

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

NUSTAR PIPELINE)
OPERATING PARTNERSHIP L.P.)

)
Application pursuant to Section 15-401 of the Common)
Carrier by Pipeline Law and Sections 8-503 and 8-509)
of the Public Utilities Act for a Certificate in Good)
Standing to Operate an Anhydrous Ammonia Pipeline)
as a Common Carrier Pipeline and to Construct and)
Operate an Extension Thereto and When Necessary to)
Take Private Property as Provided by the Law of)
Eminent Domain)

Docket No. 15-_____

APPLICATION FOR CERTIFICATE IN GOOD STANDING
AND OTHER RELIEF

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December 22, 2015

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To the Illinois Commerce Commission:

I. INTRODUCTION

1. NuStar Pipeline Operating Partnership L.P. (“NuStar” or “Applicant”) requests that the Illinois Commerce Commission (the “Commission”) issue to NuStar (1) a certificate in good standing pursuant to §15-401 of the Common Carrier by Pipeline Law (“CCPL”), 220 ILCS 5/15-401, to operate and maintain an anhydrous ammonia pipeline in Illinois (the “Illinois Ammonia Pipeline”) as a common carrier pipeline; (2) if and to the extent a separate certificate is deemed necessary, a certificate in good standing for the construction, operation and maintenance of a lateral extension from the Illinois Ammonia Pipeline including delivery and storage facilities at a terminal to be constructed in Moultrie County, Illinois (the extension, which is more fully described in this Application, is referred to herein as the “Decatur Lateral” or “Decatur Lateral Pipeline;” the terminal, also more fully described herein, is referred to herein as the “Dalton City Terminal”) as a common carrier pipeline; (3) an order pursuant to §8-503 of the Public Utilities Act (“PUA”), 220 ILCS 5-8-503, authorizing NuStar to construct the Decatur Lateral extension (including the Dalton City Terminal) from the Illinois Ammonia Pipeline; and (4) an order pursuant to §8-509 of the PUA, 220 ILCS 5/8-509, authorizing NuStar to acquire easements and other land rights for the construction of the Decatur Lateral from the Illinois Ammonia Pipeline by the use of eminent domain if and as necessary.¹ As more fully described herein, NuStar submits that it is fit, willing and able to operate the Illinois Ammonia Pipeline and to undertake construction and operation of the Decatur Lateral and the Dalton City Terminal, that there is a public need for the service provided by the Illinois Ammonia Pipeline and the Decatur Lateral, including the Dalton City Terminal, and that the public convenience and necessity require

¹ NuStar has already acquired an option to purchase the land for the proposed site of the Dalton City Terminal.

issuance of the requested certificate(s).

2. NuStar is the owner and operator of an anhydrous ammonia pipeline that originates in Louisiana and traverses through Arkansas, Missouri, and Illinois into Indiana (the “Ammonia Pipeline System”). The Ammonia Pipeline System, including the Illinois Ammonia Pipeline segment, is depicted on **Attachment 1**, System Map. The Ammonia Pipeline System was originally constructed and placed into operation, by a previous owner, in 1969-1970 and has been in continuous operation since that time. The Ammonia Pipeline System transports anhydrous ammonia in interstate commerce as a common carrier pipeline and is regulated by the United States Surface Transportation Board (“STB”) pursuant to 15 U.S.C. §15301 et seq. To the best of NuStar’s knowledge after due inquiry, none of the previous owners of the Ammonia Pipeline System applied for and received a certificate in good standing or certificate of public convenience and necessity from this Commission; and in any event, if a certificate was obtained by a previous owner, the certificate was not transferred to NuStar, nor has the Commission had the opportunity to review NuStar’s fitness, willingness and ability to operate, maintain, and provide service on the Illinois Ammonia Pipeline. Due to its existing operations in Illinois and its plans to construct the Decatur Lateral extension, including the Dalton City Terminal, to the Illinois Ammonia Pipeline segment, as described herein, in response to shipper requests, NuStar has determined that it should obtain a certificate in good standing for the Illinois Ammonia Pipeline, including, if and to the extent the Commission deems a separate certificate necessary, a certificate in good standing specifically for the Decatur Lateral and the Dalton City Terminal.

3. The Decatur Lateral will be an approximately forty-four (44) mile, six (6) inch diameter pipeline for the transportation of anhydrous ammonia, originating at an interconnection point with the existing Illinois Ammonia Pipeline in Shelby County, traversing through Moultrie

County to a delivery point at the Dalton City Terminal near Dalton City in Moultrie County, and from that point continuing into Macon County to a delivery point at the Archer-Daniels-Midland (“ADM”) plant in Decatur. The proposed route of the Decatur Lateral and the proposed location of the Dalton City Terminal are depicted on **Attachment 2**, Decatur Lateral Project Map.² **Attachment 3** provides the legal description of the proposed route of the Decatur Lateral. **Attachment 3** also provides the legal description of the route of the existing Illinois Ammonia Pipeline segment of the NuStar Ammonia Pipeline System.

4. NuStar is also filing with the Commission the prepared direct testimony and accompanying exhibits of nine (9) witnesses in support of, and which should be considered as an integral part of, this Application.

5. NuStar requests that the persons shown below be placed on the official service list maintained by the Chief Clerk for this proceeding. Pursuant to 83 Illinois Administrative Code §200.1050, NuStar agrees to accept service by electronic means.

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² As shown on **Attachment 2** and described on **Attachment 3**, there are three alternate routes under consideration at the northern end of the proposed route of the Decatur Lateral., identified as the Alternate Route – South (Primary), Alternate Route – Middle, and Alternate Route – North. The preferred alternative at this time is the Alternate Route – South (Primary).

In support of its Application, NuStar states the following:

II. DESCRIPTION OF THE APPLICANT AND RELEVANT AFFILIATES

6. NuStar is a limited partnership organized and in good standing under the laws of the State of Delaware. **Attachment 4** to this Application is a copy of NuStar's certificate of formation from the Secretary of State of Delaware evidencing that NuStar is duly organized and in good standing in the State of Delaware. NuStar's headquarters is located at 19003 IH-10 West, San Antonio, Texas 78257.

7. NuStar is owned as follows: (a) NuStar Pipeline Partners L.P. owns a ninety-nine (99) percent limited partner interest; and NuStar Pipeline Company, LLC ("NuStar Pipeline Company") owns a one (1) percent general partner interest in NuStar. NuStar Pipeline Company is indirectly wholly owned by NuStar Energy L.P. ("NuStar Energy"), a master limited partnership, the common units of which are publicly traded on the New York Stock Exchange. **Attachment 5** to this Application is an organizational chart showing NuStar Energy, NuStar Pipeline Company, NuStar, and related affiliated companies.

8. NuStar is duly authorized to transact business in the State of Illinois. **Attachment 6** to this Application is a copy of the certificate of authority to transact business in the State of Illinois issued to NuStar by the Illinois Secretary of State. NuStar's registered agent with the Illinois Secretary of State is CT Corporation System, 208 South LaSalle St., Suite 814, Chicago, Illinois 60604.

9. NuStar Energy and its affiliates, including NuStar Pipeline Company and NuStar, comprise, in the aggregate, one of the largest pipeline operators in the United States. NuStar Energy and its affiliates own and/or operate approximately 8,700 miles of liquids pipelines in the United States and 79 terminal and storage facilities in the United States. The NuStar Energy

organization also has operations in Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, and the United Kingdom. NuStar operates its pipelines as distinct segments transporting different categories of products: crude oil, refined petroleum products, and specialty liquids (the latter segment including the Ammonia Pipeline System). Those segments are managed and referred to internally as the Central West System, the East Pipeline, the North Pipeline, and the Ammonia Pipeline System.

10. As of September 30, 2015, NuStar Energy had \$5.1 billion in assets and a market capitalization of approximately \$3.5 billion. NuStar Energy's projected revenues for calendar year 2015 are approximately \$2.3 billion. At September 30, 2015, NuStar, the Applicant herein, had assets of \$1.8 billion.

III. STATUTORY PROVISIONS

11. NuStar is applying for a certificate or certificates in good standing and other authorizations pursuant to §15-401 of the CCPL and §8-503 and §8-509 of the PUA. Section 15-201 of the CCPL (220 ILCS 5/15-201) defines "common carrier by pipeline" to include:

a person or corporation that owns, controls, operates, or manages, within this State, directly or indirectly, equipment, facilities, or other property, or a franchise, permit, license, or right, used or to be used in connection with the conveyance of gas or any liquid other than water for the general public in common carriage by pipeline

12. Sections 15-401 of the CCPL and 8-503 and 8-509 of the PUA state, in part:

Section 15-401(a):

No person shall operate as a common carrier by pipeline unless the person possesses a certificate in good standing authorizing it to operate as a common carrier by pipeline. No person shall begin or continue construction of a pipeline or other facility, other than the repair or replacement of an existing pipeline or facility, for use in operations as a common carrier by pipeline unless the person possesses a certificate in good standing. (220 ILCS 5/15-401(a)).

Section 15-401(b):

The Commission, after a hearing, shall grant an application for a certificate

authorizing operations as a common carrier by pipeline, in whole or in part, to the extent that it finds that the application was properly filed; a public need for the service exists; the applicant is fit, willing, and able to provide the service in compliance with this Act, Commission regulations, and orders; and the public convenience and necessity requires issuance of the certificate. (220 ILCS 5/15-401(b)).

Section 15-401(c):

An application filed pursuant to this Section may request either that the Commission review and approve a specific route for a pipeline, or that the Commission review and approve a project route width that identifies the areas in which the pipeline would be located, with such width ranging from the minimum width required for a pipeline right-of-way up to 500 feet in width. (220 ILCS 5/15-401(c)).

Section 15-401(d):

A common carrier by pipeline may request any other approvals as may be needed from the Commission for completion of the pipeline under Article VIII or any other Article or Section of this Act at the same time, and as part of the same application, as its request for a certificate of good standing under this Section. (220 ILCS 5/15-401(d)).

Section 8-503:

Whenever the Commission, after a hearing, shall find that additions, extensions, repairs or improvements to, or changes in, the existing plant, equipment, apparatus, facilities or other physical property of any public utility or of any 2 or more public utilities are necessary and ought reasonably to be made or that a new structure or structures is or are necessary and should be erected, to promote the security or convenience of its employees or the public or promote the development of an effectively competitive electricity market, or in any other way to secure adequate service or facilities, the Commission shall make and serve an order authorizing or directing that such additions, extensions, repairs, improvements or changes be made, or such structure or structures be erected at the location, in the manner and within the time specified in said order (220 ILCS 5/8-503).

Section 8-509:

When necessary for the construction of any alterations, additions, extensions or improvements ordered or authorized under Section 8-406.1, 8-503 or 12-218 of this Act, any public utility may enter upon, take or damage private property in the manner provided for by the law of eminent domain. (220 ILCS 5/8-509).

IV. THE NUSTAR AMMONIA PIPELINE SYSTEM AND THE ILLINOIS AMMONIA PIPELINE

13. The NuStar Ammonia Pipeline System is comprised of approximately 2,000 miles of four (4) inch, six (6) inch, eight (8) inch, and ten (10) inch diameter pipeline, and includes

approximately 31 pump stations spaced at approximately 60-mile intervals. The Ammonia Pipeline System has capacity to ship approximately 2 million tons per year of liquid anhydrous ammonia.³ In the United States, anhydrous ammonia is primarily produced in areas which also produce abundant supplies of natural gas, which is used in the production of ammonia. The Ammonia Pipeline System currently extends from several points of origin in Louisiana to approximately 24 destinations at which it delivers anhydrous ammonia to terminals located in Louisiana, Arkansas, Missouri, Illinois, Iowa, and Nebraska. There is also an injection point in Iowa. In addition, NuStar has entered into arrangements with producers to establish two new injection points, at Waggaman, Louisiana, and El Dorado, Arkansas, which are scheduled to go into service in 2016.

14. The Illinois Ammonia Pipeline segment of the Ammonia Pipeline System enters Illinois from Iowa, crossing the Mississippi River at Elsah in Jersey County, Illinois, and crosses Jersey, Madison, Macoupin, Montgomery, Shelby, Coles, Cumberland, Clark and Edgar Counties before entering Indiana. A separate 18-mile spur runs from Elsah to a delivery point at Wood River, Illinois. The Illinois Ammonia Pipeline currently has delivery points at Cowden in Shelby County, Trilla in Coles County, and Wood River in Madison County. The length of the Illinois Ammonia Pipeline is approximately 165 miles of four (4) inch, six (6) inch, and eight (8) inch diameter pipeline. Between January 1 – December 1, 2015, approximately 1.3 million tons of anhydrous ammonia were shipped on the Ammonia Pipeline System, and approximately 575,000 tons of anhydrous ammonia were shipped on the Illinois Ammonia Pipeline System, of which approximately 228,000 tons were delivered to the delivery points in Illinois.

³ Although anhydrous ammonia is shipped as a liquid, the quantities shipped and delivered are measured in tons, rather than in a volumetric measure such as barrels, gallons or cubic feet as is the case for pipelines transporting other liquids commodities.

15. The rates, applicable surcharges, and terms and conditions of transportation service on the NuStar Ammonia Pipeline System, including the Illinois Ammonia Pipeline segment, are set forth in NuStar's common carrier tariff that is regulated by the STB pursuant to 49 U.S.C. §15501 et seq.

V. THE DECATUR LATERAL PIPELINE AND THE DALTON CITY TERMINAL

16. The Decatur Lateral Pipeline will be comprised of approximately forty-four (44) miles of six (6) inch diameter pipeline for the transportation of liquid anhydrous ammonia, originating at an interconnection with the existing Illinois Ammonia Pipeline in Shelby County and terminating in Macon County, with two delivery points. The delivery points will be located at (i) the Dalton City Terminal near Dalton City in Moultrie County, and (ii) the ADM plant in Decatur, Macon County. **Attachment 2** to this Application depicts the proposed route of the Decatur Lateral including the proposed location of the Dalton City Terminal. **Attachment 3** provides the legal description of the proposed route of the Decatur Lateral. (**Attachment 3** also provides the legal description of the route of the existing Illinois Ammonia Pipeline.) Based on further results from its landowner contacts and surveying activities, NuStar may, during the course of this proceeding, if and as necessary, submit revisions to the proposed route of the Decatur Lateral for approval by the Commission. The Decatur Lateral will have an initial design capacity to transport approximately 250,000 tons of liquid anhydrous ammonia per year. Assuming the receipt of necessary regulatory approvals, acquisition of right-of-way, and no delays due to force majeure, construction of the Decatur Lateral is anticipated to commence in the third quarter of 2016, with an anticipated in-service date of late second quarter of 2017 in order to meet shippers' needs.

17. The Dalton City Terminal will be an approximate ten (10) acre secure (fenced-in with key card entry) terminal comprised of four (4) or five (5) 18,434 ton (2,000 barrels) bullet

tanks, one 2-bay truck loading rack, and an approximate 20 x 50 foot office. Shippers on the Ammonia Pipeline System will be able to designate the Dalton City Terminal as the delivery point for the shippers' shipments of anhydrous ammonia. Deliveries can be received by the shipper or by the shipper's customers. The Dalton City Terminal will be "equipment, facilities, or other property . . . used or to be used in connection with the conveyance of gas or any liquid other than water for the general public in common carriage by pipeline" (220 ILCS 5/15-201(a)); a "facility . . . for use in operations as a common carrier by pipeline" (220 ILCS 5/15-401(a)); and "a new structure or structures [that] is or are necessary and should be erected, to promote the security or convenience of . . . the public . . . or in any other way to secure adequate service or facilities" (220 ILCS 5/8-503). The Dalton City Terminal is therefore included in NuStar's request for a certificate in good standing and an order under §8-503 of the PUA authorizing construction of the Decatur Lateral.

18. The Decatur Lateral, as part of the Ammonia Pipeline System and the Illinois Ammonia Pipeline segment, will provide common carrier transportation service to shippers of anhydrous ammonia. All tariff rates, applicable surcharges, and terms of shipment for transportation of anhydrous ammonia on the Decatur Lateral, and for storage of deliveries at the Dalton City Terminal, will be, as are rates, charges and terms for shipments on the existing Ammonia Pipeline System and the Illinois Ammonia Pipeline segment, established and governed by NuStar's tariff regulated by the STB.

19. The proposed permanent easements along the right-of-way of the Decatur Lateral will have a width of thirty (30) feet. In addition, NuStar is seeking to acquire an additional thirty-five (35) feet of temporary workspace easements, which will revert to the landowner upon completion of construction activities. Additional temporary construction workspace easements

beyond the thirty-five (35) feet will be required in some locations to accommodate crossings of roads, wetlands, railways, waterbodies, and valve installations. NuStar is also requesting approval of a five-hundred (500) foot project route width (the “Project Width”) around the final approved centerline of the route of the Decatur Lateral, as allowed by §15-401(c) of the CCPL. The Project Width will be comprised of two hundred fifty (250) feet on either side of the approved route. The Project Width will allow for minor deviations of the route within that width to accommodate landowner concerns and other site-specific conditions that are encountered.

20. NuStar’s primary objectives in determining the proposed route of the Decatur Lateral are to traverse the shortest distance from the origin to the terminus (which, all other factors equal, will both minimize costs and minimize impacts to the built and natural environments) and to minimize the impact on residences, businesses, other structures, environmentally sensitive areas, public lands, and other areas and constraints which pipeline route development typically seeks to avoid or minimize impacts to.⁴

VI. PUBLIC NEED/PUBLIC CONVENIENCE AND NECESSITY

21. A public need exists for the common carrier transportation services provided and to be provided by the Illinois Ammonia Pipeline, including the Decatur Lateral and the Dalton City Terminal, as part of the NuStar Ammonia Pipeline. The public convenience and necessity requires the operation of the Illinois Ammonia Pipeline and the construction and operation of the Decatur Lateral and the Dalton City Terminal.

22. There is a strong demand for anhydrous ammonia in Illinois and nearby

⁴ A more detailed discussion of the development of the proposed route of the Decatur Lateral, including the siting of the Decatur Terminal, and the factors taken into account in the development of the route and siting of the Decatur Terminal, is provided in the direct testimony of NuStar witness Carin Hoch, NuStar Exhibit 5.0.

Midwestern states: (1) as a direct application fertilizer in agricultural operations, particularly for corn; (2) as an input to other fertilizers including urea, ammonium nitrate and UAN (urea ammonium nitrate); (3) as a feedstock in the production of industrial and agricultural products including explosives, acrylonitrile, amines, lysine, threonine, and Xanthan gum; and (4) in selective catalytic reduction and selective non-catalytic reduction equipment and processes to control NOx emissions from electric power generation facilities. Anhydrous ammonia is considered to be a high value input for these agricultural and industrial uses, particularly as a direct application fertilizer due to its high nitrogen content. Lysine, for which anhydrous ammonia is used as a feedstock, is an amino acid that is frequently added to animal feed as a dietary supplement.

23. Illinois is a significant consumer of anhydrous ammonia, primarily for agricultural uses. Illinois consumes approximately 725,000 tons of ammonia annually, and is the second largest consumers among the states.

24. Shippers on the NuStar Ammonia Pipeline System and the Illinois Ammonia Pipeline generally fall into three categories: (1) producers of anhydrous ammonia shipping the product to their customers; (2) marketers, wholesalers and distributors of anhydrous ammonia that have purchased the product from producers and are shipping the product to offtake points where their customers will take delivery or where the shippers will take delivery to deliver the product to their customers; and (3) end users of anhydrous ammonia that have purchased the product from a producer or distributor and arranged for their own shipping via the Ammonia Pipeline System. During the 12 months ended December 1, 2015, a total of six shippers utilized the NuStar Ammonia Pipeline System.

25. The Illinois Ammonia Pipeline is the only pipeline transporting anhydrous

ammonia for delivery in Illinois. In fact, there is only one other ammonia pipeline system in the United States, but that pipeline does not pass through or have delivery points in Illinois. Other means of transportation and delivery of anhydrous ammonia include railroad, trucks, and barge (where water transportation is available). However, pipeline transportation provides the safest, most reliable and cost effective means of shipping and delivering anhydrous ammonia.

26. The agricultural and industrial users of anhydrous ammonia operate in highly competitive markets for their products. Minimizing the delivered cost of inputs to their processes, including the delivered cost of anhydrous ammonia, is extremely important to these end users. Providing, and expanding the availability of, common carrier transportation service on the Illinois Ammonia Pipeline, including through construction and operation of the Decatur Lateral and the Dalton City Terminal, enables agricultural and industrial users of anhydrous ammonia in Central Illinois to obtain anhydrous ammonia at lower delivered costs.

27. The need for construction and operation of the Decatur Lateral and the Dalton City Terminal is driven by shipper demand. Specifically, ADM and Trammo Inc. (“Trammo”) are entering into long term transportation capacity agreements for transportation service on the Ammonia Pipeline System including the Decatur Lateral.

28. ADM will receive deliveries of anhydrous ammonia at the ADM delivery point on the Decatur Lateral at ADM’s plant in Decatur, Illinois. The ADM Decatur facility uses anhydrous ammonia in the production of lysine, threonine and Xanthan gum. ADM is one of Illinois’ largest employers and the ADM Decatur facility is a major economic engine in central Illinois. Delivery of anhydrous ammonia to the ADM Decatur facility will displace existing deliveries of this commodity to the ADM Decatur facility by rail, will reduce the amount of handling of anhydrous ammonia necessary at or near the ADM Decatur facility (*i.e.*, avoid the

need to unload anhydrous ammonia from rail cars into storage facilities at the ADM plant), and will provide ADM with a safer and more efficient, economical, and reliable means of receiving deliveries of anhydrous ammonia at its Decatur facility.

29. Trammo is a major distributor of anhydrous ammonia to agricultural and industrial users of this commodity in Central Illinois. Trammo, and its customers, will take deliveries of anhydrous ammonia at the Dalton City Terminal, either through direct deliveries into the recipients' vehicles, or for storage in the storage facilities at the Dalton City Terminal for later withdrawal. The ability for Trammo to receive deliveries of anhydrous ammonia at the Dalton City Terminal will eliminate or reduce the need for Trammo to transport anhydrous ammonia by truck from its existing Illinois delivery points at Niota, Illinois, on the Mississippi River, and at Meredosia, Illinois, on the Illinois River, to customer locations in the Decatur area and at other locations in Central Illinois.

30. Additionally, other shippers of anhydrous ammonia to Central Illinois, and their customers, will be able to ship their anhydrous ammonia via the Ammonia Pipeline System, the Illinois Ammonia Pipeline segment and the Decatur Lateral to the Dalton City Terminal, for delivery and receipt or for storage for later withdrawal. Common carrier transportation service on the Decatur Lateral will be available to all shippers on a non-discriminatory basis in accordance with NuStar's STB tariff, which will be amended to add rates, terms and conditions for transportation service on the Decatur Lateral.

VII. OPERATION OF THE ILLINOIS AMMONIA PIPELINE AND CONSTRUCTION AND OPERATION OF THE DECATUR LATERAL AND THE DALTON CITY TERMINAL

31. NuStar is fit, willing and able to operate the Illinois Ammonia Pipeline, including the Decatur Lateral and the Dalton City Terminal, to provide service as a common carrier pipeline in compliance with its STB tariff, the PUA and regulations and orders of the Commission.

NuStar has the managerial and technical capabilities, experience and expertise to operate the Illinois Ammonia Pipeline, including the Decatur Lateral and the Dalton City Terminal, in a safe and reliable manner, in compliance with all applicable Federal and State regulations. In addition, NuStar is capable of financing the construction of the Decatur Lateral and the Dalton City Terminal.

32. The NuStar Energy organization is a leader in the construction and the safe and environmentally sound operation of pipeline systems. All of the NuStar Energy organization's pipelines are built and maintained in accordance with all governmental requirements and industry codes and standards, and often exceed applicable requirements and standards. Recent pipeline installations by NuStar Energy or its affiliates include, among others, the Pawnee Construction Project, the Choke Canyon Loop Construction Project, the Corpus Christi Refinery Supply Construction Project, and the Fortier Lateral Reactivation Project.

A. The Pawnee Construction Project was an approximate twenty four (24) mile, twelve (12) inch diameter crude oil pipeline construction project for transporting crude oil and processed condensate from Pawnee, Texas, to Oakville, Texas. In addition to the pipeline construction, this project included a new 100,000 barrel storage facility with seven (7) truck offloading stations in Pawnee, Texas, and a connection to a third party pipeline facility in Pettus, Texas. The Pawnee project went into service on July 30, 2013.

B. The Choke Canyon Loop Construction Project was an approximate fifty three (53) mile, twelve (12) inch diameter crude oil pipeline project traversing through South Texas to a terminal in Oakville, Texas. Construction involved obtaining right-of-way from sixty four (64) parcels and avoiding approximately one hundred (100) marked and unmarked buried utility lines in the heart of the Eagle Ford crude oil area. There were over forty (40)

horizontal directional drills (“HDD”) and four (4) valves sites installed. It also included an expansion of the Oakville, Texas, Terminal, including construction of a total of 1,000,000 barrels of storage, four (4) truck offloading stations, and connectivity to four (4) incoming pipeline systems. This facility also supports an outbound pipeline with a 8,000 horse power pump station. The Choke Canyon Loop Project was placed into service on January 6, 2015.

C. The Corpus Christi Refinery Supply Construction Project was an approximately six (6) mile, twelve (12) inch diameter crude oil pipeline project supplying two refineries in Corpus Christi, Texas. Construction was confined to a highly congested corridor, consisted of 2.6 miles of HDD, and required a 3,950 foot directional drill under the Corpus Christi ship channel. This project was placed into service on October 1, 2015.

D. The Fortier Lateral Reactivation Project was the reactivation of an approximately sixteen (16) mile, twelve (12) inch diameter idle pipeline in Louisiana and placement into ammonia transportation service. The project entailed repairing the pipeline and installing a new pump and pig traps. The pipeline traverses through rural, residential, and industrial areas as well as bayous and wetlands. The reactivated pipeline was placed into service on April 30, 2015.

33. As are all NuStar pipelines, the Illinois Ammonia Pipeline is designed, and the Decatur Lateral will be designed, to withstand pressures over and above normal operating pressure. The Illinois Ammonia Pipeline is operated at 1,340 pounds psig. The Decatur Lateral will be designed and tested to qualify at or above federal regulatory requirements to operate at 1,480 pounds psig, with a 0.72 safety design factor for the mainline portions and a 0.5 safety design factor at road and waterbody crossings, but will typically be operated at or below 1,340 pounds psig.

34. The pipe material for the Decatur Lateral will be manufactured of high strength carbon steel which is appropriate for an ammonia pipeline, with a wall thickness of 0.219 inches for the majority of the pipeline route in non-sensitive areas and a wall thickness of up to 0.280 inches for more sensitive areas such as road crossings, and at waterbody crossings. The pipe wall thickness for the Lake Decatur crossing will be 0.432 inches. All new pipe will be inspected and integrity-tested at the factory to assure quality and adherence to standards. The new pipe will be coated at the factory with external fusion-bonded epoxy to protect against corrosion. Coating in the controlled environment of a pipe plant greatly enhances the efficacy of the process. The new pipe will be transported in accordance with applicable federal regulations and industry standards to the installation locations. The factory coating will be re-inspected in the field. Additionally, coating will be applied to all pipe welds. The Decatur Lateral will also have an impressed current cathodic protection system installed.

35. As part of the installation process, the entire length of the Decatur Lateral will be rigorously tested for integrity in accordance with all Federal and State regulations and industry standards. Testing will include checking coating integrity; examining by non-destructive testing 100 percent of field welds (well above the 10 percent required by Federal regulation); internally inspecting the entire length of the line by using an in-line inspection tool known as a caliper pig; and hydrostatically testing the pipeline. The line will go into service only after thorough inspection and review to verify compliance with all applicable Federal and State statutes and regulations and all project construction standards and requirements. After installation, and during operations, the Decatur Lateral will be subjected to careful inspection and testing to verify its integrity and compliance with all regulatory

standards.

36. The minimum installation depth of the Decatur Lateral on agricultural properties will be five (5) feet below grade, as NuStar anticipates will be specified in the Agricultural Impact Mitigation Agreement (“AIMA”) being developed between NuStar and the Illinois Department of Agriculture, unless the landowner gives consent to allow a four foot depth of cover. The Decatur Lateral will be installed at minimum depths of five (5) feet under roads and water bodies (and will be installed at a depth of approximately forty (40) feet below the lake bed when crossing Lake Decatur), and at greater depth where required for other specific conditions. These depths exceed the minimum depth of three (3) feet specified by the regulations of the United States Department of Transportation, Pipeline and Hazardous Material Safety Administration (“PHMSA”) as set forth in 49 C.F.R. Part 195. Additionally, NuStar will use diligence, good faith and commercially reasonable efforts to keep a separation of at least two (2) feet between the pipeline and existing infrastructure such as drainage tiles.

37. Except where a landowner requests otherwise, in the installation of the Decatur Lateral, NuStar and its contractors will use advanced installation and excavation, soil-separation, decompaction and restoration techniques to preserve soil productivity and profiles. To avoid soil mixing, for those portions of the work area where there is a chance of soil mixing, the top soil will be segregated, stripped and stored separately, and then will be replaced after installation of the pipeline is completed, as set forth in the AIMA or as requested by landowners. All disturbed areas will be restored as near as practicable to reflect pre-construction conditions and grades or otherwise mitigated.

38. All construction and installation activities for the Decatur Lateral on

agricultural properties will be carried out in accordance with the terms of the AIMA. The AIMA will provide comprehensive procedures to avoid, mitigate and, where necessary, remediate, impacts of the pipeline installation on soil productivity, erosion, soil compaction, drainage tiles, issues relating to access to landowners' properties for construction activities, and other issues of concern to landowners in agricultural areas.

39. The Decatur Lateral, consistent with the Ammonia Pipeline System, will be constructed to include line break operated block valves on each side of a major water crossing, specifically Lake Decatur and the Kaskaskia River. A line break operated valve is designed to automatically close the main pipeline valves when it detects a change in pressure and mitigate the amount of product released.

40. As are all NuStar terminal facilities, the Dalton City Terminal will be designed in accordance with legal requirements and to withstand pressures over and above normal operating pressure. Specifically, the Dalton City Terminal will be operated at 720 psig with a 0.72 safety design factor for the piping portions. These operating parameters meet or exceed federal regulatory requirements. The materials for the Dalton City Terminal will be manufactured of high strength carbon steel which is appropriate for ammonia piping and storage, with a wall thickness of 0.280 inches for the majority of the terminal piping. All new pipe, valves and storage tanks at the Dalton City Terminal will be inspected and integrity-tested at the factory to assure quality and adherence to standards. To the extent possible, the new pipe, valves and fittings will be coated at the factory with external fusion-bonded epoxy to protect against corrosion. Coating in the controlled environment of a plant greatly enhances the efficacy of the process. Any pipe, valves and fittings (including ammonia storage tanks) that cannot be coated at the factory will be coated on location based

on industry standards and legal requirements. The factory and field coatings will be re-inspected in the field. The new pipe, valves, fittings and storage bullets will be transported in accordance with applicable federal regulations and industry standards to the installation locations.

41. The installation of the Decatur Lateral will be subject to regulatory inspections by PHMSA for compliance with applicable PHMSA regulations. Inspections will also be conducted by NuStar's own construction inspectors, to include welding, coating, excavation and back-fill inspections. In addition, prior to start-up, NuStar will conduct a hydrostatic pressure test on the line and run an inspection pig to confirm the pipeline was not damaged during construction.

42. The engineering work for the pipeline portion of the Decatur Lateral will be performed by Egan, Field & Nowak, Inc., a civil engineering firm with over 10 years' experience in the energy services market, including the development of cross-county pipelines. NuStar intends to perform engineering work on the metering stations for the Decatur Lateral utilizing company personnel, but may retain outside engineering services to assist with civil design of the metering stations as required.

43. Installation contractors for the Decatur Lateral and the Dalton City Terminal have not yet been selected; however, NuStar will utilize only highly qualified and experienced contractors to perform the pipeline and facilities construction, installation and conversion work. Employing such contractors adds to the assurance that the Decatur Lateral and the Dalton City Terminal will meet and/or exceed all Federal, State, and industry standards. The construction and installation of the Decatur Lateral and the Dalton City Terminal will also meet all applicable Federal and State environmental protection statutes

and regulations.

44. NuStar's target in-service date for the Decatur Lateral and Dalton City Terminal is the end of the second quarter of 2017. This in-service date is driven primarily by the needs of the two shippers, ADM and Trammo, which intend to enter into transportation capacity and service contracts with NuStar for the Decatur Lateral. NuStar estimates that, upon obtaining necessary regulatory approvals and other permits and approvals, and obtaining all easements needed for the Decatur Lateral, construction, testing and commissioning of the Decatur Lateral and the Dalton City Terminal will require approximately seven months from the start of in-field construction activities.

45. Operation of the NuStar Ammonia Pipeline System, including the Illinois Ammonia Pipeline, is monitored and controlled, and operation of the Decatur Lateral will be controlled, from NuStar's Operations Control Center ("OCC") located in San Antonio, Texas. The OCC is staffed 24 hours per day, 7 days per week and 365 days per year.

46. NuStar utilizes advanced Supervisory Control and Data Acquisition ("SCADA") systems that constantly monitor sensing devices placed along the pipeline to track the pressure, temperature, density, and flow of liquid anhydrous ammonia under transport and display each movement's status to operators in the OCC. The OCC employs modern pipeline monitoring and control technology to safely operate the Ammonia Pipeline System. Information flow from the Ammonia Pipeline System facilities actively transporting anhydrous ammonia is monitored on a 24/7/365 basis by the OCC. Through these systems, NuStar's operators can maintain its pipelines within established operating parameters and can remotely shut down pump stations and isolate pipeline segments when they observe abnormal conditions or if safety parameters are exceeded. A subsystem of SCADA, known as the

Computational Pipeline Monitoring System, has the ability to analyze deviations in the flow of liquids through the pipelines, thus improving the operators' ability to identify leaks and other abnormal operating conditions. All of the foregoing monitoring and control facilities and technology will also be installed on and used to monitor and control the operations of the Decatur Lateral.

47. Written operations procedures are used to direct the OCC operators' actions in both normal and abnormal operations of the Ammonia Pipeline System to reduce the risk of a release. The OCC operators are trained to safely operate the entire Ammonia Pipeline System, including completing the required operator qualifications in accordance with NuStar policies and Subpart N in 49 CFR Part 192 and Subpart G in 49 CFR Part 195 (the "Operator Qualification Rule"). In addition to basic operations, the Operator Qualification Rule requires pipeline operators to be trained to recognize and react to abnormal operating conditions that may occur while performing specific tasks. In addition, as previously stated, the Decatur Lateral will be constructed to include line break operated block valves on each side of a major water crossing. Such systems and procedures are part of NuStar's extensive effort to maintain safe operations. Detailed maintenance programs, regular inspections, regular employee training, and comprehensive public awareness and education efforts also combine to minimize the risk of a release. All NuStar pipelines are marked with signage and warnings, per federal regulations, at road and highway crossings, navigable rivers, and other locations, to alert the public to the presence of underground lines and to provide information, contact numbers, and emergency data. Further, NuStar supports statewide underground utility damage prevention programs and utilizes the 811 One-Call System. All of the foregoing policies, procedures and practices, including the posting of signage and use

of the 811 One-Call System, will also be employed for the Decatur Lateral.

48. In addition to the remote control operations described in the preceding paragraphs, local automated control operations and manual overrides and operations are in place for the Ammonia Pipeline System, including the Illinois Ammonia Pipeline, and will be in place for the Decatur Lateral, to control or operate the pipeline should remote communications fail. Local area employees are also trained to meet the Operator Qualification Rule and to manually operate the components of the Ammonia Pipeline System in accordance with written procedures. Operating, maintenance and emergency response personnel are stationed along the route of the Ammonia Pipeline System, including in Illinois, and personnel will be stationed within readily accessible distances of the Decatur Lateral and the Dalton City Terminal.

49. Launchers and receivers are installed in the Ammonia Pipeline System, including the Illinois Ammonia Pipeline, and will be installed in and utilized for the Decatur Lateral to enable NuStar to run in-line inspection tools such as pigging devices. Aerial patrol inspections of the Ammonia Pipeline System are performed every two weeks (not less than 26 times per year). Other inspection and maintenance activities are performed on the equipment components of the Ammonia Pipeline System, including valve inspections, pump inspections, and pipe condition, as detailed within the NuStar pipeline operations and maintenance program. These inspection and maintenance policies, procedures and practices will also be employed for the Decatur Lateral.

50. NuStar Energy and its affiliates are capable of financing the construction of the Decatur Lateral and the Dalton City Terminal. The current total estimated construction and installation cost for the Decatur Lateral and the Dalton City Terminal is approximately \$55 – 60 million, comprised of approximately \$46 – 50 million for the Decatur Lateral and approximately

\$9 – 10 million for the Dalton City Terminal. The actual costs could be higher or lower depending on such factors as materials prices (in particular, steel prices) at the time of ordering and construction, the length of the final, approved route, soil conditions along the route impacting excavation costs, weather conditions and the season in which construction activities are being conducted, specific landowner concerns that need to be addressed, and the final sizing of storage and other facilities at the Dalton City Terminal. Construction of the new facilities will be financed using general corporate funds of NuStar Energy, NuStar’s parent company, and/or through the issuance of units (an ownership unit in a master limited partnership, similar to a stock) if necessary. As of September 30, 2015, NuStar had assets of \$1.8 billion, and NuStar Energy had \$5.1 billion in assets. NuStar Energy had a market capitalization of approximately \$3.5 billion and an enterprise value of approximately \$6.7 billion as of September 30, 2015. NuStar Energy has a \$1.5 billion credit facility in place with its bank group; borrowing availability under the facility at September 30, 2015 was approximately \$560 million. NuStar Energy’s total revenues for 2015 are projected to be approximately \$2.3 billion.

51. **Attachment 7** to this Application is a copy of NuStar Energy’s 10-K report for the 12 months ended December 31, 2014. **Attachment 8** is a copy of NuStar Energy’s 10-Q report for the 3 months ended September 30, 2015. Included in **Attachment 7** and **Attachment 8** are balance sheets and income statements for NuStar (see pages 98-108 of the 2014 10-K and pages 20-27 of the September 30, 2015 10-Q, respectively).

52. The current projected construction cost of the Decatur Lateral and the Dalton City Terminal of approximately \$55 - \$60 million is relatively small, and manageable, in relation to the assets and revenues of NuStar Energy. The projected construction cost is equal to approximately 1% of the assets of NuStar Energy and less than 3% of the estimated 2015

revenues of NuStar Energy.

VIII. CONSTRUCTION AUTHORITY FOR THE DECATUR LATERAL AND THE DALTON CITY TERMINAL AND EMINENT DOMAIN AUTHORITY FOR THE DECATUR LATERAL

53. For all the reasons discussed above in this Application, there is a public need for the construction, operation, and maintenance of the Decatur Lateral and the Dalton City Terminal (as well as for the operation and maintenance of the Illinois Ammonia Pipeline). Construction and operation of the Decatur Lateral will promote the security and convenience of the public and will secure adequate service and facilities, by providing additional safe, reliable, efficient and economical transportation and delivery of anhydrous ammonia for shippers and their customers to recipients in Central Illinois. For these reasons, an order under §8-503 of the PUA authorizing NuStar to construct, operate, and maintain the Decatur Lateral and the Dalton City Terminal should be issued.

54. Similarly, the Commission should issue an order under §8-509 of the PUA authorizing NuStar to acquire property rights for the Decatur Lateral through the law of eminent domain, if and when necessary, where NuStar is unable to acquire easements through voluntary agreements with landowners after efforts at good faith negotiations to acquire the easements.

55. NuStar has compiled, and is providing as **Attachment 9** to this Application, pursuant to 83 Illinois Administrative Code § 200.150(h), a list of the owners of record of land upon or across which NuStar may construct the Decatur Lateral. The landowners listed on **Attachment 9** are the owners of the land located within the Project Width around the proposed centerline of the route of the Decatur Lateral that is depicted on **Attachment 2** and described in **Attachment 3**. The list of landowners on **Attachment 9** was compiled from the records of the tax collector in each county within thirty (30) days preceding the filing of this

Application. **Attachment 9** also provides additional addresses for certain landowners where NuStar has reason to believe that the address shown on the tax collector's records is incorrect or inaccurate and NuStar has obtained an alternate address for the landowner; or where the landowner has advised NuStar that the landowner prefers to receive mail at a different address.

56. It is the policy and intention of NuStar to acquire the needed land rights for the Decatur Lateral through good-faith negotiations with landowners. NuStar has no desire or intention to condemn the permanent and temporary construction workspace easements and other interests in land it requires for the Decatur Lateral. NuStar would seek to acquire easements by eminent domain only when negotiations are refused by the landowner, or NuStar, after good faith efforts at negotiations, is unable to reach agreement with the landowner for an easement. However, it is important that NuStar be granted eminent domain authority in this proceeding so that NuStar knows it has the legal ability to acquire all required easements for the Decatur Lateral, either through voluntary agreements or through the exercise of eminent domain authority if necessary. Without such knowledge, NuStar cannot begin to construct the Decatur Lateral. In addition, if NuStar does not have eminent domain authority, the refusal of one or more landowners to enter into an easement agreement could necessitate that NuStar change the approved route of the Decatur Lateral, resulting in a route that is not the optimum route, impacts other landowners and uses that would not be impacted by the proposed route, increases costs, and delays completion and operation of a pipeline for which, the Commission has found by granting a certificate, there is a public need and which will promote the public convenience and necessity.

57. It is also NuStar's policy and practice (i) to offer landowners compensation for the full area of the easement requested based on the estimated market value of the property, and

(ii) to compensate landowners fully for any non-restorable incidental damages, such as loss of marketable trees, crop losses, and damage to landowner properties such as fences, incurred during and after construction of a pipeline. For the Decatur Lateral, NuStar is offering compensation for easements equal to 125% of the market value per acre of the landowner's property times the acreage of the permanent easement area, with the market value determined through a market study of properties in each county prepared by an independent appraisal firm. NuStar will also restore any area affected by construction to reflect its pre-existing status as commercially reasonable, as per, *e.g.*, the agricultural impact mitigation procedures agreed upon in the AIMA with the Illinois Department of Agriculture.

58. Prior to initiating contacts with landowners for the purpose of negotiating for acquisition of an easement, NuStar has mailed to each landowner the letter and attachment required by the Commission's regulation at 83 Illinois Administrative Code Part 300.30(a). NuStar is supplementing the information required by the Commission's regulation with materials of its own about the pipeline, pipeline construction, and other topics of importance to landowners.

59. NuStar's right-of-way agents are trained and tasked to negotiate fully and fairly with landowners, preferably via in-person contacts, as much and as often as necessary to reach an accord. NuStar has engaged in informational efforts and programs, such as mailings and meetings, to inform landowners and other interested persons, such as Farm Bureau members and local officials, of NuStar's plans to construct and operate the Decatur Lateral. In addition, NuStar has worked with the Illinois Farm Bureau in its efforts to conduct open house meetings with affected landowners to provide them with information about the Decatur Lateral.

60. In its negotiations with landowners for easements for the Decatur Lateral, NuStar

is employing written easement documentation that clearly defines the parties' respective rights and preserves to the landowner substantial control over and use of the land impressed with an easement. All offers to landowners are made in writing, with appropriate legal descriptions and property sketches identifying the extent and placement of the pipeline and/or temporary workspace easements on the landowner's property. NuStar endeavors to have several person-to-person contacts with each landowner to provide route information, secure survey consents, discuss concerns, and present offers for consideration. NuStar's representatives are trained and tasked to fully explain to each landowner the purpose of the Decatur Lateral project, the location of the easement on the landowner's property, the components and basis of the compensation offer, and the proposed written agreements; and to listen to the landowner's comments, questions and concerns, responding to them if possible or relaying them to appropriate other NuStar personnel where necessary for prompt response to the landowner.

61. NuStar is working energetically to acquire the easements needed for the Decatur Lateral through voluntary agreements with landowners. Informational mailings have been made to landowners and public officials and the requisite Commission information for landowners has been mailed to all landowners of tax record (and at additional landowner addresses where provided and requested), in accordance with 83 Illinois Administrative Code §300.30(a). Detailed discussions and negotiations with landowners for easements and other necessary interests began in August 2015. NuStar is currently entering into Option Agreements for Easement with landowners. Following receipt of the necessary approvals from this Commission and prior to commencement of construction activities on the landowner's property, NuStar will exercise the Option for Easement Agreement, enter into a Pipeline Easement Agreement with the landowner, and pay the full agreed compensation

(less the amount previously paid for the Option) for the easement to the landowner.

62. As of December 8, 2015, NuStar has entered into Options for Easement with the owners of 20 of the 150 parcels that are crossed by the current proposed route and Alternate Route – South (Primary) of the Decatur Lateral. NuStar has extended offers to the owners of 114 of the remaining 130 parcels. NuStar will provide updated information on its progress in contacting and negotiating with landowners and acquiring easements during the course of this proceeding.

63. Detailed civil, environmental, and archeological surveys along the proposed route of the Decatur Lateral have been and are being conducted; construction and material specifications are under development; and notice of this Application is being provided to pipelines, electric and gas utilities, railroads, telecommunications companies, counties, townships, municipalities and other governmental entities that will be crossed by or closely paralleled by, and/or may be impacted by construction activities on, the new pipeline, as well as State of Illinois departments and agencies, all as listed on **Attachment 10** to this Application.

IX. CONCLUSION

For the reasons stated in this Application, NuStar Pipeline Operating Partnership L.P. respectfully requests entry of an order:

- (1) granting NuStar a certificate in good standing pursuant to §15-401 of the Common Carrier by Pipeline Law authorizing NuStar to operate and maintain the Illinois Ammonia Pipeline (as described in this Application) as a common carrier pipeline for the transportation and delivery of anhydrous ammonia;
- (2) granting NuStar, if and to the extent a separate certificate in good standing

is deemed necessary, a certificate in good standing pursuant to §15-401 of the Common Carrier by Pipeline Law authorizing NuStar to construct, operate and maintain the Decatur Lateral and the Dalton City Terminal (as described in this Application), as a common carrier pipeline lateral and terminal for the transportation and delivery of anhydrous ammonia, along the route depicted in **Attachment 2** to this Application and described in **Attachment 3** to this Application (as such route may be updated during the course of this proceeding and as finally approved by the Commission), with such order to include authority for a five hundred (500) foot project route width around the centerline of the approved route, as permitted by §15-401(c) of the Common Carrier by Pipeline Law;

(3) authorizing NuStar, as authorized by §15-401(d) of the Common Carrier by Pipeline Law and pursuant to §8-503 of the Public Utilities Act, to construct and operate the Decatur Lateral and the Dalton City Terminal (as described in this Application) and related facilities in Shelby County, Moultrie County and Macon County, Illinois, along the route depicted in **Attachment 2** to this Application and described in **Attachment 3** (as such route may be updated during the course of this proceeding and as finally approved by the Commission);

(4) authorizing NuStar, as authorized by §15-401(d) of the Common Carrier by Pipeline Law and pursuant to §8-509 of the Public Utilities Act, to take and condemn, in the manner provided by the law of eminent domain, permanent easements and temporary construction workspace easements, along the route of the Decatur Lateral as depicted in **Attachment 2** to this Application and described in **Attachment 3** (as such route may be updated during the course of this proceeding and as finally approved by the Commission), where and to the extent that NuStar is unable to acquire such easements through voluntary

negotiations with landowners; and

(5) granting NuStar such other relief and authorizations as are necessary or incidental to the above-stated requests.

Respectfully submitted,

NuStar Pipeline Operating Partnership L.P.

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its general partner

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STATE OF TEXAS)
)
COUNTY OF BEXAR) SS.

VERIFICATION

Daniel Oliver, being first duly sworn on oath, states that he is the Senior Vice President of NuStar Pipeline Company, LLC, a Delaware limited liability company, the general partner of NuStar Pipeline Operating Partnership, L.P. ("NuStar"), a Delaware limited partnership, on behalf of the limited partnership, the Applicant herein; that he is authorized to make this verification on behalf of NuStar; that he has read the foregoing Application and is familiar with the matters set forth therein; and that the matters set forth in the Application are true and correct to the best of his knowledge, information and belief.



Daniel Oliver

Subscribed and sworn to before me
this 22 day of December, 2015



Notary Public

