



Gary Hanson, Chair
Dustin Johnson, Vice Chair
Steve Kolbeck, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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January 25, 2008

Luanne Napton
South Dakota Resources Coalition
928 4th Street Office 4
Brookings, SD 57006

Re: TransCanada Keystone Pipeline – Docket HP07-001

Dear Ms. Napton:

Thank you for your letter regarding TransCanada's Keystone Pipeline application filed with the South Dakota Public Utilities Commission. The Commissioners are currently engaged in the decision-making process regarding this application and cannot discuss this docket. Therefore, your letter was forwarded to me to respond to. I work on the TransCanada docket as Commission Staff Attorney.

The Commission takes its role regarding this docket seriously. It engaged in both a public hearing process and an evidentiary hearing process. The public input hearings held along the pipeline route resulted in more than 20 hours of testimony. The evidentiary hearing also included a public hearing and a week of testimony. The public input process and the evidentiary hearing process have concluded, and the evidentiary record has been closed. I expect the Commissioners to render a decision prior to the April 27 deadline, per the timeframe outlined in statute. The Commissioners have a great deal of testimony and information to study prior to issuing a decision. Filed and audio-recorded testimony is available for your review via the PUC Web site: www.puc.sd.gov. Select Commission Action, Commission Dockets, 2007 Hydrocarbon Pipeline and HP07-001.

I will address your concerns individually:

- 1) You requested the Commission require the applicant pipeline post a bond. The Commission can only order the applicant to comply with the rules and laws as they are

currently written. As a result of several other requests for a similar bond, Commission Staff researched the topic. Our findings concluded that a South Dakota statute or rule does not exist to allow the Commission to Order the pipeline company post a bond. We, therefore, do not believe the Commission has the jurisdiction to make such an Order.

However, current federal pipeline regulations and state statutes require the pipeline company completely remediate any spill. The current regulations are structured to protect the surrounding environment and landowners.

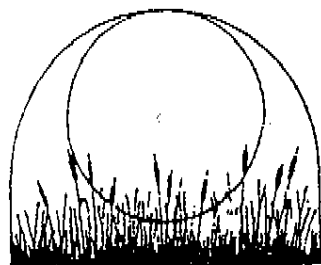
2) You requested the Commission develop a proper template for easement contracts. Again, Commission Staff researched the easement topic, as questions regarding this were raised by several landowners. Again, we found no statute to allow Commission involvement in private contractual agreements – which is what such an easement is. The law treats an easement you may have with your neighbor the same as one you may have with a pipeline company. An easement is a legal type of contract that government agencies cannot control.

3) Finally, you requested the Commission assess a tax on the “goods and services” flowing through the pipeline. The Commission does not have general taxing authority so we cannot assess a tax such as you suggest.

Thank you again for your letter. Public input was clearly an important part of this process. Our Web site is an easy way to follow the progress of this docket. Please let me know if I can provide any further assistance.

A handwritten signature in cursive script that reads "Kara Semmler".

Kara Semmler
Commission Staff Attorney



South Dakota Resources Coalition

Volunteers in the public interest since 1972

Phone: 605-697-6675

928 4th Street, Office 4, Brookings, SD 57006

January 23, 2008

Commissioner Gary Hanson, Chairman
Public Utilities Commission
FAX number: 866-757-6031

Dear Commissioner Hanson:

South Dakota Resources Coalition (SDRC) requests that you provide a three-part approach for common sense to the Keystone Pipeline Project. A key word in our name- "Resources"- implies, but also demands, that we, as a state, perform as a steward for those precious gifts that we inherit. Part of that stewardship requires that we act as prudent business people when it comes to the future direction of the Keystone pipeline.

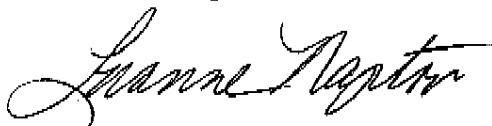
Numerous individuals at the recent PUC hearings concerning the permitting of Keystone suggested the need for bonding both for performance and clean up. Any claims for proper performance can only be backed by bonding and insurance, not public claims. Granting a permit even under the most stringent requirements will not guarantee proper performance. There must also be incentive and personal responsibility to guarantee proper performance. There is no better incentive than an insurance company insisting that there be no mistakes. Keep in mind that TransCanada is multi-national, for profit, company that uses a corporate "veil" to separate its assets and resources from potential liability. No one individual associated with TransCanada is at risk for losing his/her personal finances. As business people, we need to make sure that performance is not just spoken but also secured with incentive and responsibility. Proper bonding is not a choice. It must be a requirement. With the operation of Keystone, failure is not an option.

Most easements obtained by Keystone only provide monies for crop damage and an initial payment during the first year only. Easements, whether granted freely or by eminent domain, need to provide annual reimbursements as long as the pipeline lies within the boundaries of the properties affected. How many landlords allow a tenant to occupy a property rent free by only making a down payment deposit? Further more, how many landlords use a lease written by a tenant as the basis for the rental arrangement? The state of South Dakota urgently needs to develop a proper template for easement contracts that financially secures and rewards the property owner for their cooperation with Keystone, not just now but for the entire life span of the pipeline. Again, we as the state of South Dakota need to behave like business people.

Goods and services moving within and through South Dakota provide an "economic blood flow" that helps to build and grow our state. When goods and services are purchased or consumed in our state, sales and excise taxes are paid. When transport vehicles or trucks use our Interstates or highway systems, they pay a state fuel tax. When crude oil flows through a pipeline buried underground running through South Dakota, there needs to be a "flow fee" paid to the state of South Dakota. We tax most every other for profit activity in this state. When a multi-national, for profit company partners with our state to make financial gain, we as a state need to be duly compensated. Once again, we need to act like business people.

SDRC strongly urges the public officials of our state to act as stewards of our resources with the responsibility to be prudent business people. With over 35 years as an advocate for the resources of our state, SDRC has the knowledge and background to sense what is important. Our members come from all ways of life in South Dakota. We, as all South Dakotans, expect that you demonstrate leadership on these difficult issues concerning Keystone. Proper bonding, adequate annual compensation for landowners, and financial dividends to the state of South Dakota need to be part of the package that Keystone provides as it partners with the people of South Dakota. SDRC appreciates your serious consideration of our proposal.

Sincerely,



Luanne Napton, President
SDRC Board of Directors