



South Dakota Association of Rural Water Systems

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December 7, 2007

Dusty Johnson
Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070

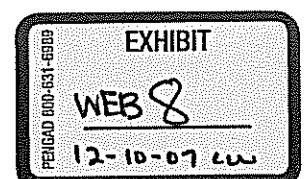
Dear Chairman Johnson:

Attached please find for the Public Utilities Commission's review a resolution regarding the TransCanada-Keystone Pipeline from our Board of Directors. This resolution was passed at our December 6, 2007 Board Meeting. We respectfully request that it be entered into the official record of your current hearing on this matter.

Sincerely,

Donald Hentges
President
South Dakota Association of Rural Water Systems

Cc: Governor Mike Rounds
Attorney General Larry Long
Public Utilities Commission
Gary Hanson
Steve Kolbeck
Steven M. Pirner, SD DENR
Senator Tim Johnson
Senator John Thune
Representative Stephanie Herseth
Senator Dave Knudson
Senator Scott Heidepriem
Representative Larry Rhoden
Representative Dale Hargens
File



1 **South Dakota Association of Rural Water Systems**
2 **(SDARWS) Resolution**
3 **TransCanada-Keystone Pipeline**
4 **12/06/07**

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7 WHEREAS: the goal of Rural Water Systems across South Dakota is to provide
8 continuous drinking water service that meets or exceeds the Safe Drinking Water Act
9 regulations, and is supplied in a sufficient quantity, and at a reasonable price, and;

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11 WHEREAS: the safety and protection of system workers, infrastructure, treatment
12 facilities, and storage tanks, is of the highest priority, and;

13
14 WHEREAS: source water and wellhead protection areas are requirements of the
15 Environmental Protection Agency and the South Dakota Department of Environment and
16 Natural Resources, and one of the highest priorities of rural water governing boards, and;

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18 WHEREAS: the cost to replace, relocate, or reroute water transmission mains, service
19 lines, storage tanks, pumps and treatment facilities, due to soil and/or water
20 contamination, is not a financially viable option for rural water systems, and;

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22 WHEREAS: the majority of rural water lines are polyvinylchloride (PVC), are normally
23 buried at a depth of five to six feet, and the ease at which petroleum based products can
24 permeate and damage PVC and rubber gasket materials, the need exists to establish
25 guidelines for crossing and protecting existing and future water lines from those carrying
26 petroleum, and;

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28 WHEREAS: on April 19, 2006 TransCanada Pipeline Limited of Calgary, Alberta,
29 Canada filed an application on behalf of TransCanada-Keystone Pipeline with the U.S.
30 State Department for a Presidential permit to cross the border and build a buried steel
31 pipeline for the purpose of moving crude oil from the oil sands area of Hardisty, Canada
32 through North Dakota and South Dakota to refineries in Illinois, Oklahoma and
33 eventually Texas, and;

34
35 WHEREAS: on April 27, 2007 TransCanada-Keystone Pipeline of Calgary, Alberta,
36 Canada filed an application with the South Dakota Public Utilities Commission (SDPUC)
37 for a permit to construct and operate the TransCanada-Keystone Pipeline, 220 miles of
38 30-inch buried steel pipeline for the purpose of moving crude oil from the oil sands area
39 of Hardisty, Canada through North Dakota and South Dakota to refineries in Illinois,
40 Oklahoma, and eventually Texas, and;

41
42 WHEREAS: as currently planned, the TransCanada-Keystone Pipeline route will cross
43 the service areas of seven (7) rural water systems in South Dakota, including: BDM

RWS, WEB WDA, Clark RWS, Kingbrook RWS, Mid-Dakota RWS, Hanson RWS, and B-Y WD and will impact water systems by crossing rural water lines, and;

WHEREAS: based on information filed with the South Dakota PUC and the U.S. State Department, as currently designed, the TransCanada-Keystone Pipeline will operate at pressures ranging from 1,400 psi to 1,700 psi and will transport 435,000 to 591,000 barrels of crude oil per day, which at 42 gallons per barrel equals 18,270,000 to 24,822,000 gallons of crude oil per day, and that the crude oil will be heated up to 80 degrees so that the thick crude can be pumped and moved through the pipeline, and will contain Benzene, Hydrogen Sulfide, Toluene and other chemicals and elements which are considered toxic and pollutants by the US Environmental Protection Agency if released into the environment, which are elements rural water systems test for as part of the Safe Drinking Water Act requirements, and;

WHEREAS: on August 23, 2007 TransCanada-Keystone Pipeline informed the SDPUC and interveners that on April 30, 2007 TransCanada-Keystone Pipeline had secured a "Special Permit" from the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA) to operate the Keystone Pipeline with pressures at 80% of the pipes design factor while other oil pipelines in the U.S.A. have operated at 72% of pipe design factor, and;

WHEREAS: in the event of a petroleum spill or crude oil leak on this high pressure crude oil pipeline, the potential exists for the crude oil to come in contact with the PVC (plastic) pipelines that are used by rural water systems, and that such contact will damage the PVC water lines, as confirmed by an engineering study completed by Iowa State University, commissioned by the AWWA (American Water Works Association), and;

WHEREAS: pages 1 and 19 of a report dated May 1, 2006, prepared by DNV Consultants, a risk consultant for TransCanada-Keystone Pipeline, filed with the SDPUC shows that crude oil leaks of less than 1.5% pipe volume may not be noticed or detected by the SCADA computer control systems TransCanada-Keystone Pipeline will be using and may not be found for as long as 90 days, which could result in crude oil leaks of 372,330 gallons per day (8,865 barrels per day) which figures out to 11 million gallons of crude oil per month or 33 million gallons of crude oil over 3 months, and;

WHEREAS: the TransCanada-Keystone Pipeline is routed through and across aquifers identified by groundwater studies completed by the SD Geological Survey and the US Geological Survey, and through and across shallow aquifers located in Marshall, Day, Clark, Beadle and other counties of South Dakota, and;

WHEREAS: a leak or crude oil spill from a high pressure crude oil pipeline like TransCanada-Keystone Pipeline could pollute and damage shallow aquifers that are the only reliable water source for a rural water system and it's customers, and;

WHEREAS: the installation of petroleum carrying pipelines through environmentally sensitive areas, and locations where the general public resides and travels, may require

specific safety training for emergency response providers and rural water operations staff,
and;

WHEREAS: in the event a petroleum release would occur in, around, or nearby rural water infrastructure and facilities, and such event disrupts service to customers, guidelines [written by the South Dakota Department of Environment and Natural Resources-Creating a LUST (Leaking Underground Storage Tanks) type fund] for receiving emergency funding and system financing should be established prior to the need to move, replace, and reroute rural water lines to maintain customer service, and;

WHEREAS: a leak or crude oil spill from a high pressure crude oil pipeline like TransCanada-Keystone Pipeline could pollute and damage shallow aquifers that are the only reliable water source and water supply for farms, towns and rural water systems, and;

WHEREAS: the TransCanada-Keystone Pipeline is proposing to cross the Missouri River near Yankton, SD which if it were to leak or fail could impact the scenic designated section of the Missouri River and could impact or increase the risk of impact to water quality of that stretch of the river, and;

NOW, THEREFORE BE IT RESOLVED: that the South Dakota Association of Rural Water Systems (SDARWS) does hereby urge the SD Public Utilities Commission, the Governor, South Dakota Legislature, the Attorney General of South Dakota, Department of Environment and Natural Resources, and the South Dakota Congressional Delegation to protect rural water systems, ground water supplies and communities they serve by imposing conditions on any permit issued to TransCanada-Keystone Pipeline that will assure every protection possible under federal and state laws against crude oil leaks and “spills and in the event of a crude oil leak or spill, that TransCanada-Keystone Pipeline be held liable, and;

BE IT FURTHER RESOLVED: that SDARWS would ask for a pipe wall thickness greater than the 0.338 inch being proposed by TransCanada-Keystone Pipeline, and be provided equal protection as road crossings with a 0.551 inch wall thickness when crossing High Consequence Areas which include aquifers, and rural water system line(s), and;

BE IT FURTHER RESOLVED: that one of the conditions imposed on the permit by the SD Public Utilities Commission and the State of South Dakota is a fee or tariff on each barrel of oil that passes through South Dakota on the TransCanada-Keystone Pipeline in the amount of \$0.15 per barrel. That a high quality and accurate metering device be installed at TransCanada-Keystone Pipeline’s expense where the pipeline enters the state at the North Dakota State Line and leaves the state at Yankton, SD, which will be monitored and maintained by the SD Revenue Department which will be charged with collection of the fee or tariff with the funds collected to be placed in an interest bearing reserve fund to be used to cover the cost of crude oil spill cleanup, damage to private

property, impact to groundwater supplies, impacts to rural water systems, and other costs related to the operation of the TransCanada-Keystone Pipeline, and;

BE IT FURTHER RESOLVED: that reciprocal and reasonable guidelines, terms and agreements should be developed between South Dakota rural water systems and TransCanada-Keystone Pipeline for future crossing of crude oil pipelines by rural water lines, and;

BE IT FURTHER RESOLVED: that the SDARWS Board of Directors understands the importance of transporting petroleum products through eastern South Dakota and in cooperation with the parties involved recommends appropriate policies and financial arrangements be established to protect our drinking water resources, delivery, storage, and treatment facilities from potential contamination and the inability to provide service, and;

BE IT FURTHER RESOLVED: SDARWS realizes the importance of the TransCanada-Keystone Pipeline project, and the importance of continued energy resources to our state and country. SDARWS also recognizes the importance and value of quality drinking water in a sufficient quantity to our customers, and;

BE IT FURTHER RESOLVED: that SDARWS has serious reservations and concerns with the TransCanada-Keystone Pipeline and urges the State to insure water resources are protected and the Department of Environment and Natural Resources be utilized to insure water sources and water systems are protected through the regulatory process.