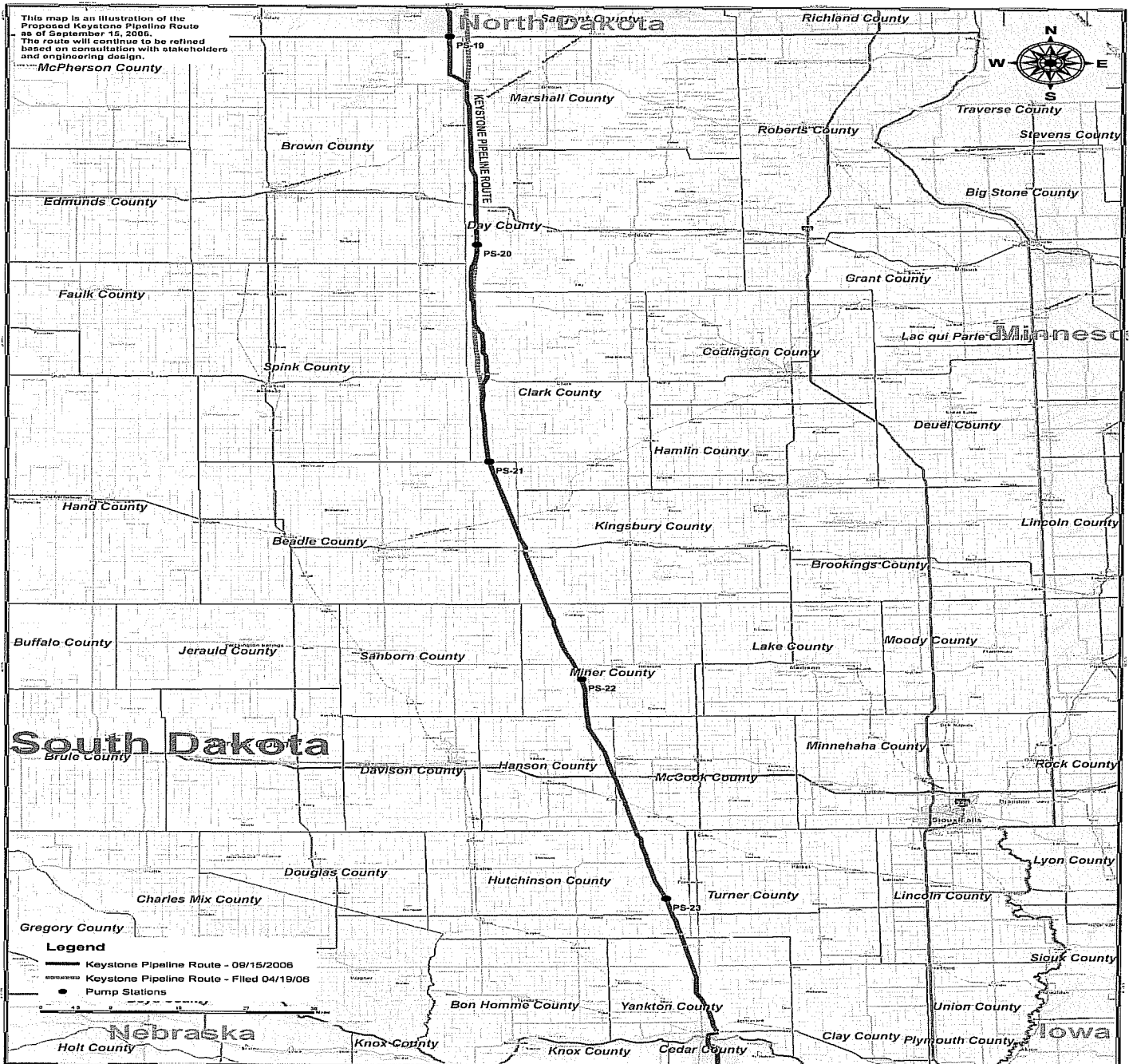
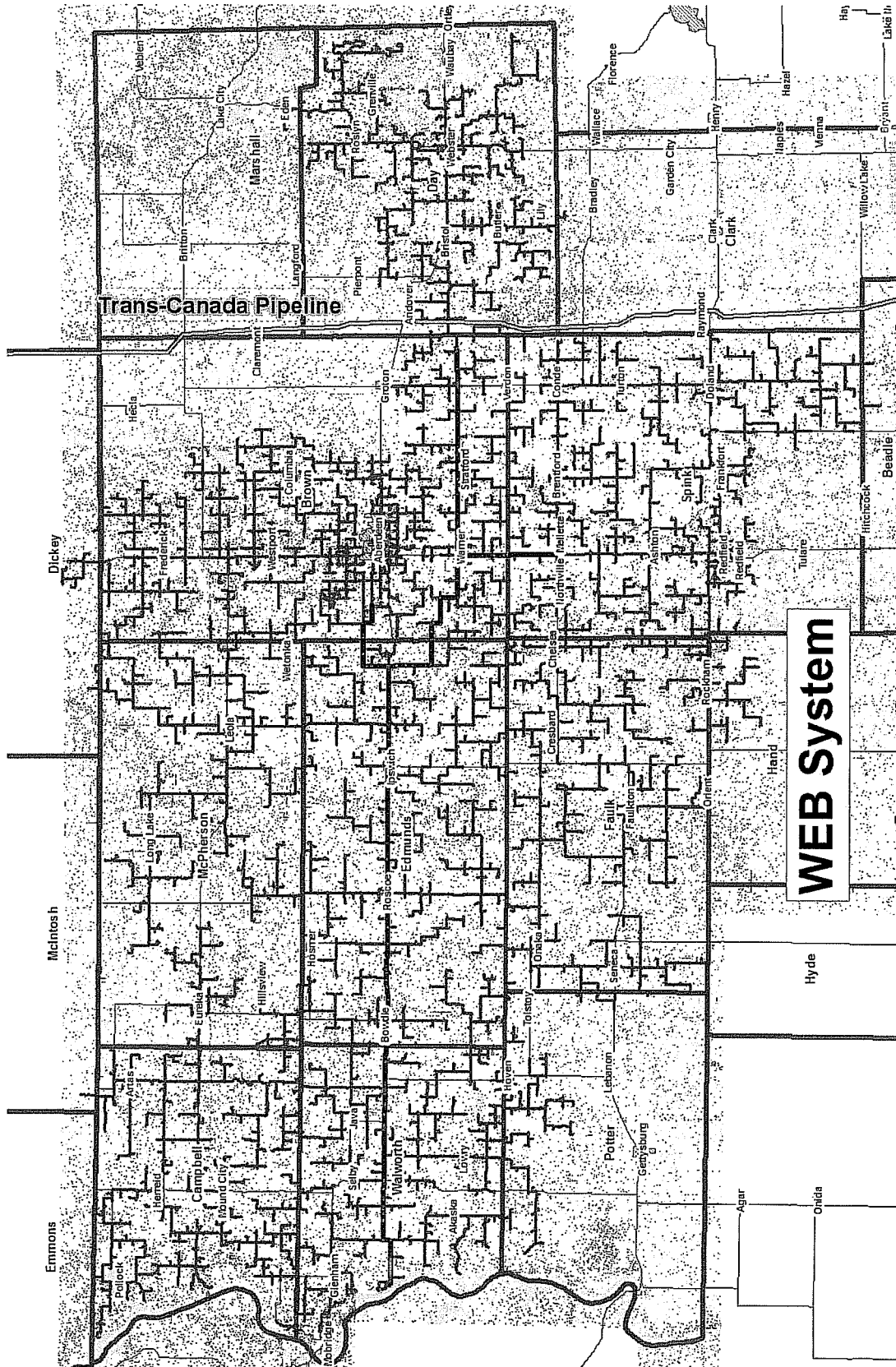


Testimony Presented By
Curt Hohn
Aberdeen, SD
To The
South Dakota Public Utilities Commission
HP 07-001
TransCanada – Keystone Crude Oil Pipeline

Chairman Johnson and members of the South Dakota Public Utilities Commission. My name is Curt Hohn. I reside at 822 South Washington, Aberdeen, South Dakota 57401. I'm employed as the General Manager of the WEB Water Development Association, a rural water system with offices in Aberdeen, SD providing water service to towns, farms, homes and business in a 17 county area. WEB is opposed to the current proposed pipeline plan and route shown below on the map below.



WEB provides potable water service to 8,000 farms and rural homes, 104 towns and bulk users, 2 energy peaking plants operated by Basin Electric and 5 ethanol plants which have a combined capacity of 250,000,000 gallons of ethanol production per year. The route of the crude oil pipeline proposed by TransCanada Keystone Crude Oil Pipeline would cross through the east end of the WEB service area in western Day County and Clark County, crossing 10 to 12 water lines owned and operated by the WEB system.



The largest of those water lines is a 12-inch PVC main pipeline, which provides water service to 1,029 rural hookups, 8 towns in Day, Marshall and Clark Counties and a proposed food grade soy processing plant proposed for development near Webster, SD. It would also impact water service to Pickerel Lake and Enemy Swim Lake and members of the Sisseton-Wahpeton Sioux Tribe.

Issues Before The PUC:

Based on the notice issued for these hearings, it is our understanding there are four issues before the Public Utilities Commission.

1. TransCanada **must prove** that the proposed facility (pipeline) will comply with all applicable laws and rules, both state and federal.
2. TransCanada **must prove** that the pipeline will not pose a threat of serious injury to the environment nor to the social and economic conditions of inhabitants or expected inhabitants in the siting area.
3. TransCanada **must prove** the pipeline will not substantially impair the health, safety or welfare of the inhabitants.
4. TransCanada **must prove** that the pipeline will not interfere with the orderly development of the region.
5. Based on the testimony presented by TransCanada, landowners and others, the Public Utilities Commission will decide whether a permit should be (1) granted, or (2) denied, or (3) granted with such terms, conditions or modifications of construction, operation and maintenance as the Commission finds appropriate.

Permit File Information – Public Access & The Right To Know:

As the Commission knows, on April 27, 2007 TransCanada filed a mountain of information with the PUC in support of their permit application. All of the documents were marked “Confidential” and were allowed to remain so by the PUC until WEB and others filed a request that the files be opened up. The documents, maps and reports were only just recently released and **were not made available to the public until 8:00 am on June 20, 2007, just five days prior to the first hearings on June 25, 2007.** Much of the information filed by TransCanada still remains “Confidential” and not available to the public and the people of South Dakota. The decision as to what will and won’t be released was apparently made by TransCanada, the permit applicant, and not the PUC or their staff or consultants. What right does a foreign oil company have to determine what the people of South Dakota will see or not see? Why would the PUC allow TransCanada to make that decision on their own, with little or no oversight? Why didn’t the PUC or their staff review the documents and make the decision of which documents should and should not be made available to the public or have the documents reviewed by independent outside experts or qualified state or federal officials? Only one agency, the State Historic Preservation Office (SHPO), has filed an email message requesting that specific cultural sites be kept confidential. The SHPO email didn’t say that summary information couldn’t be released, just the location of specific sites. We request that summary information on cultural surveys be released.

Information on High Consequence Areas, filed by TransCanada as part of their permit application, remain “Confidential” and not available to the public. Yet no letter or correspondence has been provided by the PUC staff from a qualified federal official that would prove that any or all of the information needs to be classified confidential and withheld from the public. No letter has been received and filed from the US Department of Transportation; Office of Pipeline Safety stating that the NPMS (National Pipeline Mappings System) used to create the High Consequence Areas should be restricted. In a June 21, 2007 letter PUC staff attorney Ms. Van

Bockren implies the need for confidentiality because of homeland security concerns related to what happened in New York City on September 11, 2000, yet in the same letter states "NPMS has a public viewer of maps on its website...lacking security sensitive data, yet provide the public with relevant information". So is the burden then left to the public to locate and find this viewer? Why couldn't the PUC require TransCanada to make that information available as part of an amended new filing? Why make it hard to the public to find this information? What about those landowners and citizens who don't have access to a computer or the website?

In support of the decision to withhold information, in her June 21, 2007 letter Ms. Van Bockern states that Ms. Elizabeth Orlando, Foreign Affairs Officer with the U.S. State Department stressed the importance of the confidential nature and support for TransCanada's redaction and withholding of documents. With all due respect, what expert standing or legal expertise would a mid-level foreign service officer with the U.S. State Department have as to what documents should be kept confidential and kept from the people of South Dakota? As of Saturday, June 23, 2007 no letter was filed with the South Dakota PUC by Ms. Orlando as promised. Other than the memo from SHPO, we are aware of no other letters, documents or written testimony presented to the PUC by other state or federal agencies that would justify the further embargo of documents as "Confidential".

Therefore, as a Party of Record we again request that the Public Utilities Commission lift and remove the "Confidential" embargo and release all documents filed by TransCanada in support of permit application HP07-001 and make available to the public all documents, maps and information filed by TransCanada in support of their permit application, with the exception of those pages of those few pages and documents that a federal or state agency has specifically certified to the PUC need to be kept confidential. Anything less will not meet the test of full disclosure. Further, we would ask that the Commission call as witnesses those state and federal officials who have requested that documents be kept confidential so that the Public Utilities Commission and the parties to this case can question and examine them as to the reasons for confidentiality.

Testimony

Based on the information available at this time, we submit that the TransCanada plan for the Keystone Crude Oil Pipeline through South Dakota fails to comply with the four conditions listed above;

- **TransCanada has not proven** that the proposed facility (pipeline) will comply with all applicable state and federal laws and rules dealing with environmental impacts, water quality contamination, public safety, pipeline design and pollution.
- **TransCanada has not proven** that the pipeline will not pose a threat of serious injury to the environment nor to the social and economic conditions of inhabitants or expected inhabitants in the siting area. Infact, the exact opposite can be proven. The TransCanada has admitted in their documents filed with the U.S. State Department and the PUC, that a leak or pipe failure will occur within 5 to 12 years. This 30 inch oil pipeline, operating at 1,700 psi operating pressure, will most certainly pose a serious threat of injury to the environment and to the social and economic conditions of inhabitants or expected inhabitants in the siting area, to the public, to landowners, to ground water resources, to wildlife, and to the environment.
- **TransCanada has not proven** that the pipeline will not substantially impair the health, safety or welfare of the inhabitants. Infact, the pipeline will substantially impair the health, safety and welfare of the inhabitants of the area crossed by he pipe and the surrounding rural communities and region crossed with oil leaks, explosions, damage to water quality, and impact to air quality

when oil leaks turn into oil fires as thousands of gallons of crude oil have to be “burned off”.

- **TransCanada has not proven** that the pipeline will not interfere with the orderly development of the region. The conditions included in the easements being secured by TransCanada for construction and operation of the pipeline limit and restrict the use of lands crossed and will limit what the current landowners and future landowners can do with the property in the future in the way of development. TransCanada doesn't want the obligations of ownership in the event that the pipeline fails and leaks oil on to adjacent property creating litigation and liability or in the event that the pipeline is shut down, abandoned or decommissioned in the future.

1. Compliance With All Applicable Laws and Rules:

The proposed facility (pipeline) will not comply with all applicable state and federal laws and rules. Neither necessary documentation nor proof was presented to the PUC and/or made available to the public that would show that the TransCanada-Keystone Pipeline would be in compliance with all state and federal environmental and water quality laws and standards.

2. Threat Of Serious Injury To The Environment/Social/Economic Conditions:

The proposed facility will pose a threat of serious injury to the environment and to the social and economic conditions of inhabitants or expected inhabitants in the siting area.

Oil leaks and “spills” from the pipeline will occur, and could occur within 5 years to 12 years according to documents presented by TransCanada and information provided by the USGS and National Transportation Safety Board which have investigated oil leaks and pipe failures, and based on information reported by Terry Woster of the Argus Leader Newspaper after reviewing documents following the June 12, 2007 hearing. Each crude oil leak will contaminate the environment, contaminate ground water supplies, and contaminate the air all of which are relied on by landowners and residents of the area and will be needed by new residents of the area and the future generations of those not yet born or those who may choose to move to the area. TransCanada proposes to move up to 591,000 barrels of crude oil each day, which at 42 gallons per barrel figures out to 24,822,000 gallons of crude oil PER DAY through South Dakota in 220 miles of pipeline. With steel pipe lengths at 40 feet that amounts to 132 welded joints per mile for a total of 29,040 welded joints throughout South Dakota anyone of which could fail and at 1,700 psi operating pressure leak and spew crude oil on to productive farm lands, into sand and soil veins, wetlands, streams and aquifers. It's very clear that leaks or “spills” as TransCanada likes to call them,“will pose a threat of serious injury to the environment and to the social and economic conditions of inhabitants or expected inhabitants in the siting area” which do not presently exist.

According to NTSB there were 227 reported pipeline failures in the U.S. in 2000 with property damages of \$197 million and 16 fatalities. As reported by the **National Transportation Safety Board (NTSB)**, a single pipeline accident...“*can injure hundreds of persons, affect thousands more, and cost millions of dollars in property damage, loss of work opportunity, community disruption, ecological damage, and insurance liability*”(7). According to the **Office of Pipeline Safety (OPS)** the most common cause of liquid or natural gas transmission pipeline accidents is corrosion (24%). Another less frequent category is seam weld failure on pipe, when the seam of the pipe splits open. Seam weld failure accounted for 4% to 5% of the failures and 30% of the property damage according to a 2002 OPS report. The “**Distribution Pipeline Incident Summary by Cause Report**” issued by OPS concluded that... “*Outside force damage is a catchall term that includes (1) third party excavation damage, (2) excavation damage caused by the pipeline company itself, (3) landslides, (4) fire, (5) lightning, (6) snow, (7) wind, (8) motor vehicles and (9) vandalism.*” Explosions on large natural gas pipelines can kill people hundreds of feet away and **spills from oil pipelines** may extend miles away from the

pipeline and often can never be fully cleaned up. (I) U.S. Geological Survey Bemidji Crude-Oil Research Project is available on the internet <http://www.mn.cr.usgs.gov/bemidji/> or by contacting the District Chief, U.S. Geological Survey, Toxic Substances Hydrology Program, 2280 Woodale Drive, Mounds View, Minnesota 55112, telephone number (612) 783-3100.

An "**Oil Spill Frequency Volume Study**" filed by TransCanada with the federal government in 2006 acknowledged that oil spills do occur on oil pipelines. Release of crude oil can occur during transport through a pipeline and pose a significant risk of soil and water contamination surrounding the area of the spill. The Trans-Canada Study estimated that a 1,000 barrel (42,000 gallons) oil spill may occur anywhere along the TransCanada Keystone Pipeline once in 12 years; a 10,000 barrels (420,000 gallons) oil spill may occur once in 39 years; and a spill of more than 10,000 barrels might occur once in 50 years (*TC Pipeline Risk Assessment, pg 3-2*). The projections are theoretical based on historical data of pipeline operation. The extent of environmental damage would depend on the location and quantity of the oil spill, the type of soil and water resources in the area of the spill, and the topography of the land area. In a study independent of the oil industry, the United States Geological Survey (USGS) estimated that an average of 83 crude-oil spills occurred in the United States during the three year period of 1994-1996, with each spilling about 50,000 barrels (2,100,000 gallons) of crude-oil. The British Petroleum (BP) pipeline failure and spill on March 3, 2003 at Prudhoe Bay, Alaska dumped 200,000 gallons of crude oil. BP is recognized as having years of oil pipeline operations experience, and they had a major pipe failure and oil spill. TransCanada doesn't even own or operate a crude oil pipeline and has no experience or track record operating a high pressure crude oil pipeline.

Oil spills will cause serious damage to productive farm lands. According to the information filed by TransCanada with the U.S. State Department, the clean-up of a **84,000 gallon spill (2,000 barrels) from the TransCanada pipeline spill could require the removal of up to the equivalent land area of 3 feet in depth over 400 acres** or about 2,001,277 cubic yards of soil (*Pipeline Risk Assessment, pg 4-4*). TransCanada's track record is not good. TransCanada had 576 spills in the past 6 years, for an average of 96 spills per year (natural gas). Crude-oil released into soils will disperse both vertically and horizontally. Soil reports published by the U.S. Department of Agriculture -Natural Resources Conservation Service (NRCS) show a large quantity of sandy soils and shallow ground water areas that will be crossed by the TransCanada-Keystone Pipeline in Brown, Marshall and Day County (9). Sandy soils found throughout much of the TransCanada-Keystone Pipeline route could enhance the dispersion of crude-oil. Soil moisture and precipitation could also increase the dispersion of a crude-oil spill. Clean-up of soil contaminated by crude oil can require significant time, effort and cost. Required remedial actions may range from excavation and removal of contaminated soil to allow the contaminated soil to recover through natural environmental fate process (evaporation, biodegradation, etc). State and federal programs mandate notification and initiation of response actions "*in a timeframe and on a scale commensurate with the threats posed*" (*TransCanada Construction Mitigation & Reclamation Plan, 2-50*). There will be loss of future crop production, future property values and future earnings to farmers as a result of contamination by an oil spill, none of which is covered by the current easement offered by TransCanada. A crude oil pipeline leak near Bemidji, MN in 1979 was never fully cleaned up and soils remain sterile 28 years later.

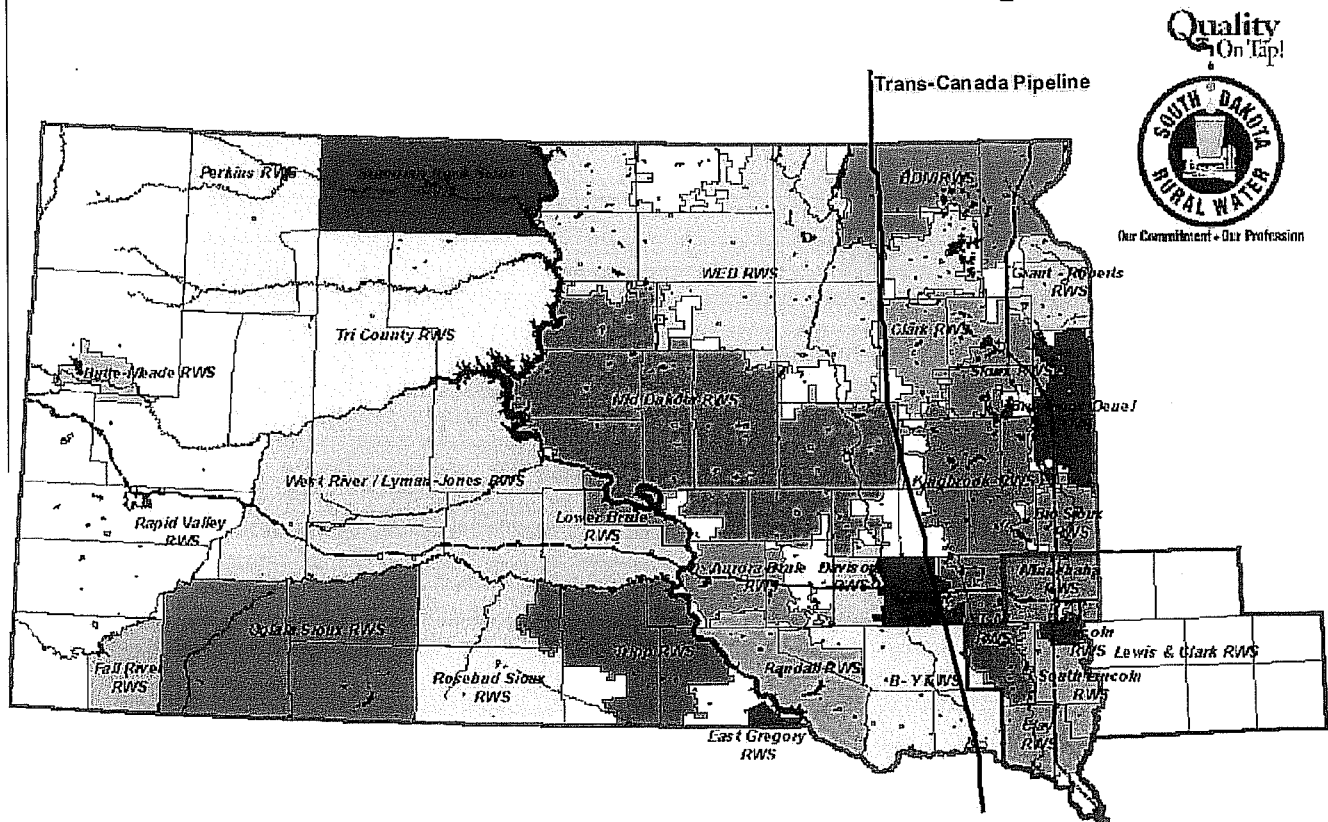
There will a risk of large oil spill contamination. TransCanada-Keystone Oil Pipeline plan calls for a wide separation between mainline automated valves and manual valves. For example, the distance between the pump station at the North Dakota-South Dakota state line and the next pumping station near Fernery, SD is about 42 miles of 30 inch pipe which would hold about 156,660,000 gallons of crude-oil (3,728,571 barrels). The distance between the Fernery pump station and the next pump station near Carpenter, SD is about 47 miles of 30 inch pipe which would hold about 175,312,000 gallons of crude oil (4,174,000 barrels). In addition to the 4 automated valves at compressor pump stations, the TransCanada-Keystone Pipeline will have 7 to 10 manually operated valves on the 220 miles of pipeline in South Dakota, with some valves being 20 to 30 miles

apart. In the event of a major pipe failure, there may not be time to reach valves to stop the crude-oil from draining out of the pipeline on to productive farm land and into wetlands. Manually operated valves won't do much good if the TransCanada operations staff are located hundreds of miles away in Alberta or Omaha. A pipe failure at a low elevation point on either the 42 mile reach between North Dakota and Ferney, SD or the 47 mile reach between Ferney and Carpenter, SD could result in a spill of millions of gallons of crude oil. By way of comparison, the 155 mile WEB water mainline has 31 manual isolation valves, with each valve located every 5 miles, and six pump stations and control points which are monitored and operated by a computerized SCADA system and operations staff dispatched out of Aberdeen, South Dakota. At May 10, 2007 meeting a TransCanada official said that their operational staff will be located in Omaha, NE which is 6 hours by vehicle from Britton, SD. We were told that the SCADA control center will be located in Alberta, Canada.

A study by Iowa State University, commissioned by the American Water Works Association (AWWA), confirmed that petroleum and crude-oil products can permeate through the rubber gasket of PVC water pipes, contaminating the drinking water being delivered to customers by municipal and rural water systems. How much PVC water pipeline will need to be replaced in the event of a large oil "spill" is not known at this time, nor is it known if TransCanada would be held responsible for the cost of replacement. WEB's 12" PVC water mainline a crude-oil spill could damage the rubber pipe joint gaskets, permeate through the pipe wall, and contaminate the drinking water service of 1,029 rural hookups and 8 towns. If a crude oil leak from the TransCanada-Keystone pipeline came in contact with the 12" PVC water line which serves Day County and contaminated the pipeline system the cost of replacement could exceed \$11 million.

Five of the eight rural water systems crossed by TransCanada rely on groundwater wells. (see map below)

South Dakota Rural Water Systems



WEB will require TransCanada to secure a permit to cross water lines easements, which will include insurance coverage naming WEB as “additional insured” and a cash bond to cover the impacts of any future oil “spills” or leaks. WEB will also require TransCanada to case all lines crossed by the oil pipeline.

Tar sands crude oil (or bituminous sands oil) include toxic materials and elements that will impact the environment and the health and well being of the residents of the counties and the communities crossed. According to the website for Alberta, Canada and Canadian industrial websites tar sands oil from the Hardisty, Canada site include the following; **83.2% carbon, 10.4% hydrogen, 4.8% sulphur, 0.94% oxygen, 0.36% nitrogen, and several heavy metals such as nickel, vanadium, lead, chromium, mercury, arsenic, and selenium.** All of these elements are listed by the U.S. EPA as pollutants in water supplies when found at even very low levels of 0.001 ppb to 0.005 ppb (parts per billion). Currently, none of these elements are found in the ground water or the water supplies of rural water systems serving the area crossed by the proposed Keystone Pipeline route in Marshall, Day and Clark Counties.

3. Threat of Substantial Impairment of the Health, Safety or Welfare of Inhabitants.

TransCanada has refused to provide a sampling of the crude oil citing confidentiality. There is no way the Public Utilities Commission can in good faith approve a permit for this project without first having secured an independent sample of the crude oil proposed to be shipped. According to the information provided by the **Canadian Center for Occupational Health & Safety** (<http://www.ccohs.ca>), the elements and heavy metals included in the tar sands crude oil will “substantially impair the health, safety and welfare of the inhabitants of the area”.

***Hydrogen Sulfide:** Detection through odor is not reliable. Since Hydrogen Sulfide can react with iron in the presence of moisture, the steel used must be chosen carefully (to avoid corrosion). EXTREMELY FLAMMABLE GAS. Forms explosive mixture with air over a wide concentration range. May ignite in contact with some metal oxides and oxidants. VERY TOXIC. May be fatal if inhaled. There are numerous case reports of deaths, especially in the petroleum industry...**Fire Fighting Instructions:** Extreme caution is required in a fire situation. Evacuate the area and fight the fire from a safe distance or protected location. Do not enter without wearing specialized equipment suitable for the situation. Firefighter's normal protective clothing (Bunker Gear) will not provide adequate protection. Chemical protective clothing (chemical splash suit) and positive self-contained breathing apparatus (NIOSH approved or equivalent) may be necessary.*

***Benzene:** Clear, colorless liquid with a characteristic, aromatic hydrocarbon odor. EXTREMELY FLAMMABLE. Can accumulate static charge by flow or agitation. Vapor is heavier than air and may spread long distances. Distant ignition and flashback are possible. May travel to distant locations and/or spread fire. Can decompose at high temperatures forming toxic gases. Harmful if inhaled or swallowed. CANCER HAZARD – can cause cancer. MUTAGEN – may cause genetic damage. **Fire Fighting Instructions:** Evacuate the area and fight the fire from a safe distance or protected location. Approach fire from upwind to avoid hazardous vapors and toxic decomposition products. Do not enter without wearing specialized equipment suitable for the situation. Firefighter's normal protective clothing (Bunker Gear) will not provide adequate protection. Chemical protective clothing (chemical splash suit) and positive self-contained breathing apparatus (MSHA/NIOSH approved or equivalent) may be necessary.*

The US-EPA enforceable water quality standard for drinking water allows no more than 0.005 ppm concentration of benzene in both surface water and groundwater. **Benzene** exposure can cause **anemia or a decrease in blood platelets** and may result in an **increased risk of cancer**. **Toluene** in excess of EPA standards can cause problems with the **nervous system, kidneys and liver**. **Ethylbenzene** can cause problems with the **liver and kidneys**. **Xylene** can cause damage to the **nervous system**.

The oil pipeline will cross numerous aquifers within South Dakota, including the **Oakes, Bramton, Tulare, Vermillion, Altamont, Floyd, and Lower James-Missouri aquifers**. The depth to water in the Oakes Aquifer along the route of the pipeline in **Marshall County is 10-15 feet in depth**. The depth to the upper layer of

water of the **Altamont Aquifer near Raymond in Clark County varies from 10-35 feet**. The same is true for ground water in the **Carpenter area of Clark County**. Near-surface groundwater occurs at various locations where the pipeline crosses small streams in northwestern Day County (*TransCanada Construction Mitigation & Reclamation Plan, pg 3.5-35*). Much of the ground water in **northwest and western Day County is within 4 feet of the surface** according to the **Day County Soils Survey** completed by USDA-NRCS.

A release of crude oil will find its way into soil materials and can enter groundwater and move through the aquifer system. The potential for groundwater contamination is greater where the water table is relatively close to the surface, and where the soils overlying the aquifer are porous materials. Depending on the type of pipe failure, the volume of the spill, the depth of the groundwater and the soil conditions in the area, a crude oil spill could continue to move and contaminate an aquifer or adjacent property for years. Crude-oil moving through gravel or sandy soils could reach and damage PVC water line used by municipal water systems and rural water systems to deliver drinking water to towns, farms, rural homes, livestock hookups, ethanol plants and other customers.

4. Keystone Pipeline Will Interfere With The Orderly Development of the Region.

The route, as currently proposed will definitely interfere with the orderly development of the region. The cost of crossing the crude oil pipeline to extend rural water service to farms, rural homes, pasture hookups and industry will become cost prohibitive. Landowners who grant TransCanada an easement, either voluntary or under the threat of condemnation, will no longer have full use of their property. Planting of trees is prohibited, building structures is prohibited, fence building is restricted, and some farming practices and land use will be prohibited or restricted. The heating of the crude oil to get it to flow will have a negative impact on crop lands by drying out the ground and changing the soil temperature which can have a serious impact on corn, soybeans and other row crops. The proposed route of the pipeline includes prime site areas for wind turbine energy sites which will be restricted or eliminated by the presents of the oil pipeline. In addition, the presences of the crude oil pipeline on the land will reduce the value of the property to future prospective buyers.

PUC Permit Action On HP07-001

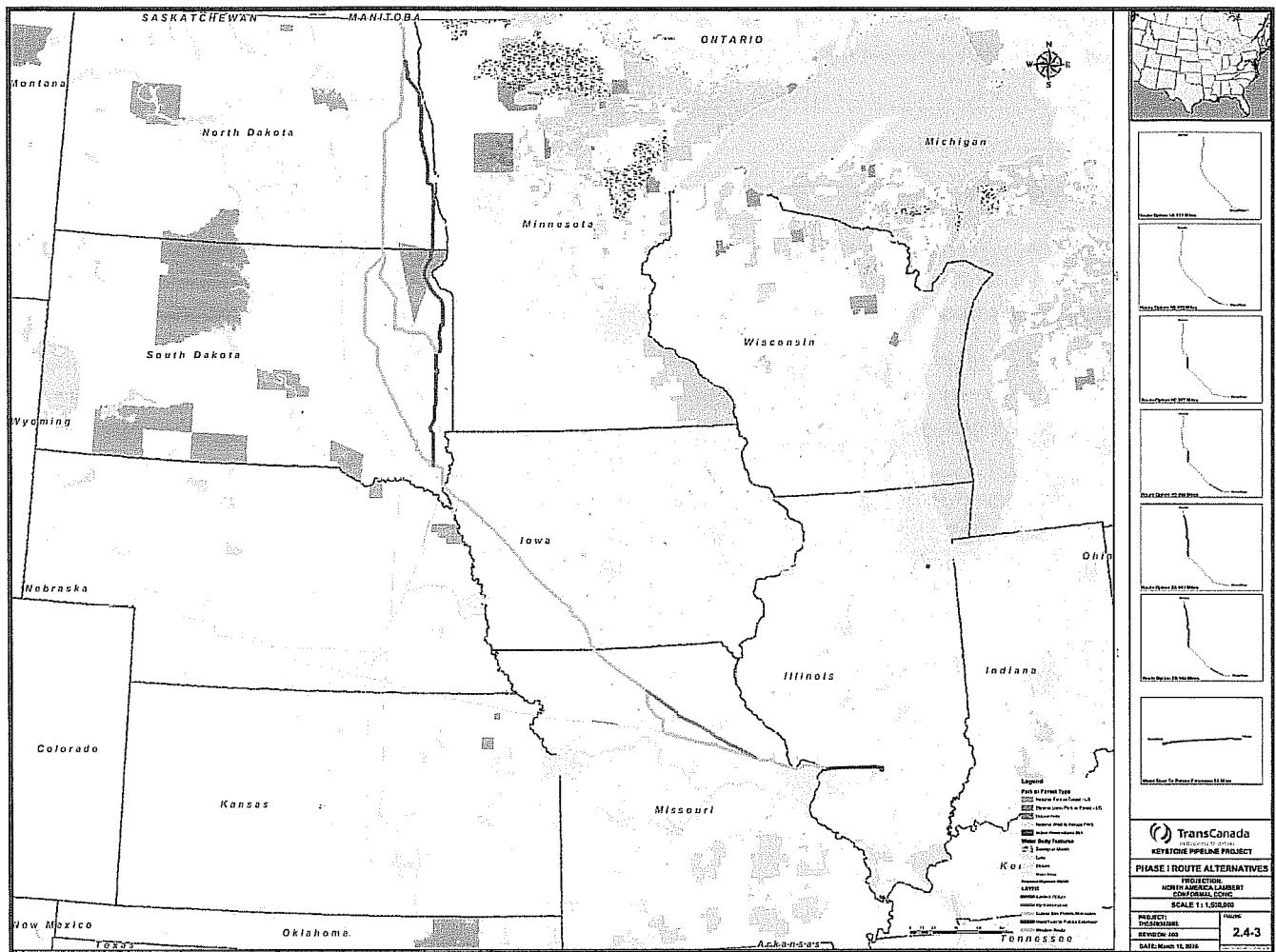
Based on the testimony presented by TransCanada, landowners and others, we submit that the Public Utilities Commission does not have a record adequate to support granting the permit as requested, and should either : (1) **deny** TransCanada's permit as filed, or (3) **granted the permit with such terms, conditions or modifications** of construction, operation and maintenance as will protect the environment, the ground water, the resources, the property rights, and the people of South Dakota.

Alternate Route I-29

The permit application filed by TransCanada with the U.S. State Department and the SD Public Utilities Commission, include Map 2.4-3 showing an alternative route for the Keystone Pipeline along I-29 through North Dakota and South Dakota. We ask the PUC to give serious consideration to this alternate route along the west side of Interstate 29 corridor which offers a more attractive alternate route with less impact or risk to the public, to the environment, water quality, public safety and private property. A strong compelling case can be made for the I-29 Alternative Route.

1. The I-29 Alternative Route would provide a place for the pipeline on mostly public lands through most of North Dakota and all of South Dakota from the ND/SD line to the SD/NE line.
2. The I-29 Alternative Route would place the oil pipeline on direct route to the proposed oil refinery site located north of Elk Point, SD near the intersection of I-29 and Highway 50.

Interstate 29 - Alternate Route - TransCanada Oil Pipeline



3. The Governor and the state supports the construction of the TransCanada pipeline through South Dakota and the state could host the pipeline on state owned property, the I-29 road right-of-way.
4. The I-29 Alternative Route offers better and quicker emergency response in the event of an oil leak or spill or fire. The pipe would be located along a well traveled 4-lane Interstate Highway where as the proposed route where the access is by township and section line roads, many of which are not maintained, are not kept open in the winter months and are not passable in the spring and are less traveled. Well equipped professional fire departs and EMTs are available in larger cities all along the I-29 corridor and would able to respond the emergency needs whereas the emergency response along the proposed route is limited to volunteer fire departments for the most part.
5. In the event of a leak, spill, fire or other emergency, TransCanada is much more likely to response to request from the state Department of Transportation and the Governor than they will a call from a farmer or landowner in a remote rural area along the current proposed route on private lands.
6. In recent news stories, TransCanada spokesman Mr. Jeff Rauh has stated that there would be safety concerns with having heavy construction equipment working off the I-29 roadway installing the pipeline in the road ditch right-of-way. Actually, there is more than adequate space in the I-29 ditch to accommodate the construction and operation of the Keystone Pipeline without impacting traffic or

public safety. In the documents filed with the PUC, TransCanada has stated they need a 50 ft permanent easement and a 60-foot temporary easement for a total of 110 feet to construct the pipeline. The I-29 road ditch area from Sisseton to Sioux City, SD is approximately 90 to 100 feet or greater in width, based on GPS measurements taken from government provided GIS aerial photographs. Field measure or contact with the SDDOT will confirm this. TransCanada can either secure a temporary permit from the South Dakota Highway Department to use part of the roadway as the project moves south through the state, OR pay for and secure a temporary easement on private land adjacent to the road right-of-way to string pipe and access the job site and still install the pipe in the I-29 road ditch area. WEB Water Development installed 75 miles of 18" to 30" inch ductile iron pipeline in the US Highway 12 road ditch right-of-way between Selby and Mina, SD without difficulty and has successfully operated and maintain the pipeline in the state highway ditch for the past 20 years. The Highway 12 road ditch right-of-way is only 60 feet in width, or about 30 feet LESS than the I-29 right-of-way.

7. The impacts to ground water, the environment and the public will be no greater along the I-29 route than they would be along the proposed route. The \$6.4 million in tax revenues collected from the pipeline would help offset any impacts to the counties or the communities crossed.
8. Since eastern and southeastern South Dakota appear to embrace the benefits of the \$8 billion oil refinery, then it stands to reason and is only right that eastern South Dakota should also host and sponsor the impacts of the crude oil pipeline that will be needed to transport the crude oil needed for the oil refinery at Elk Point, SD.

TransCanada Has NO EXPERIENCE Operating High Pressure Oil Pipelines ?

At public meetings held in Aberdeen and Britton on May 10, 2007, TransCanada officials L.A. "Buster" Gray, Chief Engineer and Nichole Aitken, Stake Holder Relations Manager admitted to a group of landowners, farmers and local officials that TransCanada doesn't own or operate any crude oil pipelines. Yet in a news story printed in the *Argus Leader* TransCanada Vice President Robert Jones claimed his company had lots of experience and a good track record. So which is it? NO EXPERIENCE or lots of experience? It depends on who TransCanada is talking to and what "spin" they want to put on their message. A recent search of TransCanada's official website found no oil pipeline listed among the facilities they own and operate. Is it a good idea for South Dakota and the Midwest to have a large high pressure crude oil pipeline built and operated by a company which has no proven track record of operating a high pressure oil pipeline? When companies with experience, like BP (British Petroleum), are having pipe failures and leaks like the one that dumped 200,000 gallons of crude oil at Prudhoe Bay, Alaska on March 3, 2003 (page 17)? High pressure crude oil pipelines are no place for TransCanada to gain on the job training or experience at South Dakota's expense and risk.

Missouri River Crossing

The TransCanada-Keystone Oil Pipeline will cross the Missouri River near Yankton, South Dakota, upstream of a section of river which is the only portion of the Missouri River in South Dakota that remains in a natural scenic condition. The area is managed by the National Park Service and will require a permit from the U.S. Secretary of Interior. Constructing an oil pipe crossing under the Missouri River east of Yankton would be a major project and a major environmental concern. The Missouri River is a source of water for over half the population of South Dakota, including the City of Sioux Falls, once the Lewis & Clark water system is completed. (*TransCanada Construction Mitigation & Reclamation Plan, 2-64*).

TransCanada's Emergency Response Plan - Where Is It?

The U.S. Office of Pipeline Safety requires that TransCanada-Keystone prepare and file an Emergency Response Plan (ERP). The TransCanada permit application filed with the U.S. State Department states last year stated that an Emergency Response Plan will be filed as a "supplemental" to the permit application. No plan has been made available as of June 8, 2007. The Emergency Response Plan, which is required by law, should be filed with state and local government, fire departments, utilities and local emergency responders for review, comment and approval BEFORE consideration is given to any permits by the SD Public Utilities Commission or the U.S. State Department

Computer Monitoring Systems

TransCanada-Keystone says they will use two technology-based leak detection systems, which will include leak detection software SCADA (Supervisory Control and Data Acquisition) monitoring and volumetric balancing. Sensors and monitoring equipment will be located at pump stations and the data collected will be transmitted by satellite to the central control center in Canada (*TransCanada Construction & Reclamation Plan, 2-48*). The SCADA systems that TransCanada will be using will help monitor and operate the crude-oil pipeline and may help detect problems by sensing changes in pressure and flow rate. However, at the point the SCADA system senses a change in pressure or flow and shuts the automated valves off at the pump station, a major release or spill may have already occurred on the pipeline miles away from the pump station. Based on NTSB's reports on oil and gas line failures, and WEB's own experience, computer SCADA systems may detect major changes in pressure and flow but they don't necessarily detect small leaks that develop on pipelines, which over time can develop into a major leak or spill and contaminate soil and ground water for days, weeks or months before the leak is found. That is exactly what happened on March 3, 2005 with the BP crude oil pipeline failure at Prudhoe Bay, Alaska (see below). This kind of leak causes more of a problem when the pipe is located in a remote isolated rural area. Because of the potentially severe consequences of a crude-oil spill, prevention is critically important and successful prevention requires regular testing of the pipeline's integrity, including internal corrosion. Internal inline inspection devices, known as "smart pig" may detect some defects in the pipe as they travel through the pipeline being moved by oil flow and pressure.

Prudhoe Bay, Alaska – Oil Leak Linked To Poor Maintenance

A news story by David Greising in the May 27, 2007 Chicago Tribune reported that a worker driving along the western part of the Prudhoe Bay field smelled the oil and discovered the 200,000-gallon spill. "BP's automatic detection system had missed the slow-flowing leak, which had appeared an estimated five days earlier. BP was tapping into new oil sources that delivered viscous, highly corrosive crude. From that point forward, oil flowing through BP's eastern operating area would be increasingly thick and slow flowing, and thicker oil is far more corrosive, thanks in part to the sand that settles in the bottom of pipes and deflects anti-corrosion chemicals away from the metal they are intended to protect". "A 25 percent budget cut instituted in 1999, after the Amoco merger, meant that one crucial corrosion-fighting method—sending cylindrical probes called "pigs" through the pipes to both clean and inspect them—was abandoned virtually altogether, company records show." Given the history, it's difficult to believe the assurances TransCanada is giving regarding the Keystone Pipeline. Any permit the PUC considers approving should include some strong conditions and requirements for regular scheduled maintenance to protect private farm land, public lands, wetlands, the environment, and public safety.

Operations-Workforce

TransCanada-Keystone say they will have 20 employees in the United States to operate the 1,073 miles of crude-oil pipeline, 23 pump stations and 45 mainline valves. At a meeting on May 10, 2007 a TransCanada official said the Operations Staff will be located in **Omaha, NE**. Timely emergency response will depend on where the operations staff will be located and how quickly they can be mobilized to respond to a pipe failure, leak or oil fire at a remote rural location. The Trans-Canada staff will need to provide 24 hour-7 day per week

coverage, including evenings, weekends and holidays, to respond to emergency calls that might develop on the 1,073 miles of high pressure (1,440 psi to 1,700 psi) crude-oil pipeline. Assuming there are three work shifts that will mean 6 staff on duty at any one time. That's not enough staff to handle a large water line leak repair let alone a high pressure crude oil pipeline failure. Congressional hearings on the BP crude oil spill at Prudhoe Bay, Alaska held in May 2007 gathered a wealth of information that the SD Public Utilities Commission should secure and review before making a final decision on granting TransCanada a permit to cross South Dakota. In the interest of public safety the PUC should require that Trans-Canada locate at least 6 staff or more at a central location in South Dakota to handle maintenance, emergency response, oil spill containment and fire fighting.

Bemidji, MN - Oil Spill 1979

An oil spill of about 10,700 barrels (449,400 gallons) occurred on August 20, 1979 near Bemidji, Minnesota when a pipeline transporting crude-oil broke causing contamination of soils and the underground aquifer.

A study commissioned by the **United States Geological Study (USGS)** estimated that after the initial cleanup efforts were completed in 1980, about **110,000 gallons of crude oil remained** in the sub-soil and ground water table. Tests show that a plume of oil is moving toward a lake.

The land appears to be sterile. The results of the Bemidji study showed that the oil continues to move underground in the direction of the ground water flow toward a nearby lake.

Thirteen different studies have been completed at the Bemidji spill site from 1979 to 1996 by scientific teams addressing such issues as; crude-oil in shallow sand, crude-oil in a shallow aquifer, geochemical evolution, flow modeling of crude-oil permeability distribution, biodegeneration, creosote contaminants in groundwater, hydrocarbon vapors in unsaturated soil zones and distribution of gas vapors.

Twenty eight years later the soil is still contaminated by crude oil and nothing grows. Additional information on the U.S. Geological Survey Bemidji Crude-Oil Research Project is available on the internet or by contacting the District Chief, U.S. Geological Survey, Toxic Substances Hydrology Program, 2280 Woodale Drive, Mounds View, Minnesota 55112, telephone number (612) 783-3100. <http://www.mn.cr.usgs.gov/bemidji/>

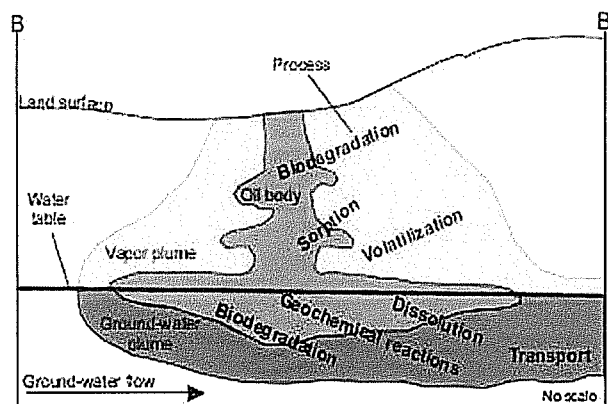
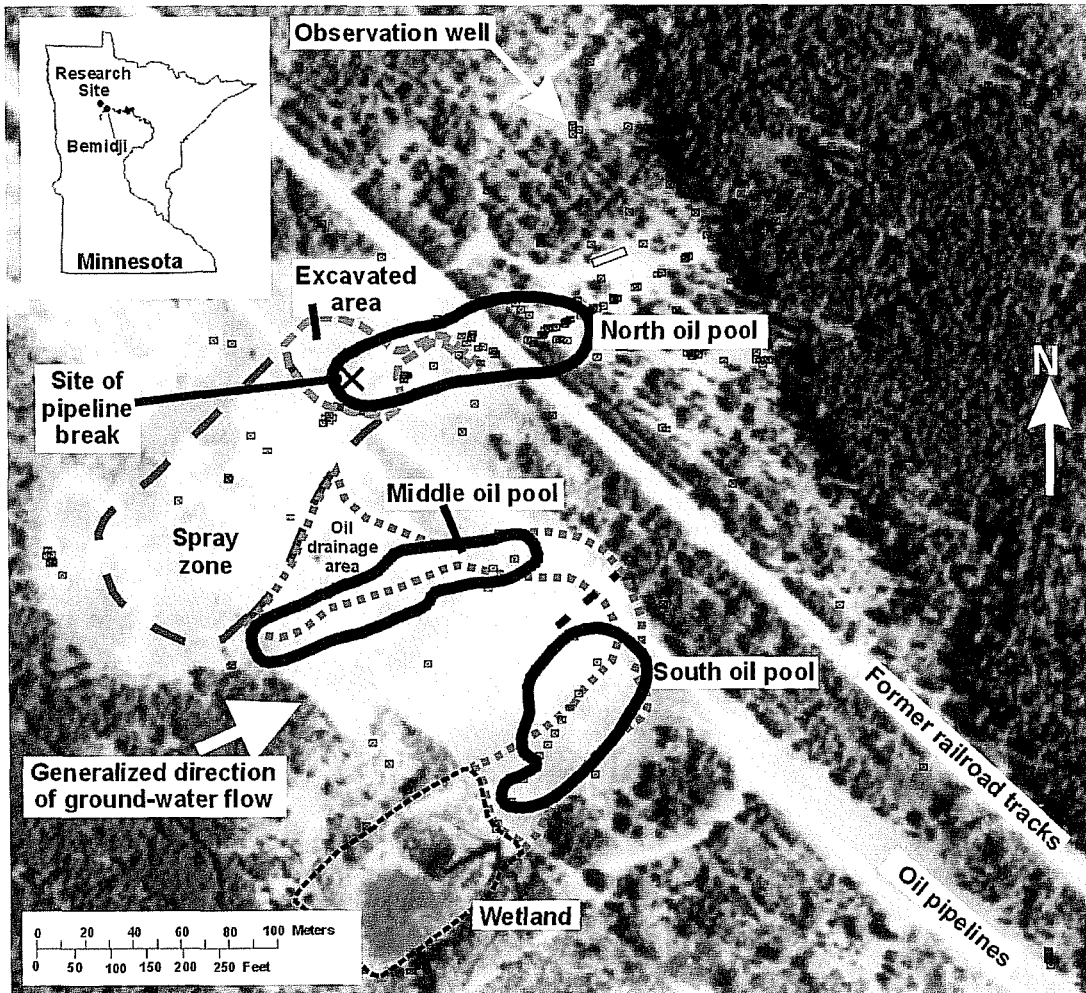


Figure 2. Processes critical to understanding the fate and transport of hydrocarbons in the subsurface at the Bemidji site.





Approximate extent of oil, August 1998 modified from Lakehead Pipe Line Co., written commun., 1998

Features of the Bemidji, Minnesota crude-oil spill research site superimposed on a 1991 aerial photograph.

Bellingham, Washington Olympic Pipeline Failure 1999

A natural gas pipeline failure near Bellingham, Washington at 3:28 pm on June 10, 1999 caused a quarter



of a million gallon spill and an explosion that killed two 10-year old boys and an 18-year old man. Eight people were injured, one home was damaged, and the City water treatment plant was severely damaged. Property damages were estimated at \$45 million and **criminal charges** were filed against several pipeline officials. Witnesses to the Bellingham explosion testified that the boys suffocated on the fumes and "every living thing in the creek was killed for a mile and a half." The parents of the two boys killed in the Bellingham explosion were awarded \$75 million in settlement from Olympic Pipeline and its largest share holder, Shell Oil. Settlement with the family of the third man was not disclosed. (Sept. 16, 2002 - Oil & Gas Journal)

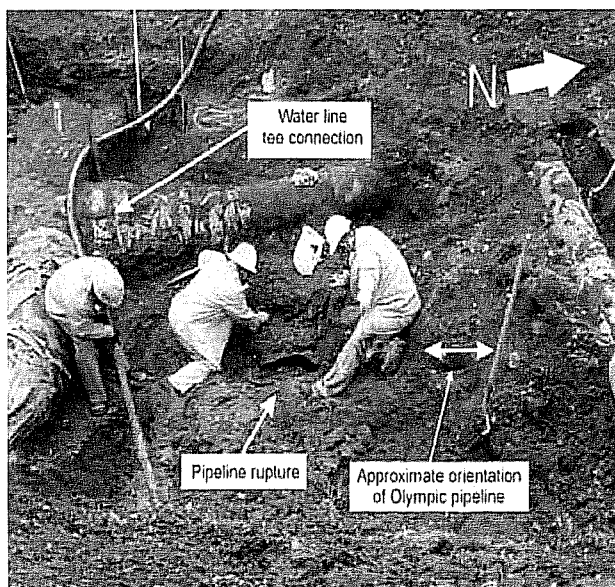


The **National Transportation Safety Board** summary report NRSB # PAR-02/02 stated that about 1-1/2 hours after the rupture, the gas ignited and burned approximately 1-1/2 miles along the creek. The NTSB determined that the probable cause of the June 10, 1999, rupture of the Olympic pipeline in Bellingham, WA, was

- (1) **damage done to the pipe by a contractor** and Olympic Pipe Line Company's inadequate inspection of the contractor's work;
- (2) Olympic Pipe Line Company's **inaccurate evaluation of in-line pipeline inspection results**, which led to the company's decision not to excavate and examine the damaged section of pipe;
- (3) **Olympic Pipe Line Company's failure to test, under approximate operating conditions**, all safety devices associated with the products facility before activating the facility;
- (4) Olympic Pipe Line **Company's failure to investigate and correct the conditions leading to the repeated unintended closing of the inlet block valve**; and
- (5) Olympic Pipe Line Company's practice of performing database development work on the **Supervisory Control and Data Acquisition System (SCADA)** while the system was being used to operate the pipeline, which led to the system's becoming **non-responsive at a critical time during pipeline operations**.

At the time of the pipe failure, the pressure near the rupture point increased from **215 psi to 1,494 psi within one minute** and then dropped back to 230 psi. (*NTSB investigative report*).

The pressure on the TransCanada Keystone Pipeline through South Dakota will be **1,400 psi to 1,700 psi**, which is **six to seven times higher** than the pressure was at Bellingham, WA. A TransCanada executive told the Argus Leader the pressure could go as high as 2,000 psi.

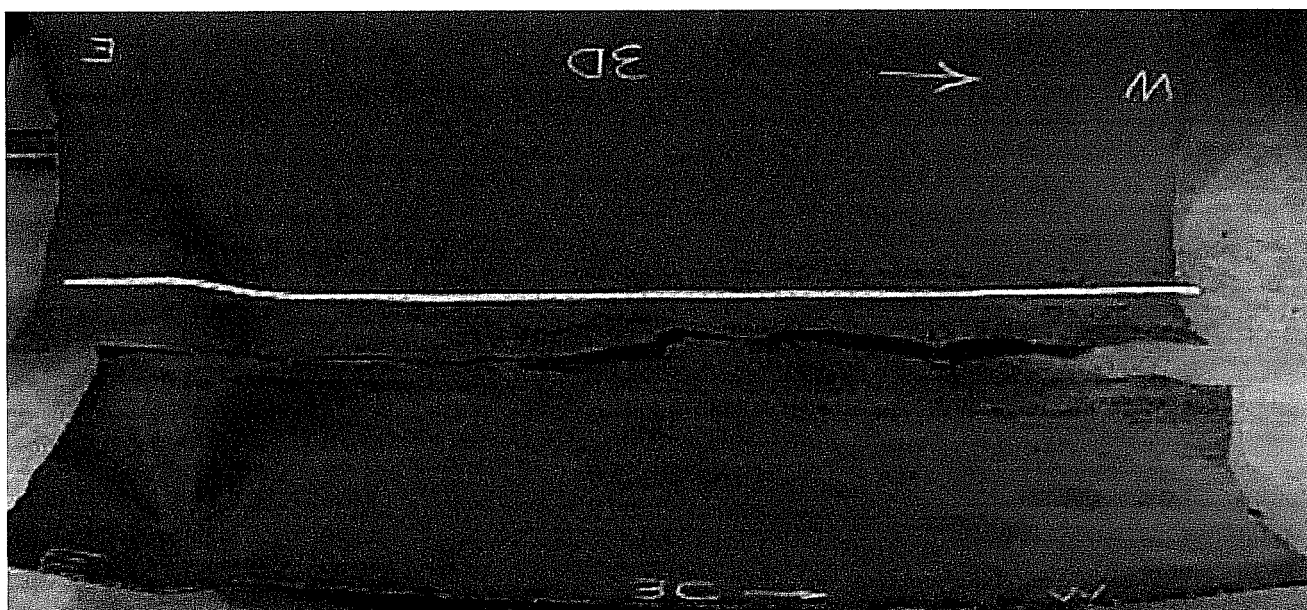


Carlsbad, New Mexico - El Paso Pipeline Failure August, 2000

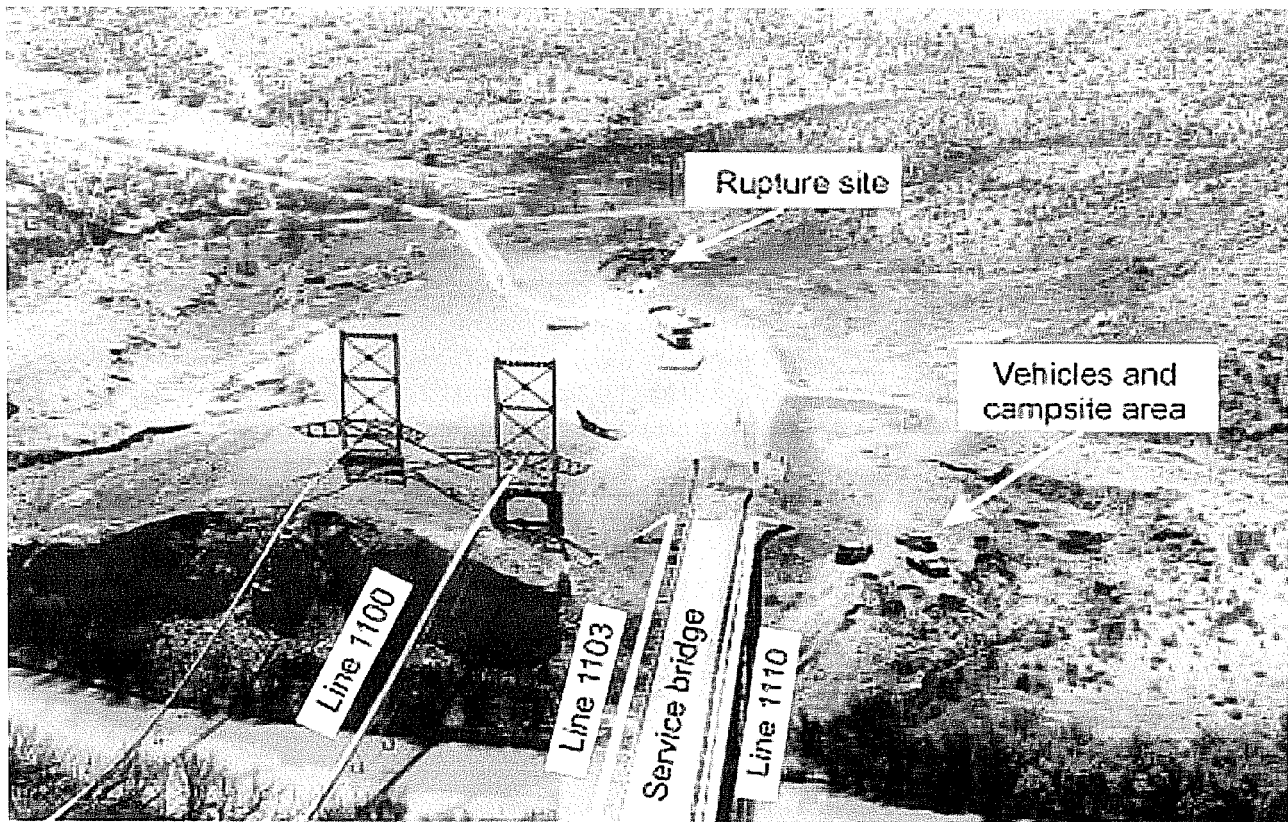
On Saturday, August 19, 2000 at 5:26 am, a family of twelve people camping on the banks of the Pecos River, 675 feet away from the El Paso Natural Gas Pipeline, were killed when a weak spot on the pipe bottom inside of the pipe failed which caused an explosion and fire. The fire raged for 55 minutes before it could be shut



Fire reaching hundreds of feet into the air at Carlsbad, New Mexico pipeline failure August 19, 2000.



El Paso steel pipe that failed due to corrosion from inside the bottom of the pipeline.



down and caused \$1 million in property damage. An investigation by the National Transportation Safety Board (NTSB) found that the pipeline failure at Carlsbad, New Mexico was caused by (1) the design and construction of the pipeline, (2) the inadequacy of El Paso's internal corrosion control program, (3) the inadequacy of Federal safety regulations, and (4) the inadequacy of Federal oversight of the pipeline operator.

The National Transportation Safety Board report released on February 11, 2003 included the following statement.

"The National Transportation Safety Board determines that the probable cause of the August 19, 2000, natural gas pipeline rupture and subsequent fire near Carlsbad, New Mexico, was a significant reduction in pipe wall thickness due to severe internal corrosion. The severe corrosion had occurred because El Paso Natural Gas Company's corrosion control program failed to prevent, detect, or control internal corrosion within the company's pipeline." (NTSB Report)

The National Transportation Safety Board report released on February 11, 2003 included the following statement.

"The National Transportation Safety Board determines that the probable cause of the August 19, 2000, natural gas pipeline rupture and subsequent fire near Carlsbad, New Mexico, was a significant reduction in pipe wall thickness due to severe internal corrosion. The severe corrosion had occurred because El Paso Natural Gas Company's corrosion control program failed to prevent, detect, or control internal corrosion within the company's pipeline." (NTSB Report)

Of the 12 people who died at the Pecos River on August 19, 2000, there were four female children, two age 6 months, one age 21 months, and one age 5 years old; three adult women ages 18, 25 and 47 years old; one male child age 3 years old; and four adult men ages 20, 23, 43 and 55 years old. According to the National Transportation Safety Board, the cause of death of all 12 people who died in the explosion was extensive thermal burns, carbon monoxide poisoning, and smoke inhalation. The NTSB found that the force of the rupture and violent ignition created a 51 foot-wide crater about 113 feet long. A 49-foot section of the pipe was ejected from the crater in three pieces, with the largest found 287 feet from the crater. All three

ejected pipe pieces showed evidence of internal corrosion damage. The most severely corroded area had reduced the original 0.33 inch pipe wall thickness by 72 %, leaving only 28 % of the wall thickness, or about 0.0924 inch remaining.

TransCanada's engineer L.A. "Buster" Gray told landowners at a May 10, 2007 meeting that the pipe wall thickness for the Keystone Pipeline will be about 0.38 inch thick. The National Transportation Safety Board investigative report stated that the pipeline in New Mexico was being operated at approximately 675 psi when it failed.

The operating pressure on the TransCanada Keystone Pipeline through South Dakota will be 1,400 psi to 1,700 psi, which is twice as high as the pipe pressure on the pipe failure at Carlsbad, New Mexico in August of 2000.



Nine months later, on June 1, 2001, El Paso Natural Gas was fined \$2.25 million dollars in civil penalty by the U.S. Department of Transportation. Included in the civil penalty was the charge that El Paso Natural Gas had

...

"failed to minimize the possibility of a failure recurrence following a similar incident in 1996".

(US Department of Transportation news release)

Two years after the "*spill*" at Carlsbad, New Mexico, El Paso Natural Gas Corp., reached an undisclosed settlement with the families of the 12 victims. The Houston newspaper reported that the family of one young victim was paid \$14 million. Two years after the pipeline failure, the New Mexico Public Regulation Commission (PUC) held public hearings and proposed more stringent pipeline safety. A case of two little

too late. South Dakota's elected officials and the South Dakota Public Utilities Commission and their staff, consultants and advisors could learn from what happened with oil and gas "spills" in New Mexico and other states. If oil and gas lines were as safe as TransCanada would have us believe, more Public Utilities Commissioners and oil company executives and their staffs would be living next to them. Maybe it should be a condition of the position, to require the regulators and the builders to live next to what permit, regulate and build.

Corporate - Investor Responsibility

According to the Sept. 16, 2002 - Oil & Gas Journal, the pipeline industry's profits in 2001 reached a record high of 38.9% return on revenues and have averaged 32% return over the past 21 years (www.ogj.com). After the type of accidents listed previously, one would hope that some of the profits and more man power resources will be dedicated to pipeline corrosion testing, maintenance, and public safety in the future. At \$65 per barrel the 435,000 barrels of crude oil TransCanada plans to ship through South Dakota each day would be worth \$28 million per day (\$10.3 billion per year). TransCanada can well afford to treat the landowners, resources and rural communities they cross in South Dakota fairly.

Fire & Spill Containment Response

Some spills may require assistance from local, state and federal agencies. The permit application filed by TransCanada with the U.S. State Department included the following statement.

"In the event of a large spill, TransCanada will be expected to take the lead in recovery and cleanup. A fire associated with a spill is relatively rare. According to historical data only about four percent (4%) of reportable liquid spills are ignited. In the event of a fire, local emergency responders will execute the roles listed above and firefighters will take actions to prevent the crude oil fire from spreading to adjacent foliage or structures. Fire departments might choose to extinguish a small or moderate-sized crude oil fire, but in many cases the best course of action may be to let the fire burn itself out."
(TransCanada Construction Mitigation & Reclamation Plan, 2-50).

That last sentence could be a problem during the dry months of summer and fall during periods of high winds when the risk of wind driven grass fires are high in South Dakota. The question is do local fire departments in South Dakota have the training and equipment needed to fight oil fires? What are the environmental risks to volunteer fire fighters when fighting crude-oil fires? Would there be exposure to respiratory problems similar to what was experienced by U.S. soldiers who served in Desert Storm? Who will pay the cost, TransCanada or local taxpayers?

Surface Water

The TransCanada-Keystone Pipeline route across South Dakota lies entirely within the James River drainage basin with the exception of a small area near the Missouri River.

Crow Creek, Marshall County
Crow Creek Drainage Ditch, Marshall County
Renzienhausen Slough, Marshall County
Amsden Lake, Day County
Antelope Creek, Day County
Tributaries to Logan Dam/Reservoir, Clark County
Fordham Reservoir, Clark County
Sewage Disposal Ponds, Clark County
Foster Creek, Clark County & Spink County
Pearl Creek, Beadle County

Lake Iroquois, Kingsbury County
Twin Lakes, Miner County
Lake Eli, Hanson County
Wolf Creek drainage, Hanson County & Hutchinson County
Beaver Creek, Yankton County
James River and its tributaries
Missouri River and its tributaries

Accidents in pipeline transportation can result in a release of crude oil into water resources. Release of crude-oil into surface water would have toxic effects on fish and aquatic organisms, and water quality.

Things The Public Utilities Commission, Governor & SD Legislature Can Do

1. The South Dakota Public Utilities Commission could, as condition of permit approval, require that TransCanada construction the Keystone Crude Oil Pipeline in the I-29 corridor area.
2. TransCanada-Keystone could be required to design their high pressure oil pipeline with **double wall thickness of at least 0.78 inch thickness** whenever the high pressure crude-oil pipeline route comes within 900 feet of a town, school, housing development, private residence, farm, business, park, or other public gathering areas and where the pipe crosses a state highway or public road, to avoid the kind of tragedy and property damage that was caused at Carlsbad, New Mexico on August 19, 2000, Bellingham, Washington on June 19, 1999, Bemidji, Minnesota on August 20, 1979, and Prudhoe Bay, Alaska in 2003.
3. The State could **tax gas and oil that flows through pipelines within the borders of the state** on a per-mile or per-barrel basis to help cover the costs associated with spills, accidents, fires, environmental impacts, clean-up, and property damage. A \$0.10 per barrel tax or toll on crude-oil transported through South Dakota by the TransCanada-Keystone Oil Pipeline would generate \$15,877,500 in revenue to the State (435,000 barrels per day x \$0.10 per barrel = \$43,500 per day x 365 days = \$15,877,500 per year). TransCanada's permit application predicts that there will be pipe failure and oil spills along the pipeline. Will the costs of emergency response and clean-up be paid by TransCanada or be left to the taxpayers? At \$65 per barrel of oil TransCanada could make \$28 MILLION per day (\$10 BILLION per year) for the oil shipped through South Dakota. They can afford to take care of any clean-up or oil spills that may occur. It should be a condition of any permit issued by the SD PUC.
4. TransCanada-Keystone could be required to provide the State of South Dakota and each County it will cross with annual information on their **track record of operating oil and gas pipelines** and the environmental impacts of any operational spills they have been involved in, which resulted in damage to private property, wetlands and water bodies during both construction and operation, as well as injury or loss of life.
5. TransCanada-Keystone could be required to **provide a written policy and procedures they will follow for the negotiating or condemnation of private land for easement right-of-way**. Condemnation of privately owned land should be discouraged and used only as a last resort and then only after all other alternatives and options have been exhausted and under the review and approval of the local County Commission or Public Utilities Commission. Rural water systems have installed thousands of miles of water lines using voluntary negotiated easements, without the use of forced condemnation. Out-of-state oil companies should be required to do the same.

6. TransCanada-Keystone could be required to provide the written policy and procedures they will follow for the clean-up of any public or private property that may be contaminated as a result of a crude-oil spill. This written policy should include the process for reimbursement of landowners, adjacent property owners, water utilities and public lands and resources that are impacted by an oil spill or pipeline operations. This document should be placed on file with the PUC and with every County crossed by the pipeline.
7. TransCanada-Keystone could be required to provide proof of liability insurance coverage and a certificate of insurance naming the State of South Dakota and the counties, rural water systems, townships, utilities and individual landowners crossed by the pipeline as "additional insured" on the policy. The insurance policy should cover the operating life of the crude-oil pipeline, which is estimated by TransCanada at 50 years or more and should obligate all partners involved in the crude-oil pipeline, including LLC and LP.
8. TransCanada-Keystone could be required to pay in advance for the cost of construction of power lines and electrical facilities needed to provide electricity to the pumping stations and mainline valves located in South Dakota. This is a cost of oil pipeline construction and should be paid by TransCanada, not local utility customers and rate payers.
9. TransCanada-Keystone could be required to provide a construction and operations reclamation plan that they and their contractors will follow for crossing private property, public property, public road right-of-way, rural water systems, and municipal drinking water pipelines throughout South Dakota, including a risk assessment completed by an independent consultant or the NTSB of the impacts an oil spill may have on South Dakota. The reclamation plan should cover the operating life of the oil pipeline, which is estimated by TransCanada at 50 years or more and should obligate all investors, partners and shippers involved in the crude-oil pipeline. The plan should be made available to landowners crossed by the pipeline as well as state and local emergency responders.
10. TransCanada-Keystone could be required to provide a remedial plan that they and their contractors will follow to clean-up soil, surface water and ground water contaminated by a construction spill or crude-oil spill during operations, both within the construction right-of-way and outside the right-of-way, including the cleanup of creek beds, ground water, drainage ways and soils that are impacted. The remedial plan should cover the operating life of the oil pipeline, which is estimated by TransCanada at 50 years or more and should obligate all partners involved in the crude-oil pipeline, including LLC and LP.
11. The permit application TransCanada filed with the federal government predicts that there will be oil leaks and pipe failure. (*Pipeline Risk Assessment pg 3-2*). TransCanada and its partners could be required by the PUC or by state law to post a bond or cash payment with the State of South Dakota, the Public Utilities Commission and/or the Department of Environment and Natural Resources to cover the cost of clean-up of any oil spill should one occur during the 50-year life of the TransCanada-Keystone Oil Pipeline.
12. The SD Public Utilities Commission could be given the authority and responsibility by the State Legislature to arbitrate easement acquisition disputes in an effort to reach reasonable settlement before TransCanada is allowed to use South Dakota eminent domain laws to condemn land held in private ownership. The process should include independent appraisers using methods to determine fair compensation for temporary and permanent right-of-way easements including loss of production. The rights of private property owners along the pipeline route in South Dakota should not be left to the

mercy of professional land acquisition agents that TransCanada, an international oil company, have sent in to South Dakota to secure easements under the threat of condemnation using South Dakota eminent domain laws.

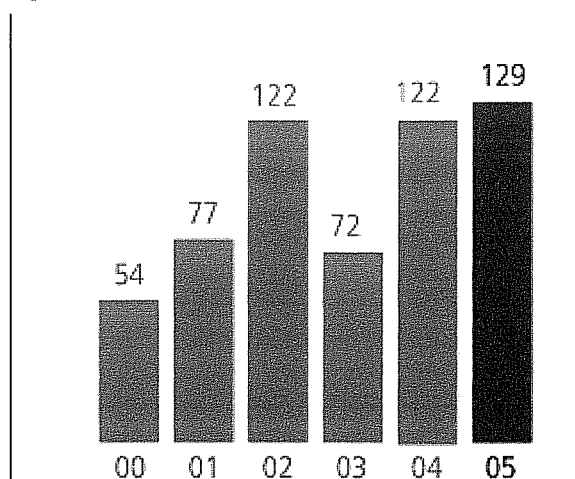
13. The SD Legislature could establish in law a process for **evaluating damage to land, water and resources by a gas or crude-oil spill**, and a method and process for determining compensation for property damage caused by a gas or crude oil spill. The plan should include a “no cost” administrative appeals process available to landowners and property owners who are not satisfied with the result of negotiations with TransCanada-Keystone or other gas and oil pipeline builders and operators.
14. The SD Legislature could **require** that oil and gas pipeline companies crossing South Dakota file **detailed construction drawings and plans stamped by engineers licensed to do business in South Dakota**, with the Department of Environment and Natural Resources and the Public Utilities Commission for **prior approval** before any permits are approved and before eminent domain is granted to cross South Dakota. The Department of Environment and Natural Resources (DENR) must approve construction plans for all water and sewer systems built in the state, and farm feedlot runoff containment, then why not the same requirement for high pressure crude-oil and gas pipeline plans?
15. The PUC or DENR could **require** TransCanada to allow the state to **monitor the operating pressure and flow of the oil pipeline** at various locations to assure that the system is not exceeding the authorized pressure. The cost of this monitoring equipment and annual testing and calibration should be paid for by TransCanada.

TransCanada –Who Are We Dealing With ?

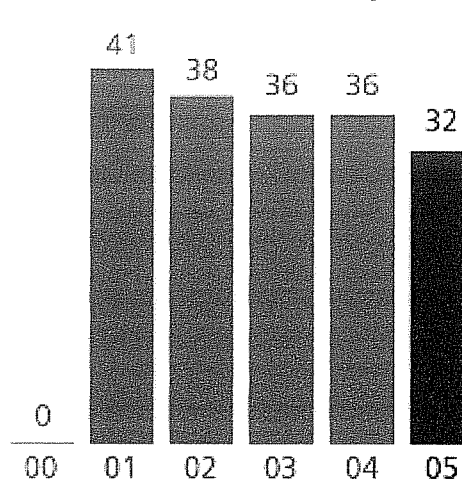
In South Dakota a lot business is still done with a hand shake. As the group of oil company investors begin the process of seeking permit approvals for the construction of 217 miles of high pressure crude-oil pipeline through South Dakota, it’s fair to ask,“Who is TransCanada” and why should we trust them?

TransCanada had 576 spills in the past 6 years according to their official website. Nearly 80 per cent of the spills were due to equipment-related leaks of hydraulic oil, lube oil, glycol and fuel typically of low volume (<5L). Four spills were classified as ‘Serious’ with 125 classified ‘Minor’ spill incidents. A minor spill is defined by TransCanada as: a spill, onsite that poses no adverse affect to the environment or impact to a water body or to groundwater. TransCanada had 183 non-compliance incidents in the 6 years. (<http://www.transcanada.com/social/responsibility/numbers.html>) .

Spill



Environmental Non-Compliance



TransCanada is a Canadian oil and gas pipeline transmission and electric power generating company. The Oil Digest reports that Conoco holds 50% ownership in TransCanada's proposed pipeline (Oil Digest 7/5/06). TransCanada reported profits of \$1.2 Billion in 2005 and \$1.05 Billion in 2006¹. As of a Jan. 31, 2007 report, TransCanada posted a total share return, including stocks and dividends of 15% in the past year and 20% annually for the past five years. (www.transcanada.com) TransCanada, founded in 1951, is a large energy company based in Calgary, Alberta. The company is the largest shareholder of TransCanada PipeLine, LP, which owns many of Canada's natural gas pipelines, as well as a number in the United

TransCanada's-El Paso Connection

According to the December 2006 *Toronto Star*, TransCanada paid \$3.39 billion for the Houston, Texas based ANR Pipeline Company, a subsidiary of El Paso Corporation, one of the largest interstate natural gas pipeline systems. In the deal, TransCanada also secured gas storage facilities in Michigan and 50% share of Great Lake Gas Transmission (www.anrpl.com). El Paso Corporation has experienced at least 40 pipeline ruptures since 1985, including the pipeline corrosion failure and explosion that took place at Carlsbad, New Mexico on August 19, 2000, and resulted in the deaths of 12 people, 5 children and 7 adults.

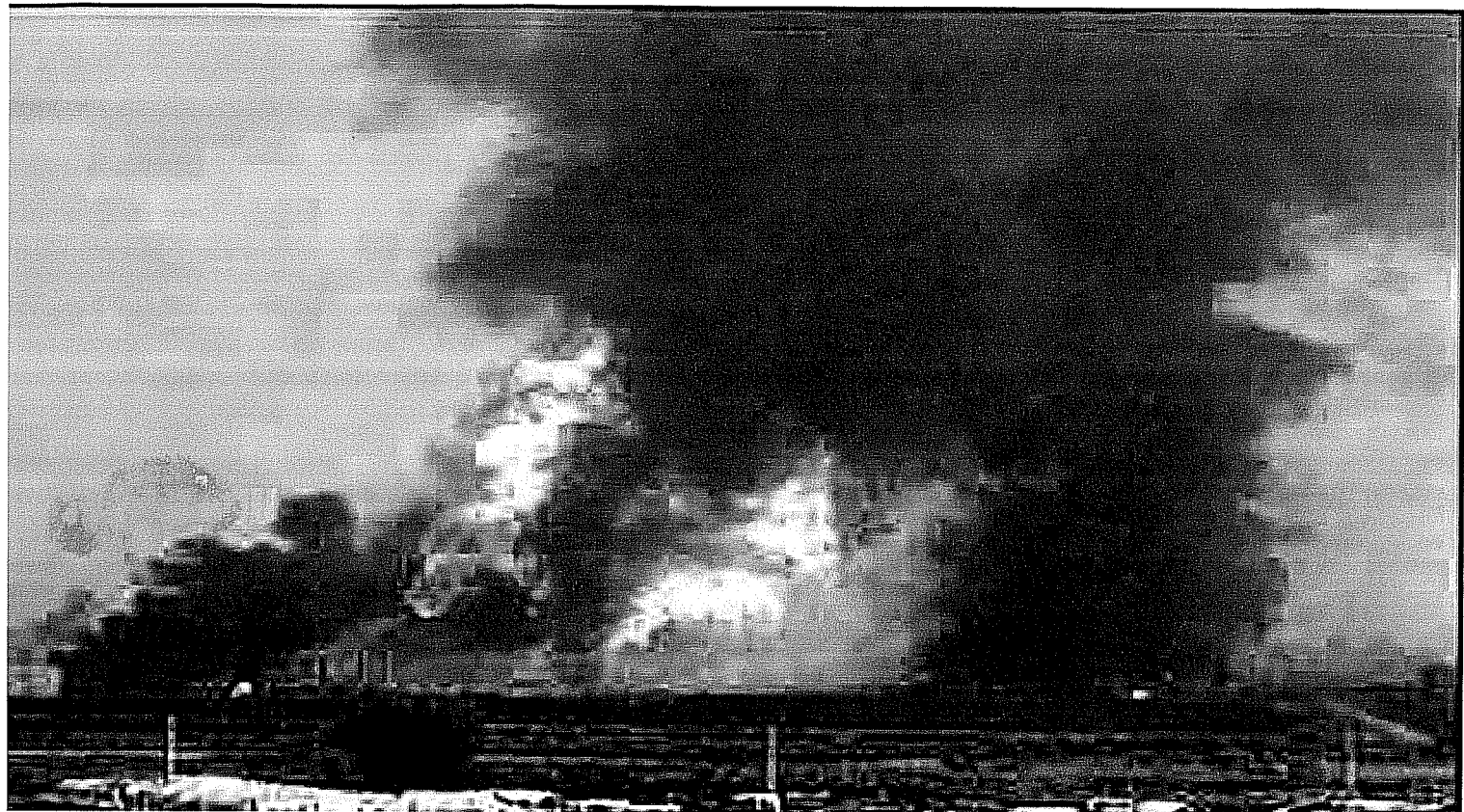
On February 7, 2007, the *Houston Chronicle* reported that El Paso Corporation had reached a court settlement with the U.S. Department of Justice to pay more than \$7.7 million to settle claims that it helped the former Iraqi regime receive millions in kickbacks through a U.N. sponsored humanitarian "Food for Oil" program.

The settlement includes \$5.48 million, which is the amount of illegal surcharges El Paso's oil purchases provided to the former government of Saddam Hussein and \$2.5 million in civil penalties to the Securities and Exchange Commission (SEC).

The \$5.48 million fine collected by the U.S. Department of Justice from El Paso Corp., will be used to purchase humanitarian goods for the people of Iraq. According to a 2005 report by former Federal Reserve Chairman Paul Volcker, about 2,200 companies in dozens of countries paid nearly \$1.8 billion in kickbacks to Saddam Hussein's government through the "Food for Oil" program. Other U.S. companies charged in the scam were Chevron, Texaco, Mobil, Coastal Corp, and Bayoil USA.

References:

1. Keystone Pipeline Project Construction Mitigation and Reclamation Plan, TransCanada, (April 4, 2006 Rev. 3)
2. Pipeline Risk Assessment and Environmental Consequence Analysis, TransCanada - Keystone Pipeline Project (June 2006) ENSR.
3. Bemidji Crude-Oil Research Project, United States Geological Service Fact Sheet 084-98
4. Handbook of PVC Pipe Design and Construction, 1982, Uni-Bell PVC Pipe Association.
5. AWWA Study - Iowa State University, 2007; impacts of petroleum on PVC water line
6. Office of Pipeline Safety, studies and reports
7. National Transportation Safety Board, "Pipeline Accident Report, Pipeline Rupture and Fire Near Carlsbad, NM, August 19, 2000"
8. WestLaw, Natural Resources J. 44- 243
9. US Dept. of Agriculture, Soil Conservation Service. Soil Surveys: Brown Co. 1994, Day Co 1990, Marshall Co 1970, Beadle Co 1975.



Will TransCanada-Keystone bring crude oil leaks and oil fires like this to South Dakota ?

