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**Another Pipeline is Being Built (NOT The Keystone XL), But The Challenges Are Familiar**

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| by John Pendleton  |   Wednesday, March 27, 2013 |

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Canadian pipeline transport giant Enbridge has hit a snag in its plans to build the Sandpiper Project, a 24-inch pipeline that would stretch 600 miles from Beaver Lodge, ND, to Superior, WI.

Beaver Lodge is the oldest oil field in North Dakota and Calumet Specialty Products Partners, L.P. in Superior is the leading refinery there, having purchased Murphy Oil Corporation (NYSE: MUR) in 2010.

Enbridge Inc. currently pipes in oil from Canadian tar sands region to Superior but wants to upgrade several pumping stations in Minnesota and Wisconsin to nearly double the amount of oil traveling through the existing pipeline and move more oil to Superior from North Dakota oil fields with the new pipeline.

The goal is to eventually have a capacity of nearly 880,000 barrels a day, which would be a major step forward towards American energy independence.

On Friday, the Federal Energy Regulatory Commission (FERC) rejected Enbridge's plan to recover the costs of the proposed $2.5 billion project from customers. The vote was 3-2, with the commissioners who supported Enbridge's arguments stating, "the order relies on a procedural side-step to avoid making any calls on the merits."

The issue at stake is the rate Enbridge would charge for transporting the oil to the refineries. The FERC is looking for a rate that is "fair, reasonable and in the public interest", while Enbridge needs to be able to recoup the massive cost of the pipeline.

The Commission denied the request without prejudice, meaning that Enbridge can re-apply, providing the data necessary to support the proposed rates on a cost-of-service basis and show that the company qualifies for market-based rates because it lacks market power in the markets that will be served.

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