

**South Dakota Public Utilities Commission
TransCanada Keystone Pipeline, LP
Docket HP07-001
Response to Staff's First Data Request**

**June 18, 2007
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Data Request:

Please provide a statement of the consequences of delay or termination of the construction of the facility per 20:10:22:10.

Response:

Delay or termination of the construction of the Keystone project would have adverse impacts on the local economy, Keystone shippers, US refiners and US consumers.

Delay or termination of the construction of the Keystone project would delay or negate the positive economic impacts on the local and state economy identified in Section 6, including the significant local labor and services required for the pipeline and facilities construction, economic benefits to local commercial sectors, as well as local and state taxes.

As noted in Section 3, binding contracts of 340,000 bpd were received for the Keystone project, which demonstrate the need for incremental pipeline capacity to deliver Canadian crude oil to U.S. refineries. Delay or termination of the Keystone project would prevent the project from meeting the demand for additional capacity in the timeframe identified by Keystone shippers through these binding commitments.

As also described in Section 3, the purpose of the Keystone project is to transport incremental crude oil production from the Western Canadian Sedimentary Basin to meet growing demand by refineries and markets in the U.S. Growing demand by refineries is driven by increasing consumer demand for refined products including gasoline and diesel. At the same time, domestic production of crude oil in the U.S. has been declining and is forecast to continue to decline after 2007. The increase in demand for crude oil and refined products, coupled with declining domestic production, points to the need for imports of crude oil to increase.