transportation of crude oil to

the U.S. Midwest and points in eastern Canada and New York State. Enbridge North Dakota explains that its 950-mile common carrier oil pipeline terminates at Clearbrook, Minnesota, where it connects to the Lakehead and Minnesota Pipeline Company, LLC systems that serve destinations in the upper Midwest and eastern Canada.

4. Enbridge North Dakota states that, in 2006, the Commission approved two surcharges to allow Enbridge North Dakota to recover the costs of the Phase 5 expansion.<sup>1</sup> Enbridge North Dakota explains that it placed its Phase 5 expansion into service on January 1, 2008, thereby increasing its maximum average annual capacity from approximately 84,000 bpd to approximately 110,000 bpd. However, despite the addition of the Phase 5 expansion, Enbridge North Dakota states that it anticipates a continuing shortage of capacity to serve the growing crude oil production in the Williston Basin, which will heighten demand for space on the prorated Enbridge North Dakota system.<sup>2</sup>

5. According to Enbridge North Dakota, the Phase 6 expansion will cost approximately \$145 million and will increase the maximum annual average capacity of the system to approximately 161,000 bpd. In particular, Enbridge North Dakota asserts that the Phase 6 expansion is expected to provide up to an additional 40,000 bpd of annual average capacity from the western end of the system into Minot and an additional 51,000 bpd of annual average capacity between Minot and Clearbrook. As part of the Phase 6 expansion, Enbridge North Dakota states that it will increase horsepower at 12 pump stations, implement measurement and station upgrades at Clearbrook, and make extensive use of Drag Reducing Agent to enhance the capacity of the pipeline by facilitating oil flows. Additionally, Enbridge North Dakota states that it will install one new 100,000 barrel tank at Beaver Lodge. Enbridge North Dakota anticipates that most of the Phase 6 expansion will be completed in 2009 so that the new facilities will enter service in 2010.

6. Enbridge North Dakota emphasizes that it has sought a consensus among its shippers concerning the mechanism by which the cost of the Phase 6 expansion will be recovered. According to Enbridge North Dakota, it first advanced a different proposal that would have established priority service in exchange for increased volume commitments at an increased tariff level in exchange for protection from prorationing; however, existing shippers opposed that proposal.<sup>3</sup> In response to that opposition,

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<sup>1</sup> *Citing Enbridge Pipelines (North Dakota) LLC*, 117 FERC ¶ 61,131 (2006).

<sup>2</sup> *Citing Enbridge Pipelines (North Dakota) LLC*, 120 FERC ¶ 61,197 (2007) (discussing prorationing issues).

<sup>3</sup> *Citing Enbridge Pipelines (North Dakota) LLC*, 120 FERC ¶ 61,025 (2007).

Enbridge North Dakota explains that it developed an across-the-board surcharge on all shipments to Clearbrook, which does not require long term ship-or-pay commitments from shippers and enjoys the support of at least 25 shippers representing approximately 84 percent of the volumes shipped on its system. Enbridge North Dakota also points out that this proposal has the support of the North Dakota Petroleum Council, which represents 29 of North Dakota's top 40 producers, who collectively represent approximately 80 percent of North Dakota's 2006 production.

7. The Governors of Montana and North Dakota filed comments supporting the Settlement, as did the North Dakota Pipeline Authority. No protests or adverse comments were filed.

8. The Commission approves the Settlement on the grounds that it appears fair, reasonable, and in the public interest. While Enbridge North Dakota states that it reserves the right to propose a different plan for expansion if future development indicates the need for additional capacity beyond that achievable with the proposed Phase 6 system modifications, the Commission emphasizes that approval of this Settlement does not constitute approval of any other project beyond the scope of this proceeding. Further, the Commission's approval of the Settlement does not constitute acceptance of, or precedent regarding, any principle or issue in this filing.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.