

4.0 SOCIOECONOMIC CONSIDERATIONS

Minn. R. 7853.0250

Summary of Additional Considerations

Each application shall contain a section that discusses the socioeconomic considerations listed below. The applicant shall explain the relationship of the proposed facility to each of the following:

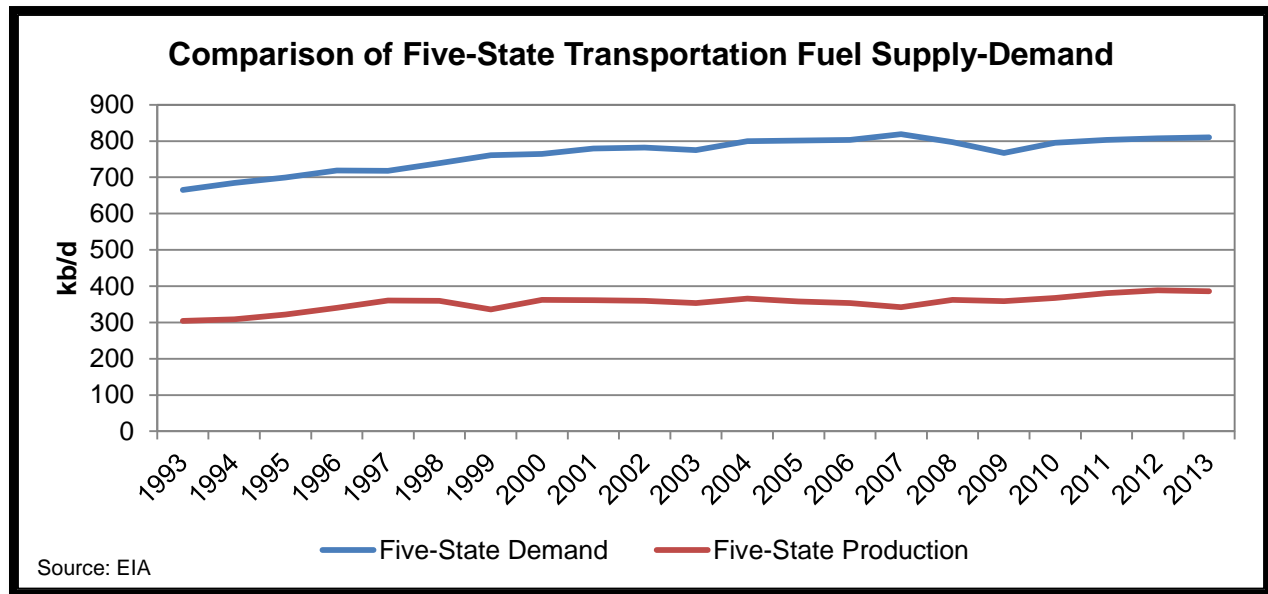
A. Socially Beneficial Uses of Crude Oil

Socially beneficial uses of the output of the facility, including its uses to protect or enhance environmental quality:

The Project will help to ensure the continued stable, reliable, and efficient delivery of North American crude oil to refineries in Minnesota, other Midwestern states, Eastern Canada, and the Gulf Coast. Those refineries will convert the crude oil into a variety of products for use in Minnesota and the surrounding regions, including gasoline, diesel, jet fuel, asphalt, and many other useful petroleum products. For instance, one barrel of crude oil (42 gallons), when refined, can produce about 19 gallons of gasoline and 10 gallons of diesel fuel, which can be used to harvest food and transport people and products. The remainder of that barrel can be made into some 6,000 other possible products, including medicines, medical supplies, prosthetics and implants, PVC pipe, laminated windshields, nylon airbags, polyester seatbelts, car seats, bicycle frames, airplane components, clothing, and eye glasses.

Refineries in Minnesota and neighboring states (North Dakota, South Dakota, Wisconsin, and Iowa) (Five State Area) do not produce all of the petroleum products consumed within their borders. In fact, since 1993, the refineries in this region produced just under 50 percent of the total transportation fuel used by citizens of Minnesota and the adjacent states. As shown in Figure 4.A-1, below, demand for refined products in Minnesota's immediate region significantly exceeds refinery production with the Five State Area.

Figure 4.A-1: Comparison of Five-State Transportation Fuel Supply-Demand¹



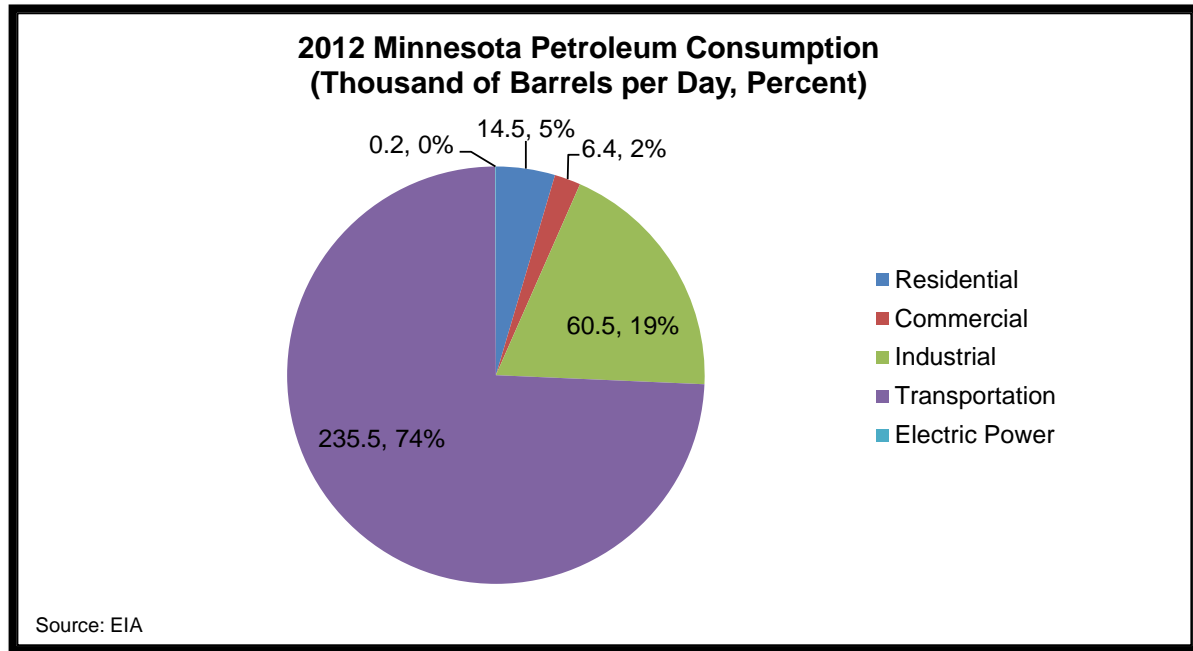
As a result, refineries located in other Midwestern states act as key suppliers to the Five State Area, and the security, adequacy, and reliability of crude oil supplies to these refineries has a direct bearing on meeting Minnesota's, and its neighboring states', overall energy needs.

Minnesotans consumed more than 317 kbpd of petroleum in 2012.² Figure 4.A-2 below shows the total petroleum consumption in Minnesota for the residential, commercial, industrial, transportation, and electric generation customer classes in 2012.

¹ Muse Report, p. 7 (Appendix C).

² *Energy Policy and Conservation Quadrennial Report*, Minnesota Department of Commerce, Division of Energy Resources, available at <http://mn.gov/commerce/energy/images/Energy-Quad-Report2012.pdf>.

Figure 4.A-2: Minnesota Petroleum Consumption by Customer Sector³



As a result, by providing access to abundant North American supply, the Project provides significant benefits to the Midwest, including Minnesota, by ensuring that the citizens of the Five State Area continue to realize the benefits of access to affordable energy and all of its byproducts that they use on a daily basis.

B. Promotional Activities

Promotional activities that may have given rise to the demand for the facility:

On January 27, 2015, the Commission issued an order granting Enbridge’s request for an exemption from Minnesota Rules 7853.0130(A)(3) and 7853.0250(B), which require an applicant to identify “promotional activities that may have given rise to the demand for the facility.”⁴

³ Muse Report, p. 12 (Appendix C).

⁴ See *In the Matter of the Application of Enbridge Energy, Limited Partnership for a Certificate of Need for the Line 3 Replacement Project in Minnesota from the North Dakota Border to the Wisconsin Border*, Docket No. PL-9/CN-14-916, Order Approving Notice Plan, Granting Variance Request, Approving Exemption Requests, and Approving and Adopting Orders for Protection and Separate Docket (Jan. 27, 2015).

C. Project's Effects on Future Development

The effects of the facility in inducing future development:

Increased Access to Western Canadian Crude Oil

As further discussed in Section 3.0, the Project will result in increased access to expanding Canadian crude oil production for refineries in the United States, specifically refineries in Minnesota, other PADD II states, Eastern Canada, and the Gulf Coast. Refiners require access to reliable and economical supplies of raw materials to remain competitive, undertake potential expansions of their facilities, and remain financially healthy. The refining industry is an important part of the regional economy:

- (1) providing stable employment and well-paying jobs in the communities where facilities are located;
- (2) providing significant local and state tax revenues; and
- (3) supplying the regional economy with needed petroleum products.

In addition, the refining industry has also undertaken sizable refinery expansions and upgrades in the Midwest, which has contributed to the regional economy via increased temporary and permanent employment along with ancillary spending on goods and services. Replacing Line 3 will play a role in keeping these regional refineries competitive.

Other Socioeconomic Benefits of the Project

Enbridge also anticipates that the Project will provide temporary beneficial impacts on the local economy during construction. Using Impact Analysis for Planning (IMPLAN)⁵ software, it is estimated that approximately 15,952 full time equivalent employees (FTE) of temporary construction jobs will be created for the duration of construction, or 5,317 FTEs per construction year.⁶ Depending on the availability of local skilled workers, the general pipeline contractor typically draws workers for projects of this type from Minnesota and surrounding states.

The total economic benefit of the Project is estimated at \$2.47 billion during construction. Unemployment in the area would be temporarily reduced and payroll taxes would temporarily rise. Local businesses would also benefit from the temporary demand for goods and services generated by the workforce's need for food, lodging and supplies. Enbridge expects to locally purchase some of the materials necessary for construction of the Project, including consumables, fuel, equipment, and miscellaneous construction-related materials. In addition,

⁵ See <http://implan.com/index.php>.

⁶ FTE Employment reflects part-time and full-time annual average jobs converted to full-time equivalent jobs and are reported for the entire 3 year construction period.

operation of the Project will likely require Enbridge to hire additional new full-time permanent employees.

Enbridge estimates that the cost of the Project will be approximately \$2.1 billion in Minnesota. Based on the anticipated Project cost and current tax schedules, Enbridge estimates it could pay as much as approximately \$19.56 million in additional annual property taxes in Minnesota beginning in 2018, the first full year of operation of Line 3, subject to assessments by local government units.

Table 4.C-1 summarizes the local economic benefits generated by this Project.

Table 4.C-1 Local Economic Benefits Generated from Project				
Component	Estimated Total Project Costs ^A	Estimated Tax Benefit ^A	No. of Temporary or Permanent Jobs Created	Total Economic Benefits ^A
During construction work of proposed facilities	\$1.2 B ^B	\$19.56 M	15,952 FTEs	\$2.47 B
^A M represents "million", B represents "billion". ^B The total Project Cost in the table is indicative of the Project related costs spent in the State of Minnesota reported in 2013 dollars. Total Project costs for the Project is \$2.1 billion. The difference identifies costs associated with the Project, but not spent in Minnesota.				