

**Keystone Pipeline
South Dakota PUC
Liaison Annual Report
2011**

January 01, through December 31, 2011

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1. General Liaison Activity

Construction of the Keystone Pipeline in eastern South Dakota was completed in 2009. The following year, 2010, was dedicated to the completion of clean up, reclamation and operations tasks to bring the Keystone Pipeline into operation. Beginning January 1st, 2011 through December 31st, 2011 reclamation and clean up efforts continued in South Dakota. Clean up and reclamation of haul routes, pipe yards and the pipeline right-of-way (ROW), were primarily completed in 2010. However, many reclamation issues came into the liaison and land offices over the course of 2011. Keystone Pipeline operations also has offices in Brookings, SD and Omaha NE, that are available to assist landowners and stakeholders along the route as operation and maintenance activities are conducted along the line.

As anticipated, environmental conditions over the course of the project, affected the amount and timing of reclamation in 2011. Due to flooding and heavy precipitation events in 2010 and the beginning of 2011, reclamation was postponed in many locations. Dry conditions late in the season allowed for crews to access sites and for reclamation work to be effective. The majority of issues reported were isolated reclamation locations that were related to areas that were highly saturated during construction of the pipeline. There are several locations where reclamation efforts were halted due to environmental conditions in 2009, spot work was resumed as conditions allowed in 2010, however many areas had to be revisited in 2011. Some new issues were discovered as dryer environmental conditions allowed land to be returned to pre-construction condition and uses. There were also some locations that were reclaimed in 2009 and 2010, that required additional attention and touch up work in 2011. Issues reported to the liaison were sent to Keystone personnel and added to a reclamation tracking list to be addressed as work progressed.

Reclamation activities were hindered and delayed in many areas of the pipeline by flooding in the beginning of the year. However, the dryer conditions through the summer and fall allowed much of the remaining reclamation work to go well. In areas such as Marshall Co, where saturated conditions halted reclamation in 2009, work was resumed as soils dried through 2010. There were 8 tracts on the reclamation tracking list for 2011, these areas were addressed over the course of the year. There were also new locations identified, that were in need of reclamation as soils dried and fields were returned to cropland. There will again be multiple tracts with some return reclamation work scheduled for 2012. The rest of the ROW will continue to be monitored for weeds, grassland reestablishment and proper drainage, by the company as part of their on going monitoring program. As flood water recede, soil dry and crews are able to access areas that were too wet to do full reclamation, some new tracts will likely be identified into the next year that will require additional remediation. Although the speed of reclamation has been hindered by the saturated conditions during the project, the remaining reclamation is typical of post construction disturbance. The majority of issues reported this year were in locations where the precipitation was highest and will require some additional work. They have primarily been related to elevation contours across the ROW, with settlement at the trench line and ridges where the topsoil was striped at the edges of the ROW. In areas that had become highly saturated there was remnant construction debris and areas that showed some soil mixing. There were a few areas where full reclamation was needed, topsoil removal, de-compaction, re-contouring and topsoil replacement. In a few locations additional

topsoil was brought in to bring areas to grade or to augment soil that had been mixed. As expected there were some isolated areas where weed control and reseeded was required and conducted. The majority of the issues were typical of construction disturbance and are expected as the ground settles and is returned to its previous use. Keystone has committed to continue to address these areas as they are identified by aerial surveys, operations personnel or landowners and tenants.

Land agents have remained in the state throughout the year to work with landowners on access notifications during operations and reclamation activity. They also handled claims for damage compensation due to losses to crops, roads, etc., that may be caused during reclamation and operations activities. Keystone personnel and the liaison worked together to keep a current list of issues, to track the status of reclamation on each tract where problems are reported. These issues continue to be tracked as they are addressed. Issues are not removed from the reclamation log until they are cleared by the inspectors and landowners.

Roads and haul routes were not much of an issue during 2011, the majority of repairs and concerns were addressed in 2010. The evaluation of the half mile of roadway in Hutchinson Co. at the end of 2010, was completed in the first quarter of 2011 and repairs made over the summer. The weekly teleconferences were disbanded following the completion of the road tracking list and only three road issues were reported to the liaison in 2011. One concerning the cost of a half mile of gravel and the others localized to the crossings at minimum maintenance township roads that had been open cut and needed re-contouring. Of the three issues, one which was discovered in the fourth quarter is pending, the others were closed during 2011.

During 2011, reclamation of or compensation for, roads used during construction was completed. The majority of reclamation along the ROW in South Dakota was completed during the year. As reclamation work was conducted there were new areas that were identified in locations that had been wet until the third quarter of 2011. These areas will be re-address as environmental conditions allow in 2012. All open issues are being tracked by Keystone personnel, as well as, the liaison officer. Monitoring and isolated work will continue along the pipeline into the future, as needed. Keystone operations also has several employees in the state to maintain and operate the line and have personnel available if there are any concerns via 811 one call or the 800 numbers located on signs posted along the ROW. The liaison officer will also be available to landowners, tenants, agencies and interested parties until the end of 2012, to assist with any issues or questions that arise.

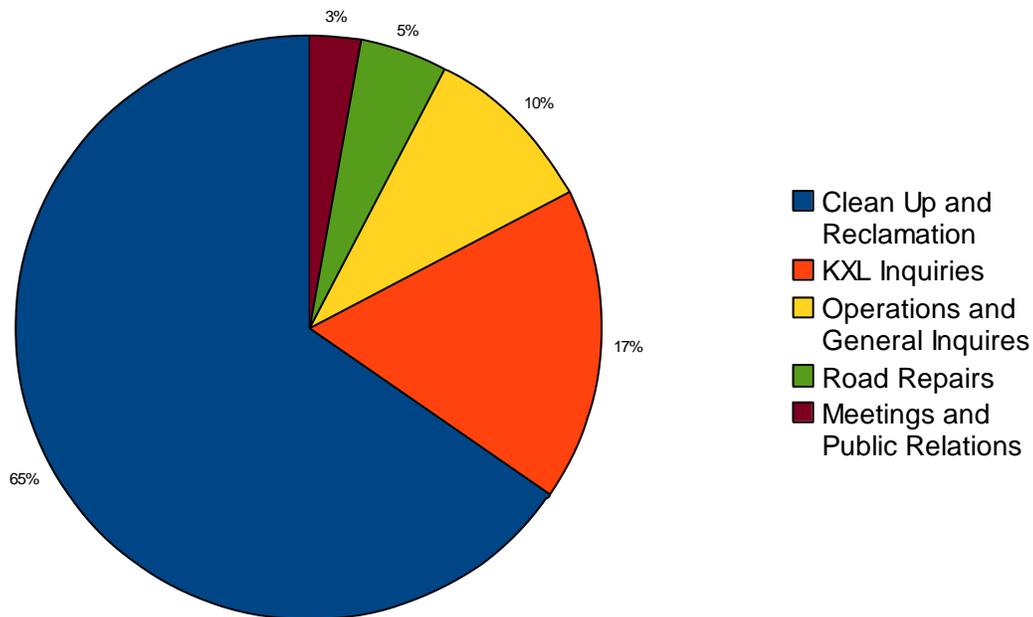
2. Issue Tracking

There were 1176 calls to the liaison office over the course of the year that related to the Keystone Pipeline. There were 47 meetings held, primarily with landowners, reclamation contractors, meetings with county and road groups were much fewer in 2011 than in previous years. There were no letters to the liaison officer this year and there were only 24 direct emails regarding pipeline issues. There were contacts made with 18 individual landowners, 6 tenants and 9 agencies. Again there were many contacts from other interested parties who had general project inquiries and were interested in background information regarding construction on the first Keystone line as it relates to the proposed Keystone KXL project. There were repeated

contacts with many landowner over the course of the year as reclamation plans developed and land settled along the line and brought new issues to Keystone's attention. Many of the inquiries were referred to Keystone land or operations departments and there was no need for a meeting with the liaison.

The types of issues encountered during the year of 2011 can be broken into the following five categories:

- a) Clean Up and Reclamation 65%
- b) KXL Inquires 17%
- c) Operations and General Inquires 10%
- d) Road Repairs 5%
- e) Meetings and Public Relations 3%



3. Clean Up and Reclamation

Clean up and reclamation along the Keystone line were again the primary reasons people contacted the liaison office in 2011. There were areas along the Keystone line, where clean up and reclamation work could not be completed, due to environmental conditions in 2009 and 2010. Keystone personnel continued to keep an active spreadsheet report to track open reclamation issues. This list was updated as issues were addressed and resolved, new issues were also added as Keystone personnel, landowners and tenants reported concerns along the route. Aerial surveys of the pipeline route were also conducted throughout the year as required and the company identified areas that required additional reclamation attention. The types of

reclamation issues encountered were typical of post construction land disturbance, contour adjustments, soil settlement at excavation sites, isolated pockets of colonizing weeds in disturbed soil and other issues. Again there were many issues related to the heavy precipitation events during construction and previous reclamation years that lead to highly saturated soils and standing water conditions. Several locations showed contour issues or settlement over the trench line along the ROW and at bore pits. Several locations in Marshall and Day Counties, that had been saturated since construction took place, were finally accessible to reclamation crews and work was begun to address problems in these areas. There were also areas where reseeding of grasslands was necessary, due to either low establishment from previous seeding or a poor species match compared with adjacent grassland habitat. In a few areas that were previously inaccessible full reclamation efforts were required. Topsoil was striped and soil was deep tilled to remove remnant debris from construction such as mud mats and skids that became submerged in soft soils. Tilling also aided in decompaction of high traffic areas and was necessary in many of these locations, where sub-soil ripping had not been fully completed in previous seasons due to the risk of increased compaction and soil mixing. Following these efforts topsoil was replaced, re-contoured, disked and planted back to match the previous land use.

Keystone representatives continued to meet with landowners and tenants to identify problems and compensate for losses due to the delay of reclamation. Again, scheduling of contractors and coordination with access to crop fields proved to be difficult and caused some delay in the reclamation efforts. Contractor and equipment availability, as well as, waiting for the proper environmental conditions were also factors in the reclamation progress. In many areas reclamation could not be conducted until late summer when soil moisture was finally low enough for effective reclamation to take place without risk of soil mixing or causing compaction issues.

Keystone still has land agents in the state to continue to meet with landowners and tenants to identify locations that require additional work and address any outstanding issues that might exist. They also have operations personnel in the state to conduct routine maintenance along the pipeline and its auxiliary features such as valve sites and pump stations. The operations personnel are also available to assist landowners and tenants with construction, farming or other activities in the vicinity of the line, they can be reached by calling 811 for a utility locate or the by the 800 number listed on all the Keystone pipeline marker signs along the route, for any other issues. Some minor reclamation issues have been handled by landowners and tenants directly in the course of their farming practices and Keystone has compensated them for any extraneous time and materials related to the pipeline. All landowners and tenants have been compensated for losses that occurred during construction and reclamation to date. Land agents as well as the Liaison, are still in state to monitor and address any issues that may become apparent in the third season post construction.

Reclamation issues are still being tracked on a spreadsheet maintained by TransCanada's Environmental and Land Departments. Issues are not removed from the list until they are signed off by land, environmental and construction inspectors, as well as, by the landowners.

Going into the construction season of 2011 there were 26 tracts in South Dakota, in need of some type of clean up or restoration work. Of these 26 tracts there were 22 landowners

involved. Again this number changed throughout the year as issues were discovered and resolved. Over the course of the summer and fall, reclamation crews reduced the number of open tracts down to 11 and the affected landowners to 6, the majority of them in Marshall and Day Co., where flooding was the most prevalent. Going into 2012, Keystone's reclamation crews along with the liaison conducted a survey of the entire line through South Dakota and discovered 31 additional tracts where some monitoring and/or reclamation efforts will need to take place. These issues were isolated locations that showed signs of settlement or other minor contour issues at the ROW transition. There were also several new areas identified where grass species planted on the ROW did not match the adjacent species composition. Several tracts on the reclamation list have had work completed but are in need of additional monitoring to insure that drainage, re-vegetation and weed control efforts were effective. There are only about 6 tracts that will require moderate to full reclamation work like decompaction, and topsoil replacement. Again the majority of these areas are in Marshall Co where environmental conditions were the harshest during construction.

Heavy October rains in 2009 lead to issues with the clean up efforts along the pipeline corridor in areas south of State Highway 10. Crews were unable to reclaim a portions of the ROW in this area due to saturated conditions in 2009 but were able to reclaim the majority of the area late in 2010 as the soils dried. Near the Crow Creek Drainage ditch the ROW was saturated through all of 2010 and the majority of 2011. Work was not started there until the fourth quarter of the year when freezing soils halted decompaction efforts. This area along with several others in the vicinity will be re-addressed as conditions allow in 2012. There are several other locations in the Marshall and Day Co., that were reclaimed previously but dryer conditions have revealed the need for additional reclamation and clean up efforts in 2012. Keystone will continue to monitor and address any issues that become apparent in 2012.

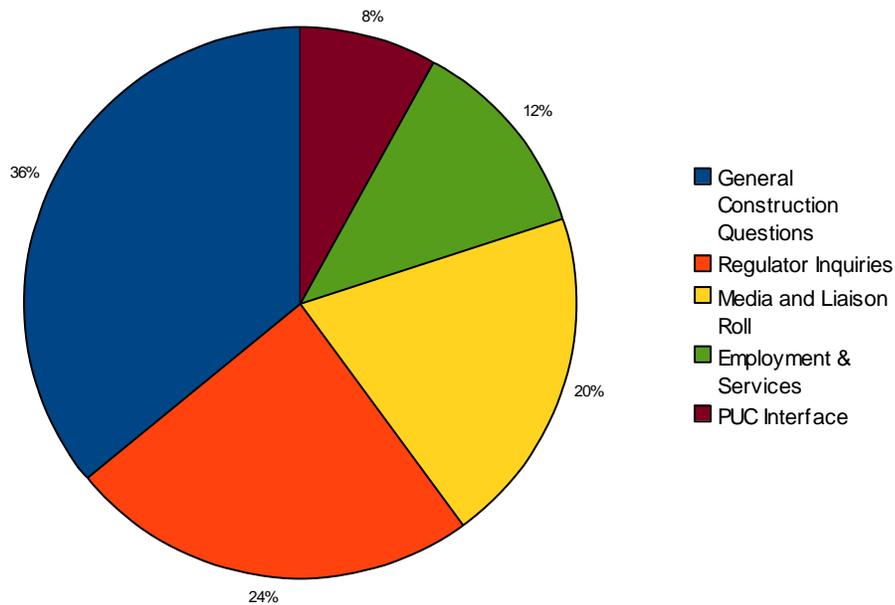
There were three areas where Keystone needed to bring in a crew to conduct decompaction and re-contouring work in 2010 these were addressed in 2011. One area required reseeding to better establish the native grassland and several areas received additional weed control efforts during the 2011 season. Several of the areas listed for additional monitoring are native grassland areas, it is anticipated that these locations will return to pre-construction conditions within the next several years, as some grass species are slower to establish. The liaison officer will be available to concerned parties though the end of 2012, which will conclude the three year period of post construction monitoring on the Keystone pipeline in South Dakota. TransCanada will continue to have operations personnel in the state and their Environmental and Land departments to monitor and address any future concerns that landowners might have along the ROW.

4. KXL Project

Construction of the proposed Keystone Phase IV Pipeline project (KXL) was anticipated to start in late 2011, however, delays in the permitting process have kept the project on hold. It is anticipated that construction will most likely begin in 2013 pending US Department of State approval of the project. The route includes approximately 311 miles of pipeline in South Dakota, crossing Harding, Butte, Perkins, Meade, Pennington, Haakon, Jones, Lyman, and Tripp Counties. In addition, facilities in South Dakota include seven pump stations to be located in Harding, Meade, Haakon, Jones, and Tripp Counties. Construction is planned to commence following the completion of the regulatory process anticipated to take place in 2013, construction is expected to be completed in 2014.

The South Dakota Public Utility Commission issued the Notice of Entry- Final Decision Order during the first quarter of the 2010. These construction conditions ordered Keystone to appoint a Liaison Officer for the KXL project. In 2010 the Commission approved Sarah Metcalf to be the Liaison Officer for the Keystone KXL Project. Over the course of the 2011 year there were approximately 189 contacts made to the liaison office regarding the KXL project composed of only five landowners and no tenants, the majority of contacts were with County and township commissions, boards and road administrators, as well as, other various interested parties. The number of contacts were highest in the beginning of the year, tapered off in the 2nd and 3rd quarters and began to increase again toward the end of the year. Contacts and inquiries often coincided with news reports and political activity related to the project and the permitting process. The majority of contacts were seeking general information on the project related to employment, offering services to the project and its contractors, as well as, checking on the status of permitting and the anticipated construction schedule. Many of the calls and emails were referred to KXL personnel working on project details and/or the TransCanada- KXL project website. The majority of concerns directed to the liaison office were related to construction and haul route agreements on public and private roads. Construction inquires also related to survey efforts along the ROW to identify locations for private haul routes. Surveys also identified areas of heightened environmental concerns such as creek crossings and locations with erosion concerns.

Public haul routes are a primary concern with individuals, counties and townships along the pipeline route and haul routes will be closely monitored when construction takes place. Keystone representatives, as well as, the liaison have been and will continue to, meet with counties and townships affected by the project. To keep them advised of the permit process, clarify procedures and reach agreements on haul routes, mediation plans, road crossing permits and other issues that could affect communities along the route once construction proceeds.



There were more media calls and inquires looking for information on permitting and project status this year. There were also inquires regarding reclamation and construction on the first Keystone pipeline in South Dakota, as it related to the proposed project. Media inquiries were often related to political action regarding the project and were often referred to TransCanada spokespersons. The liaison continued to attend informational meetings in the state however, there were only four formal meetings in 2011 that the liaison attended related to Keystone KXL. The number reduced as county groups and other interested parties wait for the out come of the final permitting process for the project. The liaison met individually with several county representatives along the KXL route, and there were several small informal meetings with county and township groups interested in road settlements on the first Keystone line. Again many calls came in from South Dakota residence voicing support for the project and inquiring about how to best show their support, there were only a few calls voicing dissent and they primarily sought information on the previous Keystone project. Several call were from parties interested in information on the economic boost seen during and following the construction of the Keystone Pipeline, for the state and local communities. They were also looking for projections of the potential economic boost from the proposed line. In addition there were a few calls seeking information about the liaison role and duties and how such a role would be implemented in other affected states, such as, Nebraska and Montana.

No formal complaints came through the PUC to the liaison this year. However, there were several contacts made to the PUC by the liaison, regarding the schedule of aerial surveys and to clarify conditions in the Notice of Entry Order. These contacts were part of Keystones effort to comply with all regulations of South Dakota and to minimize disturbance to residents along the route during the survey and construction process. One group contacted the liaison related to the easement acquisition process and had concerns with construction procedures at creek crossings as well as with reclamation procedures. Two private parties contacted the liaison regarding haul routes and land surveys conducted over the summer. The liaison met with landowners, business

owners, agencies and others groups regarding concerns and worked with Keystone to help resolve concerns. At end of 2010 three landowners had contacted the liaison about easement concerns, all of these issues have been resolved in 2011. Notifications of flyover activities were given through the Keystone land department and there were no complaints in 2011 to the liaison regarding aerial flights and surveys. Two parties contacted the liaison concerned with potential private access road agreements, which are still preliminary and the liaison officer will continue to monitor as permitting is completed and construction plans are finalized. Going into 2012, there were no major issues outstanding in South Dakota, on the KXL project. The liaison office anticipates that contacts from landowners and agencies will increase when the permitting process is finalized and construction activity commences.

The Pipeline Liaison is currently available to assist all interested parties. Following US-DOS approval of the project the liaison will be available throughout construction of the KXL Pipeline to landowners and other affected parties for a period of three years post-construction. The liaison can assist landowners, tenants, agencies and other interested parties with any questions, concerns or issues that might arise during or after project. Formal quarterly reporting on this project will begin when construction activities commence, which is currently anticipated to begin in 2013, pending final approval of the project.

5. Operations and General Project Inquiries

General inquiries regarding the Keystone Pipeline, over the course of the year consisted mostly of calls regarding the operation and capacity of the pipeline system. There were many calls directed to operational personnel, related to line locates and landowner activities that required Keystone supervision in the vicinity of the pipeline. There were also some calls related to media reports and legislative actions in South Dakota which triggered people to call and voice their support of or concerns about the proposed project and existing line. There were quite a few media calls related to both Keystone lines that were referred to TransCanada officials to be addressed. Many other inquiries were directed to the TransCanada website related to employment opportunities or vendor inquiries. Keystone's Operations Office in Brookings SD, remains available to assist landowners, tenants and other affected parties with concerns or activities related to the operation of the Keystone line. All landowner and tenant requests for damage compensation related to construction or reclamation activities or easement inquiries were referred to the land agents who are still in South Dakota to assist affected parties and notify landowners of Keystone maintenance and reclamation activity on their land.

6. Road Repair and Agency Communication

Roads were a major issue throughout the construction of the Keystone line. Due to the heavy precipitation that affected the project during and after construction, many roads had to be reclaimed following construction of the line. At the end of 2010 repairs and cost estimates on all haul route damages had been settled with road groups in South Dakota, with the exception of one half mile section of township road in Hutchinson Co., SD, which was still under review by Keystone's engineering firm. This stretch of road was examined by engineers and repair costs

were agreed upon in the first quarter of 2011.

Keystone concluded its weekly road meetings following the completion of the final haul route assessment in Hutchinson CO. Keystone remained committed to working with road districts and although there were only a few issues reported in 2011 regarding roads, they were quickly addressed. The liaison office received four road issue reports over the course of the year. Two concerning open cut crossings of minimum maintenance township roads that had some settlement and were in need of gravel to bring the crossing up to grade, one is pending repair and will be addressed with reclamation efforts in 2012. Two other issues reported consist of, providing gravel for one half mile of township road in Dayton Co at the ROW crossing, that was not previously claimed and an area of subsidence in a road ditch near a road crossing in McCook Co., which Keystone compensated the county to fill and grade. Keystone will continue to monitor road crossings, bore pits and open-cut road crossings that could show settlement in the future but to date, all public roadways and haul routes have been addressed and repaired. There is just the one open road issues that the liaison office is aware of going into 2012, which will be address with reclamation efforts.

Below is a table that summarizes the road districts along the Keystone route that made claims for road damage and the release of damages dates for each. There are several that show multiple release dates, these indicate locations where damages may have become apparent after the initial investigation or where reclamation/additional work may have created a new repair locations. Not all counties and townships along the route requested funding or repairs to haul routes, this list includes only those that made claims to Keystone for haul route repairs.

South Dakota Haul Route Agreement Release			
Road District	2009 Release Date	2010 Release Date	2011 Release Date
Marshall Co. SD	-	05/12/10	-
Newport Twp, Marshall Co	08/11/09	10/12/10	-
Dayton Twp, Marshall Co.	-	-	12/06/11
Stena Twp, Marshall Co.	07/30/09	09/29/10	-
Weston Twp, Marshall Co.	-	04/11/10	-
Lowell Twp, Marshall Co.	11/09/09	09/29/10	-
Brown Co. SD	09/04/09	-	-
Bates Township, Brown Co.	-	04/11/10	-
Day Co, SD	06/17/09 08/11/09 12/02/09	-	-
Farlington Twp, Day Co.	08/14/09	-	-
Andover Twp, Day Co. (North and South)	07/30/09	-	-
Oak Gulch Twp Day Co.	11/09/09	-	-

Clark Co. SD	11/16/09	05/04/10	-
Fordham Twp, Clark Co.	11/16/09	-	-
Raymond Twp, Clark Co.	10/20/09	03/08/10	-
Richland Twp, Clark Co.	-	03/04/10	-
Logan Twp, Clark Co.	-	01/25/10	-
Warren Twp Clark Co.	10/06/09	-	-
Beadle Co. SD	09/23/09 10/30/09 11/20/09	-	-
Beadle Co. Township Roads.	11/20/09	-	-
Spink Co. SD	06/23/09 12/03/09	-	-
Olean Twp. Spink Co.	10/08/09	-	-
Kingsbury Co. SD	-	-	-
Iroquois Twp., Kingsbury Co.	--	01/25/10	-
Esmond Twp., Kingsbury Co.	-	04/09/10	-
Miner Co. SD	12/03/09	-	-
Roswell Twp, Miner Co	11/02/09	-	-
Green Valley Twp, Miner Co.	11/09/09	-	-
Rock Creek Twp, Miner	-	06/09/10	-
Hanson Co. SD	12/03/09	-	-
Edgerton Twp, Hanson Co.	12/03/09	-	-
Pleasant Twp Hanson Co.	-	01/25/10	-
Spring Lake Twp., Hanson Co.	12/03/09	-	-
McCook Co., SD	-	10/13/10	New Issue Q3-2011 Payment 01/05/12
Bridgewater Twp., McCook Co.	-	07/26/10	-
Jefferson Twp., McCook Co.	-	05/17/10	-
Hutchinson Co. SD	12/17/09	12/03/10	-
Valley Twp, Hutchinson Co.	11/09/09	½ mile pending study	02/14/11
Pleasant Twp, Hutchinson Co.	12/21/09	-	-
Wolf Creek Twp, Hutchinson Co	-	01/25/10	-
Grandview Twp, Hutchinson Co.	-	05/05/10	-
Yankton Co. SD	-	-	-
Mission Hill North Twp., Yankton Co.	-	05/17/10	-

7. Public Relations and Media

There were no formal media activities with the liaison office during the year, the majority of media inquiries were related to the KXL project and were referred to TransCanada for response. However, there were several contacts to the liaison from reporters, who had inquires related to the annual reports on the Keystone line or regarding the role of the PUC Liaison Officer. Keystone continued to share information with the public and emergency responders in the vicinity of the pipeline to bring more awareness to the “811” One Call program, the location of their direct 800 number signs along the route, as well as, to get concerned parties in direct contact with Keystone operations if an issue is suspected. The liaison also attended County commissioners workshops and meetings to exchange information with county groups affected by both of the Keystone pipelines. Overall, the media and public interest regarding the Keystone pipeline system has shifted from the Keystone line in operation to the permitting process on the proposed route.

8. Open Issues

All open issues along the Keystone Pipeline, going into 2012, are related to reclamation efforts. Primarily in areas that have experienced extreme weather conditions during the course of the project. Many of the open issues from 2010 have been addressed, however, as disturbed soils settle and land is returned to it original uses, additional areas have been and will be identified that are in need of further reclamation.

Remaining reclamation issues at the end of 2011 are as follows:

- a) In Marshall Co. there are three tracts where low spots were holding water throughout 2010, crews were unable to access them until the fourth quarter of 2011. These areas need to be ripped or deep tilled, in-order to decompact the soils and remove any remaining construction debris and compaction resulting from, soils that have been saturated and compacted under construction and hydraulic pressure for sometime. These locations will also require disc-work to smooth and restore the original elevations. Soil will be hauled into locations where elevations can not be restored through decompaction and disk work. Soil brought in is inspected to insure that it is of acceptable quality and composition, so it will not be a source of further reclamation issues into the future. Once the preexisting elevation is restored the area will be reseeded to match previous conditions and the area will be monitored for weeds, re-vegetation and proper drainage.
- b) In Beadle Co there was one tract outstanding at the beginning of 2011. The tract was monitored to insure that drainage had been restored to the field and decompaction was adequate. Inspectors, for both construction and environmental crews, have approved the reclamation at this site. The landowner has further concerns so Keystone continued to monitor the area, however the landowner denied the company access in 2011, so no elevations were measured and no reclamation work took place in 2011; the area will

continue to be monitored.

- c) There were three tracts awaiting decompaction and re-contouring in the end of 2010. Heavy saturation of soils and scheduling difficulties made it difficult to fully address these areas during the 2010 season. The majority of these tracts were addressed in 2011, with full reclamation, that included topsoil striping, decompaction, topsoil replacement and reseeding of native grassland. Some existing, as well as new locations, will require similar efforts in 2012 and reclaimed tracts will continue to be monitored for drainage, weed control and re-vegetation success in 2012.
- d) A survey of the ROW corridor began in the December, 2011 and revealed a total of 32 additional tracts including the minimum maintenance township road, that are in need of minor reclamation efforts. The issues noted consisted of contours along ROW, subsoil mixing, areas of minor subsidence over excavations and grassland establishment or grass species composition. These locations have been added to the reclamation tracking list and will be addressed during the 2012 season. Other areas reclaimed in previous years will continue to be monitored during the 2012 season to check for erosion, proper drainage, weed control and to watch the progress of native grassland regeneration, among other issues of concern.

All reclamation will recommence in the spring of 2012 as conditions allow. Monitoring of the ROW by Keystone personnel will be ongoing and any additional reclamation not on this report, which may become apparent as land is utilized for its pre-construction uses, will be addressed as it is noted by operations staff or reported to Keystone by landowners.

9. Summary

Over the course of 2011 TransCanada and Keystone personnel have worked to complete reclamation of the pipeline corridor. The majority of work has been completed, however there are locations throughout the state that will require additional reclamation assessment and work in 2012. Extreme weather events that affected the construction of the line left areas of the ROW saturated and inaccessible to reclamation crews since the construction of the line. Toward the end of 2011 dry conditions finally came to the state and many of the inaccessible areas dried to the point where crews could finally access them, assess the work to be done and begin to restore these locations. Frost conditions in the soil halted reclamation efforts late in the year and several areas remain to be restored in 2012. Provided that conditions remain dry, reclamation crews should be able to address all of these areas in 2012.

Roads and haul routes used by the company have been addressed and any damages have been repaired or the affected entity compensated for the cost and labor associated with the repairs. Damage compensation has been paid to all landowners, tenants and affected parties, however land agents remain in the state to work with landowners as operations and reclamation activities are conducted in the state. Agents also notify affected parties of activities and will handle any damages that might occur in the course of pipeline activities.

Construction of the Keystone pipeline is completed, the majority of reclamation has taken place

and the line is in operation. TransCanada remains committed to working with landowners and stakeholders along the route into the future. The liaison officer will continue to be available to share information and address any issues that may arise over the next year. At the end of 2012 the duration of monitoring by the liaison officer for the PUC will be completed for Keystone Ph1. The permitting process for Keystone Ph4 KXL is on going, Keystone will continue to work with regulatory agencies at the state and federal level to get an approved route. Upon approval the public Liaison will be available to landowners, tenants, agencies and other interested parties throughout construction and for a period of three years post construction.