

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Application of)	
TransCanada Keystone Pipeline, L.P.)	
for route approval of the Keystone XL Pipeline)	Application No. OP-0003
Project pursuant to the Major Oil Pipeline)	
Siting Act.)	

**POST-HEARING BRIEF OF ASSOCIATION OF OIL PIPE LINES
AND AMERICAN PETROLEUM INSTITUTE**

As permitted by the “Order Granting Motions For Informal Intervention and Denying Motion to Strike,” issued in the above-captioned proceeding on July 26, 2017,¹ the Association of Oil Pipe Lines (“AOPL”) and the American Petroleum Institute (“API”) submit this Post-Hearing Brief on the application of TransCanada Keystone Pipeline, L.P. seeking approval of a route for the Keystone XL Pipeline Project (“KXL Project”). AOPL represents the interests of oil pipelines across North America, which safely, efficiently, and reliably deliver approximately 14.9 billion barrels of crude oil and petroleum products each year. AOPL strives to ensure that the public and all branches of government understand the benefits and advantages of transporting crude oil and petroleum products by pipeline as the safest, most reliable, and cost-effective method of serving energy consumption demand. Indeed, more than 99.999 percent of crude oil and petroleum products are delivered safely by pipeline. API represents all aspects of

¹ Order Granting Motions for Informal Intervention and Denying Motion to Strike, No. OP-0003 (July 26, 2017).

America's oil and natural gas industry. API's more than 650 corporate members come from all segments of the industry and include producers, refiners, suppliers, marine transporters, as well as service and supply companies that support all segments of the industry. API's membership also includes a number of companies that develop, construct and operate liquid petroleum pipelines as well as marketers and shippers that subscribe to these pipelines in order to move product to market.

Under section 023.07 of the Nebraska Public Service Commission's ("Commission") regulations promulgated pursuant to the Major Oil Pipeline Siting Act, Neb. Rev. Stat. § § 57-1401-57-1413, the Commission shall approve an application if the proposed route is determined to be in the public interest. Section 023.07 sets forth a series of considerations that the Commission is to evaluate in making the public interest determination. Under section 023.07D, the Commission considers "the economic and social impacts of the major oil pipeline." As discussed below, the record compiled herein, as well as the findings by the U.S. Department of State, make abundantly clear that the KXL Project will provide compelling social and economic benefits that will favorably impact Nebraskans, as well as the regional economies beyond Nebraska and the Nation's economy as a whole.

Economic and Social Impacts of the KXL Project

Pipelines bring significant economic and social benefits, as the KXL Project demonstrates. The KXL Project is to be a 36-inch diameter crude oil pipeline starting in Hardisty, Alberta, Canada, and extending to Steele City, Nebraska. The KXL Project will attract significant capital investment and job creation. Notably, the KXL Project will

support not only thousands of construction jobs, but also many thousands more manufacturing, professional, and service jobs. This, in turn, will generate significant state and local tax revenue and contribute substantially to economic growth in Nebraska and beyond.

KXL's economic benefits for Nebraska are clear. In its Final Supplemental Environmental Impact Statement, the U.S. Department of State highlighted three main types of economic activity that will result from the KXL Project: direct, indirect, and induced economic activity.² Direct economic activity includes construction of the project by firms awarded contracts for goods and services; indirect economic activity are those goods and services purchased by such construction contractors, such as concrete, fuel, and surveying; while induced economic activity is the spending of earnings received by employees working for construction contractors or their suppliers.³

The KXL Project will provide substantial economic benefits during construction and after, when it is operational. As described by the U.S. Department of State, while under construction, the KXL Project is estimated to provide over 42,000 U.S. jobs and \$2.1 billion in U.S. worker payroll.⁴ Of these, 3,900 jobs would be in construction, and as a total the KXL Project would contribute \$3.4 billion to the U.S. gross domestic product (GDP).⁵ The State Department estimated that the KXL Project will spur

²U.S. Dep't of State, Bureau of Oceans and International Environmental and Scientific Affairs, Final Supplemental Environmental Impact Statement for the Keystone XL Project, Executive Summary ES-19 (January 2014).

³*Id.*

⁴*Id.*

⁵*Id.*

construction contract purchases of \$3.1 billion, including \$1.53 billion in construction activity, \$750 million in materials purchases and \$860 million in supporting construction management, inspecting and engineering activities.⁶ Analysis of the KXL Project derived from economic modeling incorporating data from the U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics and the U.S. Census Bureau confirms the thousands of jobs and billions of dollars in payroll the KXL Project will generate.⁷

States along the construction route, particularly Nebraska, will benefit from the KXL Project, as will nearly every state in the Nation. During the construction phase, eight construction camps are estimated to generate the equivalent of one full year of property tax revenue for the seven counties where they would be located, totaling about \$4 million.⁸ Short-term revenues from sources such as sales and use taxes would total approximately \$66 million combined in the states that levy such a tax.⁹ Yields from fuel and other taxes would provide additional economic benefit to host counties and states.¹⁰

The State Department explained that, during the first full year of operations, the total estimated property tax would be about \$55.6 million spread across 27 counties in three states.¹¹ This impact to local property tax revenue receipts would be substantial for many counties, constituting a revenue impact of 10 percent or more in 17 of the 27 counties that the proposed pipeline would affect.¹² Moreover, the KXL Project will

⁶*Id.* at Volume 3: Chapter 4, 4.10-14, 15.

⁷*Id.* at 4.10-14.

⁸*Id.* at 4.10 – 5.

⁹*Id.*

¹⁰*Id.*

¹¹*Id.* at 4.10-9, Figure 4.10.1-4.

¹²*Id.* at 4.10-5.

provide significant social and economic benefits by improving energy security and supply for all Americans. Sourcing energy from a friendly, reliable neighbor, Canada, will help reduce reliance from energy sources outside North America and ensure greater price stability for consumers.

Oil pipelines, like the KXL Project, also “deliver a significant boost to manufacturers across the supply chain.”¹³ The KXL Project will benefit American manufacturers not only by creating jobs and giving them access to competitively priced oil for commercial and industrial use, but also by allowing them to utilize crude oil as an input for many manufactured goods such as petrochemicals, transportation fuels, and power operations.¹⁴ These manufacturers provide essential goods. Enabling them to do so with a secure supply of crude oil will help them ensure that they are meeting the public need for these goods in an efficient, cost-effective manner.

The economic and social benefits cited by the Department of State are consistent with the benefits shown in the application filed herein. In its application, TransCanada highlighted the socio-economic impacts of the Project, as studied by Dr. Ernie Goss, Professor of Economics at Creighton University.¹⁵ Dr. Goss’ estimate is that state and local tax revenue would exceed \$260 million during the period of construction and the first 15 years of operations, and increase demand for locally-supplied goods and services,

¹³Petition for Informal Intervention, Informal Intervenor Testimony of Ross Eisenberg On Behalf of The National Association of Manufacturers, OP-0003, 4 (July 21, 2017).

¹⁴*Id.* at page 3.

¹⁵Application of TransCanada Keystone Pipeline, L.P. For Route approval of the Keystone XL Pipeline Project Pursuant to the Major Oil Pipeline Siting Act, OP-0003, 58 (February 16, 2017).

which would be prevalent throughout local economies.¹⁶ For example, the amount of sales/output would reach over \$890 million during construction, and over \$1.236 billion during operations.¹⁷ Labor income during construction is estimated to achieve over \$326 million during construction and over \$415 million when the KXL Project is operational.¹⁸ State and local governments are expected to collect over \$43 million in the construction phase, and over \$221 million during operations.¹⁹ These estimates, like those of the U.S. Department of State, show the significant economic and social benefits of pipelines, and that the local economies in Nebraska and the surrounding region will greatly benefit from the KXL Project.

Conclusion

As the KXL Project demonstrates, oil pipelines bring significant economic and social benefits. The KXL Project will generate significant economic and social benefits for Nebraskans, and the regional and national economies beyond Nebraska. Approving the KXL Project will create jobs for Nebraskans, add to Nebraska's revenue base, and benefit consumers and our Nation as a whole by improving energy supply and security. Pipelines, like the KXL Project, are a safe, reliable, and cost-effective method of serving energy consumption demand. For the reasons explained herein and elsewhere in the record, the Commission should conclude that the economic and social impacts of the KXL Project support granting the application.

¹⁶*Id.*

¹⁷*Id.*

¹⁸*Id.*

¹⁹*Id.*

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Post-Hearing Brief was served by electronic mail, or by U.S. mail if an email address was not provided, on this 15th day of September, 2017, upon the following:

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