

# **Keystone Pipeline SD Pipeline Liaison Quarterly Report**

**Second Quarter 2009  
April 01, through June 30, 2009**

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## **1. General Liaison Activity**

In the second quarter of 2009, beginning April 1<sup>st</sup> and ending June 30<sup>th</sup>, construction of the Keystone pipeline resumed in South Dakota, with two construction spreads (3B and 4B) kicking off in early May. Construction on Spread 3B commenced in Day Co. where last years construction on Spread 2A, concluded. Another contractor started work on Spread 4B part way into Hutchinson Co, SD and is working through Yankton Co., into Nebraska where the line will join Spread 5B. Crews also resumed the cleanup and final restoration in North Dakota and South Dakota on Spread 2A. Environmental conditions are finally allowing for effective reclamation work to take place, there are several trouble spots where a plan will be put into place to alleviate any future issues in the years following reclamation.

The primary issues that were brought to the liaison officer were related to roads and the timing of clean up. The start up of construction was delayed slightly in spring when winter weight restrictions were not lifted as early as anticipated, due to deep frost levels. Keystone representatives met with many county and township road officials, throughout the project area, to work out plans to mitigate the impact on roads and to facilitate communication of road issues between parties once construction began. Going into the third quarter there are still some on going issues with road conditions as construction progresses through the State and Keystone is working with counties and townships to address repairs of each road where a problem is reported. Typically, these are easily fixed with blade work and gravel, Keystone holds a weekly teleconference meeting with all responsible parties to address and update each road issue.

Reclamation continues in tandem with construction as environmental conditions allow in 3B and 4B, there is also a clean up crew working through Marshall and Day Counties on Spread 2A. Land agents continue to communicate with affected parties as construction and clean-up activities progress. Construction will continue through the third quarter of the year and clean-up reclamation will likely continue into the fourth quarter, environmental conditions will again play a role in the construction schedule.

## **2. Issue Tracking**

In the second quarter of 2009 , there were a total of 212 calls related to the Keystone Pipeline and 14 meetings with concerned parties and agencies, which primarily related to county and township roads. The liaison office also received 2 letters and 8 emails regarding pipeline issues. There were contacts made with 23 landowners, 14 tenants and 22 agencies and various other interested parties with project inquiries.

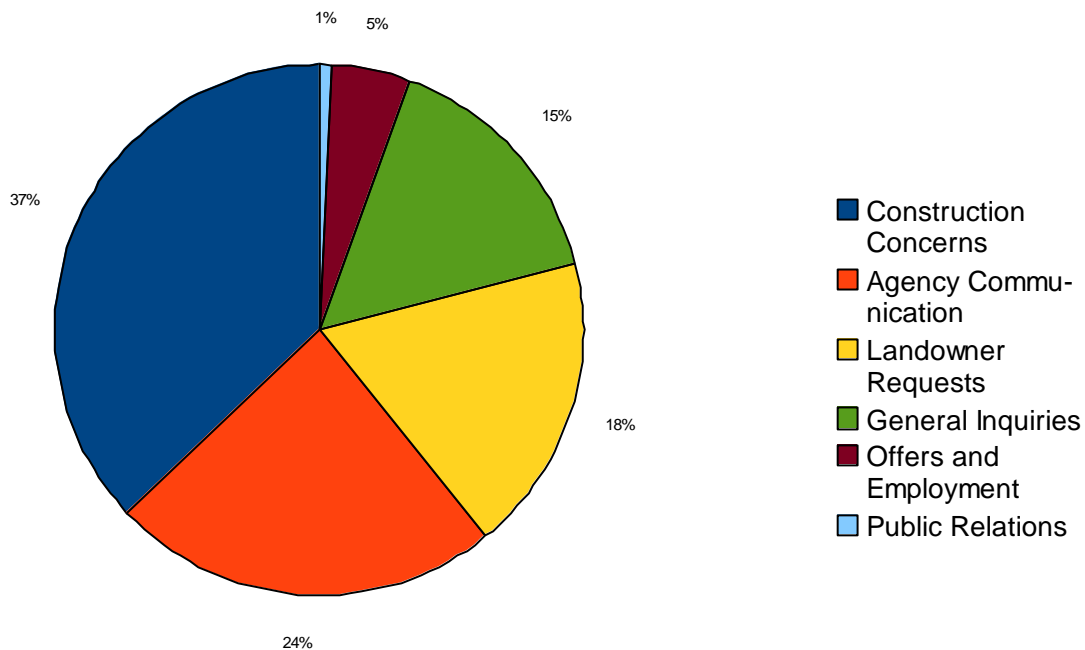
Construction activities are once again the focus of issues brought to the liaison officer. Of the all the contacts, 53 related to construction concerns with the majority of those regarding roads, this is followed by reclamation and clean up issues. There were 34 contacts with permitting agencies primarily county and township road boards. There were 26 landowner requests regarding field access, damage compensation, fencing and other related requests. There were fewer general inquiries and offers about the pipeline than there were in the active construction quarters last year with 22 about construction and timing and only 3 inquiries about employment and housing. There was only one media and public relation related event, the City of Yankton Ground Breaking Ceremony. The remaining contacts were follow up calls and meetings that

related to one of these proceeding categories.

The types of issues to come into the liaison office can be broken into the following six categories:

- a) Construction Issues and Concerns 37%.
- b) Permit and Agency Communications 24%.
- c) Landowner Requests for damages and crop access 18%.
- d) General Inquires 15%.
- e) Offers to the Contractor/Inquiries to Employment Possibilities 5%.
- f) Public Relations and Press Events 1%.

*(see Illustration 1- Issue Details)*



### 3. Construction Concerns

Roads were the primary issue brought to the liaison office as construction began in the second quarter of the year. The responsible road agencies were concerned with the soft roads and deep frost levels coming out of winter. There was heavy impact to roads across the state due to the heavy precipitation levels and cold winter in 2008/2009. Keystone representatives met with the Counties and Townships in the construction area to work out mitigation and maintenance plans to try to reduce some of the impact of construction on these roads. Routes were selected and agreed upon by affected parties and some repairs were begun prior to construction kick off to repair trouble spots in advance. Many of the road complaints also related to dust control and reporting locations that were in need of treatment with mag-chloride solution or requests for speed control signs.

There were several locations where issues were not addressed as quickly as they might have

been. This was due primarily to the fact that, a number of activities took place concurrently on some roads. There was some confusion as to who was the responsible party required to repair the road. In order to alleviate this situation Keystone has set up weekly teleconferences to address all road issues that come up across the project. A responsible party is assigned to each issue that is brought to Keystone's attention. That party works with the County and/or Township(s) involved to complete the repairs and maintenance needed.

Clean-up is another issue that is a major concern brought to the Liaison Office, especially in Spread 2A where construction was not completed until the first quarter of 2009. Keystone continued to monitor problem areas that related to the spring thaw and worked with affected landowners during this quarter to settle damage losses. We continue to work with landowners to come up with comprehensive reclamation plans on properties that have difficult environmental conditions.

Most issues arising from the wet conditions in the fourth quarter of 2008, that hindered harvest, have been dealt with through compensation of losses to any affected party. There were few claims for damages and there appears to be little long term affect to areas where dewatering took place. This year land agents are working with the contractor to find dewatering locations in advance of construction so it will not affect progress of construction or the crop yield or other land uses. Coming into the second quarter there were some concerns about spring planting in 2A, contractors worked with landowners to allow for access to fields that were affected by the un-reclaimed right-of-way, ROW, areas.

Keystone set up a "Fire Crew" that is available to move to various locations and take care of smaller issues that come up due to construction. This crew was used to alleviate many of the issues that arose during the fourth quarter of 2008 and first quarter of 2009, that related to drainage issues and field access. They are now working on clean up efforts in Spread 2A and parts of 3B.

There are currently three full clean up and reclamation crews working in South Dakota, one working each spread. The first crew started at 130<sup>th</sup> Street in Day Co and is working south reclaiming the southern end of Spread 2A and following construction through Spread 3B. The second crew started at the South Dakota boarder and is working their way south to 130<sup>th</sup> St. The third crew started in Hutchinson Co., at the beginning of Spread 4B and will follow the pipeline construction through into Nebraska. On average these crews clean up around a mile a day when conditions allow for reclamation work to take place. Wet weather will slow the progress of these crews. They try and work as quickly as environmental conditions allow to keep reclamation concurrent to construction and limit the time land is impacted.

There are some additional environmental concerns on Spread 2A due to the lag in reclamation caused by heavy precipitation. Keystone may have to do some areal spraying of weeds to insure that weeds do not establish on the topsoil piles prior to reclamation. Keystone is meeting with individuals who have specific reclamation concerns to come up with a solid reclamation plan in areas where there are concerns with noxious weeds, drainages or wetlands, etc. Following the reclamation of a property the contractor also mets with the landowners to make sure there are no further issues that need to be addressed before crews move on.

#### **4. Agency Communications**

The primary communications this quarter with agencies were related to road use, permits, mitigation and repair planning. The liaison met with 7 counties and 11 townships, in order to document their concerns and facilitate communication with Keystone to address the agencies needs and work out a repair plan with Keystone. The liaison office will continue to meet with road boards to address the condition and use of the roads affected by the Keystone project and make sure that roads are kept safe and passable to the public throughout the construction. Although, there are some on going road issues throughout the state, thus far, county and township officials have expressed their satisfaction with the efforts put forth by Keystone to address the road issues that come up during construction.

There were also correspondences with members of the PUC this quarter, regarding landowner and concerned citizen issues that were directed to the PUC commission and staff members. The liaison worked with the PUC and the concerned parties to address these issues and come to a resolution. There was one issue that resulted in a written report to the PUC regarding an incident with a contractor crew and a landowner. This issue will be fully resolved early in the third quarter. There are several other open issues that will be followed into the third quarter, regarding road repairs and concerns with construction and reclamation. The liaison officer will continue to report to the PUC on these issues and the actions taken to resolve them. Roads and road use were also the primary complaints that came into the PUC regarding construction of the Keystone although there are several other construction and informational topics that were addressed.

#### **5. Landowner Requests**

Landowner requests from previous quarters were taken care of by the “fire crew” that was set up by Keystone. The purpose of this crew is to be available to take care of landowner issues and requests quickly. One situation that Keystone faced in 2008, was that the crews with the necessary equipment to resolve a problem were often working on construction in an area located away from the issue. They would have to be mobilized to the location which caused a delay in construction and in the response time. This “fire crew” can handle most landowners requests such as field access, ROW crossings, blocked drainages and spot fencing. There were also concern as to whether or not it is safe for landowners to take equipment across the ROW, which was addressed on a case by case basis. For the most part any area where reclamation has taken place the landowners or tenants have been able to plant right away.

There were again some requests for, or inquiries about, damage compensation and payments, these concerns were directed to Keystone and the Land Office in Huron SD. Land agents were often sent out to address the landowner concerns and pay damage compensation on all legitimate claims.

Other landowner requests pertained to fencing and reclamation issues that will continue to be monitored and followed up on throughout the 2009 construction and reclamation season.

## **6. General Project Inquiries**

There were fewer general inquiries this quarter than others, however the main questions asked were about the time line of construction and reclamation of the Keystone. There were also general questions about the Keystone XL project which were referred to the proper personnel. There have been several calls from tenants and landowners who were wondering about when construction would begin in on their property.

## **7. Offers and Employment**

There were fewer calls regarding lodging and employment opportunities this quarter. There were only three inquiries about providing materials or services for the pipeline project. These were directed to Keystone and the contractors local construction yards, for more information on hiring or to give information on lodging or services they could provide. It is likely that locals are beginning to call the contractors directly in the local offices to inquire about these topics. There are offices in state and local communities are aware of their location and contact information at this point.

## **8. Public Relations and Media**

The only public relations event in the second quarter of the year relating to the Liaison Office was the Ground Breaking Ceremony put on by the City of Yankton, to welcome the pipeline and workers to the city.

## **9. Open Issue Update from Previous Quarters**

Several open issues are being tracked from 2008 and the first quarter, the status on these are as follows;

- a) Water run off was monitored into the second quarter at several locations of Marshall and Day Counties reclamation is now possible in most of these areas. Reclamation is taking place in 2A and 3B as conditions allow. Remediation plans are being developed in conjunction with landowners for problematic areas.
- b) The cathodic protection inquiry about a radio tower near Yankton, SD has been addressed by the cathodic protection specialist who developed the plan for spread 4B. It was found that there is little to no potential interference, if the system is found to occur in the future it will be addressed by Keystone Operations Managers upon the occurrence.
- c) There are several reclamation items on the Anderson property that will be followed throughout the 2009 construction season as well as monitored post reclamation. No work has been conducted on this tract since the pipe installation work was completed in February 2009.
  - Keystone representatives and site specific experts are working with the Anderson's to develop a comprehensive reclamation plan for their property. No reclamation work will take place on their property until Mr. Anderson is notified and agrees that conditions are

right.

- Spring run off water did cause some topsoil erosion on this property. Keystone is addressing this issue to insure that the reclamation plan results in successful long term reclamation of this property. Keystone Operations Management have met with the Anderson's and will continue to work on the issue so there is not a soil loss issue over the Keystone ROW following every flood event.
  - Parkview Nursery will provide an exact seed match of the native grasses on Anderson's property and will re-seed the grassland area following reclamation work and topsoil replacement.
  - The property will also be closely monitored to ensure that no leafy spurge is introduced to the property during the construction and reclamation activities. If any noxious weeds appear, they will be controlled with herbicide application.
- d) Fence issues have been taken care of for most landowners who have requested temporary fencing Keystone will continue to work with those who request fencing following reclamation to keep cattle off of the ROW as the grassland reestablishes.
- e) Landowners who had requested assistance getting access to areas of their field for spring planting were accommodated in most cases. There were some isolated crop loss issues resulting from limited access or fourth quarter 2008 dewatering that were compensated for by land agents but these were minimal

## **10. Open Issues from the Second Quarter 2009**

The open issues from the Second Quarter are as follow;

- a) Keystone will continue road repairs and maintenance during construction. Keystone will continue to work with affected counties and townships along the construction corridor to pro-actively address road issues during construction. They will continue to work toward the final reclamation and repair of haul routes as construction moves on to other areas. All roads will be addressed by the governing officials and Keystone will seek a release of liability on the roads with haul route agreements once the counties and townships are satisfied with the final repair efforts.
- b) Keystone will work with landowners to complete reclamation of areas that have specific concerns and will work with them on the timing of reclamation as environmental conditions allow. Damage compensation issues will be address by the land department as losses become apparent over the course of the 2009 season.

## **11. Summary**

Road repairs and final reclamation were the primary concerns that were brought to the Liaison Officer this quarter. Many open issues from previous quarters were addressed this quarter, when frost laws were lifted, the contractors were able to get equipment mobilized to the



location of various issues and landowner requests. Construction during the second quarter was also delayed by environmental conditions resulting from heavy precipitation and a deep frost in the soils. This also led to further issues, primarily concerning the already weather stressed county and township roads. Many of the meetings and contacts made to and by the Liaison Office were regarding road use, maintenance and final repairs and reclamation. In an attempt to avoid some of the road issues from the previous year Keystone is holding weekly conference calls to update the status of roads and address any repair issues quickly.

Reclamation is also an issue of primary concern for many tenants and landowners on the project. Land agents and the liaison officer are meeting with landowners to address concerns, inform them of methods and scheduling, and in some cases help come up with reclamation plans for unique conditions. With the exclusion of the area delayed last year in Spread 2A reclamation is on schedule following the mainline construction in Spreads 3B and 4B. Reclamation is complete in Spread 2A from 130<sup>th</sup> St., south past SD Hwy 12 and into spread 3B, there is an additional crew working south from the northern boarder of South Dakota south toward 130<sup>th</sup> St., as conditions allow.

Mainline construction is fairly close to the predicted schedule and crews are making good progress through the state. The bulk of construction should be complete in South Dakota during the third quarter although there will still be tie-in, testing and reclamation work continuing into the fourth quarter of the year. Overall, construction of the Keystone pipeline is going well and the Liaison Office is working to address every concern that is brought to attention.