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SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

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IN THE MATTER OF THE APPLICATION OF  
TRANSCANADA KEYSTONE PIPELINE, LP FOR A  
PERMIT UNDER THE SOUTH DAKOTA ENERGY  
CONVERSION AND TRANSMISSION FACILITY ACT  
TO CONSTRUCT THE KEYSTONE PIPELINE PROJECT

HP07-001

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Transcript of Proceedings  
Clark, South Dakota  
June 26, 2007

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BEFORE THE PUBLIC UTILITIES COMMISSION,  
DUSTIN JOHNSON, CHAIRMAN  
GARY HANSON, VICE CHAIRMAN  
STEVE KOLBECK, COMMISSIONER

ORIGINAL

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Reported By Cheri McComsey Wittler, RPR, CRR

1 PRESENT FOR TRANSCANADA  
2 Robert Jones  
3 Michael Koski  
4 L.A. "Buster" Gray  
5 Heidi Tillquist  
6 Meera Kothari  
7 Sandra Roth  
8 Scott Ellis  
9 Brian Thomas  
10 Nicole Aitken

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TRANSCRIPT OF PROCEEDINGS, held in the above-entitled  
Matter, at the Clark Community Center, 120 North Commercial  
Street, Clark, South Dakota, on the 26th day of June 2007,  
commencing at 7 o'clock p.m.

1           CHAIRMAN JOHNSON: We will now begin the public input  
2 hearing for HP07-001. And that is, as you all know, the  
3 application by TransCanada Keystone Pipeline for a permit to  
4 construct the Keystone Pipeline project. The date is I believe  
5 June 26, 2007 and the time is shortly after 7 o'clock in the  
6 p.m. and we're here in Clark.

7           The purpose of this hearing is really two-fold. The  
8 first half of the meeting the purpose is for the Applicant who  
9 is TransCanada to provide information to us and to all of you  
10 about this project. That will probably answer a lot of  
11 questions that many of you have. It might also raise other  
12 questions in your mind after you hear some of the information.

13          Then we move into the second half of the presentation  
14 of this meeting, and the purpose of that is really for you all  
15 to bring up any questions or concerns or comments you have about  
16 the project. And that is really for our benefit, the  
17 Commissioners' benefit, so we know what sort of things we should  
18 be focused on as we move forward during this process.

19          A copy of the application is on file with the  
20 Marshall, Day, Clark, Beadle, Kingsbury, Miner, Hanson, McCook,  
21 Hutchinson, and Yankton County Auditors. The public may also  
22 access the application and all other confidential documents in  
23 the file on the Commission's website, and that's at  
24 [www.puc.sd.gov](http://www.puc.sd.gov). And there are some links you'll need to click  
25 on to get to this information. And if you need any help

1 figuring out how to get that information, please ask any member  
2 of the Public Utilities Commission staff, and we'll be happy to  
3 get you that information.

4 The parties to the proceeding at this time are the  
5 Applicant, the Public Utilities Commission, and numerous other  
6 interested persons who have requested and been granted party  
7 status. Under South Dakota Law each municipality, county, and  
8 governmental agency in the area where the facility is proposed  
9 to be constructed or any interested person or entity may be  
10 granted party status in this proceeding by making written  
11 application to the Commission on or before July 10, 2007. And  
12 that is about two weeks away.

13 I will take just a minute to explain party status.  
14 You know, I think what most of you probably want as a part of  
15 this process is an opportunity to make your concerns known and  
16 to get your questions answered.

17 You don't need to do anything special to be a part of  
18 the process in that way.

19 Really at almost any time throughout this process if  
20 you've got comments, and it doesn't have to be tonight, it could  
21 be next week, it could be next month, you could send the  
22 Public Utilities Commission a letter or an e-mail, and we'll  
23 make sure that that gets entered into the official record. If  
24 you have questions, TransCanada has expressed a willingness to  
25 help answer those questions, and certainly at the Commission

1 we're dedicated to getting you the answers that we have  
2 information to.

3           There are some people who want a lot more than that.  
4 Those people don't just want their questions answered. They  
5 don't just want, you know, their concerns noted. They want to  
6 become formal legal parties to this proceeding. And that means  
7 you get the right to introduce evidence. That means you get the  
8 right to object in a legal perspective during a more formal  
9 legal proceeding. You get an opportunity to cross-examine  
10 witnesses. You get an opportunity to call your own witnesses.  
11 You become subject to discovery. You yourself are able to issue  
12 discovery to other parties. It's a very formal legal part of  
13 the process.

14           If you're looking to do that, you can fill out a form  
15 that says you want to be an intervenor or to get party status.  
16 And we do have some of those forms here tonight. Some of you  
17 may have filled out those forms but have decided you don't want  
18 to be legally in that deep, you just want to participate in  
19 these kind of proceedings. If that's the case, also let us know  
20 and we can make sure you go from an intervenor to an interested  
21 person like, you know, hundreds of people are.

22           For the permit to be approved, the Applicant must show  
23 that the proposed pipeline will comply with all applicable laws  
24 and rules, that the pipeline will not pose a threat of serious  
25 injury to the environment or to social and economic conditions

1 of inhabitants or expected inhabitants in the siting area, that  
2 the pipeline will not substantially impair the health, safety,  
3 or welfare of the inhabitants and that the pipeline will not  
4 unduly interfere with the orderly development of the region with  
5 due consideration having been given to views of Government  
6 bodies -- of the local governments that are affected in this  
7 area.

8 Based on these factors, the Commission will decide  
9 whether the permit for the project should be granted, denied, or  
10 granted upon such terms, conditions, or modifications of the  
11 construction, operation, or maintenance of the facilities as the  
12 Commission finds appropriate.

13 We will now begin the hearing -- or rather I'll give  
14 you an outline for what we're looking at today. As I said, the  
15 Applicant will go first. They will have about 45 minutes to  
16 present an informational presentation.

17 After that, we've been doing Commissioner questions.  
18 But -- and then we've had a number of Commissioner questions,  
19 but because the meetings have been running a little long, the  
20 Commissioners have agreed to set those aside at least at the  
21 very outset and give you all an opportunity to ask questions.  
22 And we may pick up and ask some questions as the evening goes  
23 along and if things occur to us.

24 We do want to encourage landowners and anybody else  
25 here tonight to present your views, and again you can submit

1 your comments in writing to the Commission.

2 I hope everybody's had an opportunity to sign the  
3 sign-in sheet, and I saw almost everybody doing that in the  
4 back. Bob, do you have the sign-in sheet?

5 MR. KNADLE: We're going to start in the back and move  
6 forward so if somebody hasn't signed it, sign it.

7 CHAIRMAN JOHNSON: For those of you in front who may  
8 not have heard Bob, you don't need to sign it a second time, but  
9 if you didn't get an opportunity to sign it the first time,  
10 please sign it. That's really our record of who was here at  
11 this meeting, and we like to have that be as accurate as  
12 possible.

13 At this time, I'm going to pause to see if my  
14 colleagues have noted anything that I've forgotten.

15 With that, Mr. Brett Koenecke is an attorney from  
16 Pierre, and he is counsel for TransCanada in this proceeding.  
17 Mr. Koenecke, why don't you introduce your team and take it  
18 away.

19 MR. KOENECKE: Thank you very much, Commissioner. My  
20 name is Brett Koenecke. I'm a lawyer from Pierre, and I  
21 represent TransCanada in this proceeding before the Public  
22 Utilities Commission. We appreciate the hospitality here in  
23 Clark. We appreciate the Commission for putting these meetings  
24 together and giving notice of them. And we certainly most of  
25 all appreciate the turnout we've gotten in the other communities

1 in the meetings we held yesterday and certainly here tonight.  
2 Thank you very much. You're an important part of the process.

3 We look forward I think as much as the Commission to  
4 hearing the input that you have to give as to the routing and  
5 the understanding and all of the factors that the pipeline will  
6 have as it moves through South Dakota and provides oil to  
7 people, refineries south from here. So we do look forward very  
8 much to that.

9 We've got a short I think PowerPoint presentation.  
10 I'm going to be keeping better time on you guys tonight than  
11 maybe I did last night. I've got three gentlemen here who are  
12 going to be a part of that presentation, and I've got a number  
13 of other people seated behind them who happen to be experts I  
14 think in particular areas who will be assisting us in answering  
15 your questions as they come forward tonight. We'll do the best  
16 we can to answer those. We look forward to them. We look  
17 forward to the dialogue. Thank you very much.

18 We've got Robert Jones. He's the vice president for  
19 TransCanada in charge of the Keystone project. Mike Koski is an  
20 engineer from Tallahassee, Florida who I found out grew up in  
21 Thunder Bay, Ontario. He's got overall responsibility as a  
22 contract engineer for the project. And Buster Gray, who's a  
23 pipeline engineer and has the specific responsibility for the  
24 design and construction of the pipeline. So they'll give you an  
25 overview of the process, and we look forward to the rest of the



1 evening. Thank you very much.

2 MR. JONES: Thanks, Brett. And I also would like to  
3 thank you all for coming. It's a great turnout. The objective  
4 of the presentation for me is that you learn that TransCanada  
5 leads the industry in designing, constructing, and operating  
6 pipelines.

7 We want to be here responsive to answer your questions  
8 and any concerns you might have.

9 This is a map of North America and the dark lines and  
10 circles represent the access that TransCanada has in North  
11 America. We're a leading North American energy infrastructure  
12 company. What does that mean? We are not an oil company.  
13 Keystone is a utility. We will be providing a service that is  
14 in the public interest.

15 TransCanada has more than 36,500 miles of pipelines in  
16 North America. We have associated with those assets over 40,000  
17 landowners along the 36,500 miles of pipe or various power  
18 facilities. We have over -- we're also a power generator. We  
19 generate over 7,700 megawatts of power.

20 We are -- we have offices in Houston, Texas; Omaha,  
21 Nebraska; Portland, Oregon; throughout the United States. And  
22 you can tell by this map where they may be.

23 I just also want to indicate that we have a project  
24 office in Kansas City, and that's where Buster's located.

25 I think it's very important for us to understand why

1 Keystone. Why is the pipeline running -- why is the pipeline  
2 routed through South Dakota? And the main reason can be really  
3 focused on this slide. Canada has 175 billion barrels of proven  
4 crude oil reserves and over 300 billion barrels of potential  
5 reserves. These reserves are only second to Saudi Arabia and  
6 five of the six top countries with reserves are located in the  
7 Middle East.

8 The U.S. economy consumes over 20 million barrels of  
9 crude oil every day and the refineries that are located here in  
10 the United States. Canada is today the largest supplier of  
11 crude oil. Approximately 2 million barrels of crude oil is  
12 supplied into the United States. After Canada is Saudi Arabia,  
13 Venezuela, and then Mexico. The market for crude oil  
14 refineries, that is where the product in the pipeline is heading  
15 to. And we need refineries to supply very valuable goods that  
16 we use every day: Gasoline for our cars, diesel for our trucks,  
17 fertilizer, lube oils, aviation fuel for the airplanes, and  
18 asphalt for the highways and roads.

19 So Keystone is the vehicle to connect that enormous  
20 source of crude oil, that reliable source of crude oil just  
21 north of us, to the refineries that are located here in the U.S.  
22 And to prove that, we went out to the market and solicited  
23 contracts.

24 U.S. and Canadian energy companies signed long-term,  
25 binding contracts for 340,000 barrels per day to source --

1 resource to the refineries that we are going to deliver to.

2 I like to describe TransCanada as a trucker. We don't  
3 own the oil. We don't find the oil. And we don't make money  
4 selling the oil. We deliver the oil from Alberta to the  
5 refinery.

6 The commercial premise for the project is to deliver  
7 initially to a refinery in Wood River and to source to  
8 refineries based out of Patoka, Illinois. We are planning an  
9 expansion, a 300-mile lake through Kansas and Oklahoma to source  
10 refineries in Cushing, and there's a number of refineries there.  
11 These refineries produce the products that are used here in  
12 South Dakota.

13 Let me get into the details of the project itself.  
14 It's an 1,800-mile pipeline with 1,082 miles to be constructed  
15 in the U.S. The pipe is 30 inches in diameter, and it will be  
16 operated at a pressure of 1,440 psi. That's its maximum  
17 allowable pressure.

18 At the initial capacity of around 435,000 barrels per  
19 day, the operating pressure in the pipe will be around 1,000  
20 pounds per square inch.

21 Like any good Canadian, the pipeline is designed like  
22 a hockey stick. The blade of the -- the blade being an existing  
23 piece of natural gas pipeline that's going to be converted from  
24 gas to oil service. And that's why the pipeline goes across the  
25 prairie to Winnipeg. Then the shaft of the hockey stick would

1 be the direct shot from Winnipeg through the Dakotas, Nebraska,  
2 Kansas, Oklahoma into towards Cushing and then off through  
3 Missouri to Illinois.

4 In order to move the oil through the pipeline, we're  
5 going to be using electric-driven pumps, and the pumps are  
6 located approximately every 50 miles.

7 Federal and state regulatory review. Because Keystone  
8 crosses an international border, we need to get a presidential  
9 permit. To get a presidential permit, the lead agency in  
10 Washington is the Department of State or DOS.

11 The DOS is responsible for preparing an environmental  
12 impact statement or an EIS, and that's under NEPA, the National  
13 Environmental Policy Act.

14 The project will also be reviewed by the Corps of  
15 Engineers, Fish and Wildlife, and the Department of  
16 Transportation. Those are the federal agencies.

17 In South Dakota, the South Dakota Energy Conversion  
18 and Transmission Facilities Act authorizes the siting and  
19 construction of the project. And part of that process is why we  
20 are here tonight.

21 Other South Dakota agencies that have a role in  
22 reviewing this project include the Department of Environment and  
23 Natural Resources and the State Historic Preservation Office.  
24 We've been working on regulatory sitings and permits for almost  
25 two years, and our plan is to start construction in the spring

1 of next year.

2 The benefits to the residents of South Dakota. During  
3 construction, the facilities are going to have short-term  
4 benefits. The construction workers are going to need to go into  
5 the communities and buy food and use lodging along the right of  
6 way. They will also need to get local supplies such as  
7 hardware, fuel, equipment, supplies for sand, gravel, and  
8 concrete.

9 But the long-term benefits are the economic benefits  
10 to the local communities. And this comes in the form of  
11 property tax. It is estimated that Keystone will pay \$6.5  
12 million a year in its first year to the counties and school  
13 districts.

14 In addition to the property tax, there is excise and  
15 contractor's tax, and this will come from the initial  
16 construction, and that is a benefit to the entire state.

17 Permanent employees and temporary employees. Keystone  
18 has four pump stations in South Dakota that can be supported by  
19 two permanent journeymen electricians and a permanent journeyman  
20 pipeliner. But we're going to need 50 to 60 contract support  
21 staff to assist in the operation and maintenance of the  
22 pipeline, as well as support us in any emergency response.

23 I'm now going to ask Mr. Mike Koski to come up and  
24 talk about route selection and environmental impact.

25 MR. KOSKI: Thank you, Robert. Well, thank you

1 everybody for coming out tonight. I'd like to thank the  
2 Commission, Commission staff. It's great to have everybody here  
3 tonight.

4 I'm just going to run through a high-level summary of  
5 the route selection process and environmental impact and  
6 mitigation issues associated with the proposed Keystone project.

7 This is the facilities proposed in South Dakota. It's  
8 approximately 220 miles of 30-inch pipeline, four pump stations,  
9 and 15 mainline valves.

10 Now the route selection process involves a number of  
11 steps and a number of iterations associated with those steps.  
12 It's a multidisciplinary review involving engineering,  
13 environment, land, and biological resources.

14 The first step in the process is to identify the  
15 project objectives. And that's basically what the project is to  
16 accomplish. And in this case it's to bring oil from northern  
17 Alberta down to delivery points in Wood River, Illinois and --  
18 well, in Illinois and at the initial part of the project also  
19 included delivery points in Missouri.

20 Now that changed a bit as the process that Robert  
21 described went on and expressions of interest were received from  
22 shippers. And the second phase of the project involved adding  
23 deliveries in Oklahoma as a key objective of the project.

24 Based on those -- based on those project objectives,  
25 we had established what we call control points, and those are

1 places where the project must pass. Obviously where the oil  
2 comes from is a control point, where it's going is a control  
3 point, and there's often points along the way where due to  
4 physical restrictions such as a major river crossing or  
5 something the line must pass. So that establishes the dots by  
6 which is determined the basic route for the project.

7 Connecting those dots forms the area that we then  
8 study. We gather a lot of data. We gather desktop data, we  
9 gather aerial photography, mapping, GIS data, and we establish a  
10 number of what we call constraints and opportunities based on  
11 that data, constraints being areas that we don't want to go or  
12 we want to minimize, and opportunities being areas that are  
13 favorable. Examples of constraints are very wet areas, poor  
14 soils, national parks, things such as that. Opportunities for  
15 us are usually existing linear facilities such as existing  
16 pipelines, power lines, those are often convenient features to  
17 follow.

18 Now South Dakota has a lot of pipelines in it.  
19 Unfortunately, none of them go exactly where we want to go. We  
20 have utilized some collocation opportunities with existing  
21 pipelines at a few key locations, most notably the  
22 Missouri River crossing at Yankton.

23 Based on these constraints and opportunities, we then  
24 develop a series of alternatives. And that team I mentioned of  
25 various disciplines gets together, reviews these alternatives,

1 and comes up with a preferred alternative. Then we take that  
2 alternative out, and we solicit input on it. We hold open  
3 houses. We gather input from the public. We take it to federal  
4 and state agencies and gather information from there. We take  
5 that information and we circle back through this whole process  
6 again, and through the course of years -- it's been a couple of  
7 years now -- we arrive at a preferred route which we then submit  
8 for consideration in the regulatory process.

9 Now we certainly heard recently a lot of suggestions  
10 that we might want to follow I-29 with the route in North and  
11 South Dakota. Now at first thought that seems to make a lot of  
12 sense. It's an existing linear facility. It's not where we  
13 necessarily want to go, but it's certainly along in a path  
14 parallel to where we want to go. So we actually did evaluate  
15 that alternative very early on.

16 I mentioned there was two basic phases in the  
17 development of the project. One when we were going to Missouri  
18 and Illinois, and at that time we did evaluate an alternative  
19 alongside I-29. That involved -- at that time we were also  
20 going through the state of Iowa.

21 We never -- there's basically two ways with which I-29  
22 could potentially be utilized as a collocation opportunity.  
23 Either within the existing highway right of way or adjacent to  
24 it. We never considered being in the right of way. The right  
25 of way doesn't afford sufficient room for normal pipeline



1 construction. The Interstate, as everybody knows, involves a  
2 lot of interchanges and overpasses. Each one of those requires  
3 us to deviate around. And also there tends to be a lot of towns  
4 and cities along the Interstate. That's the reason the  
5 Interstate's there. And those become areas we have to route  
6 around.

7           So the result is you end up being outside of the right  
8 of way. And again you're on private landowners. And because of  
9 all the deviations associated with interchanges and overpasses  
10 and cities, the route ends up being longer, and you end up  
11 impacting more landowners and more of the environment.

12           Other concerns with being within the right of way  
13 include safety with traffic and for construction workers, and  
14 also it serves as an impediment to highway expansion or  
15 maintenance.

16           So when we did evaluate an alternative alongside I-29,  
17 it was alongside it, and we rejected it for largely similar  
18 reasons. Even though we were alongside it, we were still  
19 involving interchanges, still involving overpasses and cities,  
20 and we would have to go around everything. And it just gets  
21 longer, impacts more private landowners.

22           And when the project objectives changed to include  
23 deliveries in Oklahoma this thing required the project to go  
24 further south before it could go east to Illinois. This  
25 required a crossing of the Missouri River. Now as everybody

1 knows, the Missouri River is a fairly large crossing. It's not  
2 something that you can just do anywhere. And we spent a lot of  
3 time evaluating crossing options and landed on a crossing at  
4 Yankton, South Dakota where there are two existing pipeline  
5 crossings as an ideal location.

6 So based on the crossing of the Missouri River here  
7 and an entry into the U.S. up here, that places us 35 to 40  
8 miles west of I-29. This point here is relatively fixed by, as  
9 Robert had mentioned, there was a desire to utilize this  
10 existing gas line and convert it to oil in Canada. And that  
11 puts us at a crossing point here. That basically puts us west  
12 of I-29. And to use portions of I-29 now would require  
13 diverting over to I-29 and then coming back, again adding even  
14 more length to it.

15 Now as far as environmental review for the project, as  
16 Robert mentioned, the project comes under the jurisdiction of  
17 the Department of State. The Department of State is the  
18 nominated lead federal agency for the NEPA process and they are  
19 currently preparing an EIS. There are other cooperating federal  
20 agencies that are participating in that review.

21 In support of the application that initiated the NEPA  
22 review, Keystone has filed extensive environmental data,  
23 gathered both desktop and through apparently massive field  
24 survey program. A lot of you were probably asked for survey  
25 permission at various points over the last year and that was all

1 part of supporting this application. There's wetland surveys,  
2 cultural surveys. All of that has been submitted in support of  
3 that application. And all of that information has also been  
4 submitted in support of the South Dakota PUC application, and  
5 the summary of impacts associated with the project are provided  
6 in the PUC application and they address all major resource  
7 areas.

8 Now as far as mitigation of impact, a key component of  
9 Keystone's mitigation plan is the construction mitigation and  
10 reclamation plan. This plan is a set of rules and  
11 specifications of how we construct the project. And this  
12 includes procedures for crossing farmland, for crossing water  
13 bodies, wetlands, and very importantly the reclamation of all of  
14 these lands crossed and the monitoring after construction to  
15 ensure that that reclamation was sufficient.

16 This plan was put together. It's attached to all of  
17 our applications at various federal and state permitting levels  
18 and will become part of our approvals and is something that we  
19 will be bound by as we construct and operate the project.

20 With that, I'd like to ask Buster Gray to come up and  
21 talk a little bit about land acquisition and construction.

22 MR. GRAY: Good evening. I think I have seen a few of  
23 the folks here from some previous meetings so maybe some of this  
24 will be repetitive to you.

25 We're asking for 110-foot construction right of way

1 that's compromised of a 50-foot permanent easement and a 60-foot  
2 temporary easement. And that's the typical work space and  
3 permanent easement that we will be asking for on a particular  
4 landowner's tract of land.

5 You would also see additional temporary work spaces  
6 like at road crossings and streams and rivers to where we  
7 typically have to move more dirt or spoil, and we need areas to  
8 store that on.

9 Go to the next slide. But many of the folks here, you  
10 may have been contacted so far about land acquisition. You may  
11 not have.

12 We started about two months ago here in South Dakota  
13 acquiring right of way, and we're in that process. If you have  
14 not been contacted as of today, I would suggest to you maybe  
15 within the next few weeks to a month that you would be  
16 contacted.

17 The comment that I want to make about our compensation  
18 policy for right of way is that it's to pay fair market value  
19 for the permanent easement, the 50 foot that I described  
20 previously, 50 percent of fair market value for the temporary  
21 work space and a crop-loss program that is based on 100 percent  
22 of the first year's crop loss, the year of construction. And  
23 when I say 100 percent of crop loss, that is 100 percent of the  
24 yield that you would get off of that strip of land as if you had  
25 not planted it would be how that is calculated.

1           Then the second year or the year following  
2 construction, that would be at 75 percent, and the third year,  
3 that would be at 50 percent.

4           Still closer? I'm sorry.

5           The other item that we bring forward, the easement  
6 agreement has some restrictions about building structures or  
7 doing some things in it, but as far as agriculture production we  
8 would return the land for your use and enjoyment of growing  
9 crops over it. We feel strongly we can restore the land to the  
10 production that you have at the current time over time after our  
11 compensation program.

12           We've had some issues brought forth to us concerning  
13 maybe land agents, how they're interfacing with landowners. And  
14 one, our policy is to treat with respect, fairness, explain the  
15 process, not to strong-arm, not to use any tactics.

16           These are some contact numbers. And they're also in  
17 the literature that are on the table. But our South Dakota  
18 office is in Huron. Tim Slorbi is who you would contact. In  
19 Kansas City there's a gentleman named Denny Needham. And then  
20 here this evening Sandra Roth that's here with TransCanada. If  
21 you have complaints about the performance of our agents or how  
22 they interact, if you'll contact these officers, we will  
23 investigate those issues and we will investigate them and we  
24 will take actions accordingly.

25           The next slide is kind of a graphic representation of

1 a pipeline construction operation. And this graphic  
2 representation starts with initial crews from surveying and  
3 clearing operations to as you see it snakes around to the back  
4 end crews, which are backfill, cleanup, and testing. This  
5 assembly line is similar to how cars are built is that indeed  
6 workers move along this product and move in crews along it much  
7 like an automobile factory. The workers stay stationary, and  
8 the cars or the equipment moves by them.

9 The characteristics of this construction spread would  
10 be about 350 to 450 construction workers. The initial crews  
11 from front end to back end -- weather always is a factor in our  
12 work, but you could expect it to be about 50 to 60 miles. All  
13 of the crews will move at a pace of about one and a quarter to  
14 one and a half miles per day of construction. So the  
15 construction goes relatively rapidly.

16 One other comment we make to you, again weather  
17 dependant, is we believe the typical landowner will be impacted  
18 about 8 to 12 weeks from the front crews to the last crews.

19 The next group of slides that you'll see, I've gone  
20 through and tried to put some slides in here of some of the  
21 assembly line that I've just talked about, and I'll try and run  
22 through these very quickly too.

23 But topsoil preservation and the return of topsoil --  
24 and when I talked about returning the land to its productivity,  
25 our initial crews based on your requirements, we will remove

1     topsoil to your requirements, and we will salvage and store the  
2     topsoil for returning at the completion of construction.

3             Some of the next operations are from pipe yards that  
4     are located along the particular pipeline route. We will haul  
5     pipe from those to the right of way. We call the operation  
6     stringing. And we string the pipe along the right of way.

7             The pipe, as you'll notice in the other photograph,  
8     for horizontal turns or great vertical turns we literally have  
9     to bend the pipe to the topography of the earth, and we have  
10    hydraulic machines that will do that.

11            The next operation of excavation, whether it's wheel  
12    trenchers or backhoes will be the two methods. It's my belief  
13    that kind of the southern half of South Dakota would be probably  
14    more likely by trenching machines. Maybe the northern portions  
15    by backhoe simply because of wetter conditions.

16            Our next operations where we weld the joints of pipe  
17    together, we typically do it by either automatic or manual  
18    welding, two different techniques. All welds are inspected to  
19    meet code compliance, and any defects that are found are removed  
20    prior to completion of the pipeline.

21            The weld joints have to be coated. The pipe comes  
22    from the mills with a factory-applied coating, but the weld  
23    joints, we can't bring it. We have to coat those in the field.  
24    And we typically coat them with either a spray-applied or  
25    brush-applied coating. The coatings are inspected with a device

1 called a jeep. And it's an electric device we run down the  
2 pipe. And if you have an anomaly, it makes a sound and you  
3 literally will patch those places before the pipe's picked up  
4 and lowered into the trench.

5 Our next operations are padding and backfill. If we  
6 have a material we're not satisfied with as far as it having  
7 rock or angular granular material, we'll pad the pipe. We  
8 typically do that with machines that will sort the backfill to  
9 take the fines out, put the fines around the pipe before we put  
10 the remainder of the spoil. But typically all of the material  
11 that goes back into the trench is what the material that came  
12 out.

13 I talked about topsoil replacement. And certainly in  
14 areas where you have a distinction you can see that there's a  
15 significant distinction in subsoil and topsoil in these slides.  
16 And we make a concerted effort to return it to the contour as  
17 best we can with the equipment that we work with.

18 Foreign or other utilities as we call them, whether  
19 it's fiberoptic cables, water lines, other pipelines, we  
20 typically go through a process of contacting, acquiring those  
21 requirements from those companies, and typically we have a  
22 12-inch spacing between our pipe and some other existing  
23 utility. I say that. That's not just a public utility. That's  
24 private utilities as well. If you have private water lines or  
25 private electric lines, if they're identified, we will typically



1 cross beneath them, but occasionally we might would ask you to  
2 cut one.

3 Road crossings we'll typically bore. Certainly all  
4 paved roads, all well-maintained and traveled roads. We have  
5 found in the Dakotas that sometimes there are township roads  
6 that are not maintained. And I call them like two-track roads.  
7 We might ask permission to open cut those. But they would be on  
8 a case-by-case basis.

9 Once the pipeline's completed we fill it with water  
10 and test it to 125 percent of its operating pressure. And those  
11 records are maintained for the life of the pipeline.

12 This device is a caliper pig or a geometry device that  
13 we check the pipe for any dents or buckles or wrinkles from  
14 transportation or construction prior to putting the pipe in  
15 service.

16 And reclamation, restoring your land's very important.  
17 These photographs, deep compaction, our heavy equipment moving  
18 along the right of way is our biggest concern. And ripping and  
19 then reseeding to prevent erosion and picking up of rock much as  
20 you have with the glacial till here.

21 And this photograph just represents a construction and  
22 post construction. The comment being is we can restore the  
23 right of way and the lands, but we cannot restore it to its  
24 original condition. We will make every effort to return it to  
25 its productivity, but we do not profess that that will be

1 identical to when we left -- or when we arrived. Sorry.

2 Back to Robert.

3 MR. JONES: Just a few more slides to conclude. How  
4 are we doing for time?

5 MR. KOENECKE: About 10 minutes.

6 MR. JONES: 10 minutes. Good. Keystone is subject to  
7 compliance with federal regulators and state agencies.  
8 Regulations are intended to ensure protection of the public and  
9 the environment and the workers. And we -- and also regulations  
10 are there to prevent failures.

11 One of the things I'm very proud of of TransCanada is  
12 our ability to design pipelines. We're leading in this effort.  
13 To minimize the risk of damage, the pipeline, top of the  
14 pipeline, will be 48 inches from the top of the surface of the  
15 ground to the top of the pipe. Code is 30 inches. So we're  
16 18 inches deeper than the standard of the industry.

17 We also use a very high-strength steel. Over the  
18 years the technology in steels has improved, and Keystone and  
19 TransCanada have always used high-strength steel materials.

20 One of the greatest advances in technology over the  
21 years has been the external coating. This protective coating is  
22 a fusion-bond epoxy. Sometimes it's referred to as FBE. The  
23 fusion-bond epoxy coating comes right out of the mill. The pipe  
24 is sandblasted to a pure white finish and then is heated, and an  
25 epoxy is sprayed onto the pipe and fuses right to the steel.

1           If there is any damage to the coating or the field  
2           coating as Buster described, we also have a backup and that is  
3           the cathodic protection, and that's a low-voltage electric  
4           current that is applied to the pipeline as shown in this  
5           diagram.

6           In areas where we cross either a railway or a highway,  
7           we put up marker signs, and there's also warning tape.

8           Isolation valves are located strategically along the  
9           pipeline. I believe there's 15 in South Dakota. And that is in  
10          the unlikely event of a leak or a spill it is to minimize the  
11          volume of discharge.

12          These design features are best practices. Keystone's  
13          design exceeds or meets all the code requirements.

14          Last night, I just wanted to make a clarification. I  
15          indicated that TransCanada never had a leak on any pipe that we  
16          built since 1980. That is specific to external corrosion. So I  
17          want to make that clarification for the record.

18          Construction safety features. TransCanada has  
19          developed over its 50 years of experience a quality control and  
20          a quality-assurance program. It begins with the manufacture of  
21          the pipe. And that has to do with manufacture of the steel.  
22          And we go right into the plant with our inspectors and our  
23          national code requirements to ensure that the quality of the  
24          steel first exceeds standards and then we inspect the  
25          fabrication of the pipe and we inspect the delivery right to

1 site. And, of course, Buster has described all the QAQC  
2 activities that occur during construction. But it doesn't end  
3 there and it continues through operation.

4 During operation we have a control center, a  
5 computerized they call it a SCADA computer system. This system  
6 runs 24 hours a day, 365 days a week, and we have a backup  
7 system -- a backup control center to this system. So if there's  
8 something that goes down with the main control center, we  
9 immediately have the backup control center. We also have  
10 redundant communication. So not only do we have a primary  
11 communication source to make sure that we have the signals. We  
12 have the backup.

13 We also have a dedicated leak-detection system. This  
14 leak-detection system is based on a computerized model. And it  
15 measures the volume of crude oil that comes into the pipeline  
16 and the volume of crude oil coming out of the pipeline  
17 constantly so we can make sure that the volumes match.

18 Pipeline maintenance. So TransCanada over its many  
19 years of experience has developed an integrity management  
20 program that has been extremely successful. And it meets or  
21 exceeds all federal requirements. This picture here describes  
22 an in-line inspection tool. Sometimes refer to them as smart  
23 pigs. These are computerized devices that can measure changes  
24 in the pipe wall thickness and also can measure any deformations  
25 in the welds.

1 TransCanada is planning to -- I'm sorry. Keystone is  
2 planning to run this smart pig in this system within three years  
3 of operation.

4 Once we receive that data, if we find any anomaly, we  
5 will investigate that site, and if we find that there is a  
6 defect, we'll repair it immediately.

7 We also participate in a variety of public awareness  
8 programs, make sure the public is aware. Because we certainly  
9 don't want anybody to inadvertently dig up the pipeline and  
10 strike it. So we will participate in the South Dakota One-Call  
11 program.

12 Oil spill response. Keystone will be submitting a  
13 detailed oil spill response to PHMSA prior to the commencement  
14 of operation. The spill response and cleanup equipment will be  
15 strategically located and will be prepositioned prior to  
16 operation and is based on the worst-case potential discharge.  
17 In the unlikely event of a spill or a leak, Keystone will  
18 remediate the area. And we will do that in coordination with  
19 not only federal regulators but the State of South Dakota DENR.

20 Our commitment. TransCanada has worked very hard over  
21 the years in all the communities that we have a presence. And  
22 we do that by respecting not only our landowners but our  
23 employees and our contractors and the safety -- the health and  
24 safety of those folks. And we want to protect the environment.

25 We look forward to being a good neighbor and part of

1 the community here in South Dakota.

2 To communicate with the stakeholders, TransCanada has  
3 a website, the Keystone website. We also have a 1-800 number,  
4 and I think Buster's given you the different numbers for our  
5 land agents as well.

6 So that concludes my presentation -- our presentation,  
7 and I hope that we've been able to inform you more about  
8 TransCanada and certainly more about Keystone. Thank you.

9 CHAIRMAN JOHNSON: Thank you, Mr. Jones, Mr. Koenecke.  
10 This is actually the third of four public hearings that the  
11 Commission is having this week. We started yesterday in Yankton  
12 and then last night we were in Alexandria and tomorrow we'll be  
13 in Britton. So the Commissioners have had opportunities to ask  
14 the Applicant a number of questions, and also this is really  
15 just the beginning of this process.

16 It may be that further down the line this will become  
17 a more formalized hearing process where there will be evidence  
18 and witnesses who are sworn. Their testimony would be under  
19 oath. That's not what we're doing tonight. So we're going to  
20 go ahead and instead of having Commissioners ask questions we're  
21 going to open it up to you all.

22 We do have a few requests. At a meeting the  
23 Commission had a couple of weeks ago we tried to figure out how  
24 could we make this most useful so we can hear from the most  
25 people as possible and get as much information as we could at

1 these public meetings. As a result, we'd like to have people  
2 who have brief comments go first. It may be that some of you  
3 have got a lot to do at home or on the farm tonight. And rather  
4 than make you wait behind four or five people who might have a  
5 really long presentation or a series of questions, we want to  
6 give you the opportunity to go first. So if you have one- or  
7 two- or three-minutes' worth of comments or questions, we want  
8 to hear from you first.

9 We'd also ask that you not read off a whole list of  
10 questions or that you not ask or that you not pepper five or six  
11 out in quick succession because it's really difficult for us to  
12 make sure that the Applicant answers all of those questions. So  
13 start with a couple to make sure that we get those fully  
14 answered, and then we can come back to you and make sure that we  
15 get the rest of your questions answered.

16 Again I'd ask -- or rather we would ask that when you  
17 get to the microphone, state your name. Tell us where you're  
18 from, and then make sure to speak up. Cheri, our court  
19 reporter, may -- in the last couple of public hearings, there  
20 have been a number of instances where she had to stop somebody  
21 and say, hey, can you say your name again or spell your name.  
22 So please be cognizant of that and speak slowly and loudly. We  
23 do have a microphone which is cordless, and so if you'd like,  
24 just raise your hand and Ms. Van Bockern at least for the first  
25 shift will be bebopping all around making sure we get that mic

1 to you.

2           You know, this is tough because there are a lot of  
3 issues, there are a lot of questions that people have about  
4 TransCanada. We'd like if you can stay focused to this project,  
5 and to the extent possible stay focused on what the Commission's  
6 authority is over this project. Sometimes people have questions  
7 about eminent domain and maybe some of those might come up  
8 tonight, but we also think it's important that you realize the  
9 Public Utilities Commission doesn't have anything to do with  
10 eminent domain. That's a court issue that this Commission isn't  
11 going to have any ability to weigh in on. Other things like  
12 landowner treatment, if you've got questions, it's fine to ask  
13 them, but it's probably a little more fruitful if we stay  
14 focused on the Commission's authority.

15           We'd also ask if a question's been asked or a  
16 comment's been made, try not to be repetitive. You can say, you  
17 know, I actually agree with that guy in the red tie who brought  
18 up the issue about his cattle. That's great. But if we can  
19 kind of try to cut down the repetitiveness, I think we'll be  
20 able to hear from as many people as possible.

21           Finally, another request we would have is if people  
22 have given presentations at past meetings yesterday or if  
23 they're planning to give a presentation tomorrow, we'd ask that  
24 you do not do it here. We'd like to hear from as many people,  
25 rather than hearing from the same people many times.



1           With that -- have I forgotten anything? Oh, yeah.  
2       From time to time, we'll need to take breaks. The court  
3       reporter isn't able to go for hours and hours without stopping,  
4       so we want to make sure that we can give her the rest that she  
5       needs. And actually they end up being beneficial because  
6       sometimes there are questions that you all have that maybe  
7       aren't good for the entire crew, they're more of a unique  
8       perspective to you, and that will give you an opportunity to  
9       grab the Applicant, some of their staff members, and make sure  
10      you get those questions answered. Anything else I've forgotten?

11           With that, let's go ahead and get started. Go ahead  
12      and raise your hand if you've got a question or a comment. And  
13      if you don't want to, if it's uncomfortable for you, don't. But  
14      if it's okay with you, why don't you go ahead and stand so we  
15      can see you, and it's a little easier to hear you when we can  
16      see your lips.

17           MR. KIM MADSEN: I'm Kim Madsen. I'm from Carpenter.  
18      And I guess the question, TransCanada wants to put a pump  
19      station right near Carpenter on my land. And I was wondering is  
20      the pressure by the pump station going to be greater right  
21      beside me, you know, or is there going to be -- I was wondering  
22      if there's a problem there as far as pipes flowing easier closer  
23      to the pump station. I guess I don't know who would know that  
24      but --

25           MR. THOMAS: Great. My name's Brian Thomas. It's

1 T-H-O-M-A-S. And I'm with TransCanada. My responsibilities  
2 will be for the -- it's not loud enough? Okay. Sorry.

3 For the control center that will be located in  
4 Calgary, Alberta. In order to respond to your question, I'd  
5 just like to describe kind of how hydraulics work with respect  
6 to liquid pipelines. You are correct in your assumption that  
7 the pressure is higher at the discharge of pump stations.

8 Keystone, as has been mentioned here, will operate at  
9 pressures of 1,440 psi. And that would be at the discharge of a  
10 pump station. The pipeline, however, is hydrostatically tested  
11 to 1.25 times that beforehand. So it is -- has basically the  
12 same level of safety at the discharge at a pump station as it  
13 does all the way down to the next section of the next downstream  
14 pump station.

15 MR. MADSEN: Another question. How loud is this pump  
16 station? Is it quiet, or is it --

17 MR. THOMAS: I'll try and help with that. The pump  
18 stations are -- well, they're centrifugal pumps, and they will  
19 have either 4 or 5,000 horsepower electrical drivers. In its  
20 initial configuration the noise studies that have been done  
21 indicate that the decibel level would be about 45, and in the  
22 expansion case Keystone has undertaken to mitigate any pump  
23 stations that would exceed a 55-decibel level.

24 Now to give you a bit of a feel for what 55 decibels  
25 would be, it would be something similar to a highway that was,

1 you know, a half-mile or thereabouts off your property, about  
2 that sort of a noise level.

3 MR. MADSEN: Well, that don't really answer my  
4 question but I -- I don't know how loud that will be but --  
5 might be -- can I ask one more and I'll quit?

6 CHAIRMAN JOHNSON: Sir, hold on. Let's make sure we  
7 get your second question answered. You want kind of a  
8 comparison of what some of the decibel numbers might mean?

9 MR. MADSEN: Is there going to be a humming noise?  
10 Like Carpenter is three-eighths of a mile away. You know,  
11 there's 10, 12 people, maybe 15 people that live there. But  
12 it's our town. And I was wondering, you know, like if you go  
13 outside tonight, are you going to hear humming down the highway  
14 all night? You know, I was just wondering if you --

15 MR. THOMAS: Yeah. And it will, like these pumps will  
16 run continuously. And so it will be, you know, a constant, you  
17 know, very -- well, low-level background hum.

18 MR. MADSEN: I got one more question. Okay. Another  
19 thing too. The way I understand it, this oil in the line's  
20 going to be 68 degrees pretty much all the time? Is that right?  
21 It's got to be warm to move, I take it.

22 MR. THOMAS: Well, and that isn't like an important  
23 part of what makes it move. What we've been -- we've done  
24 studies with respect to the oil temperatures that you can  
25 expect. And it -- actually the oil warms up as it moves down

1 the pipeline. So I've just got to refer to my notes here. When  
2 we get to South Dakota, the oil temperature is expected to be  
3 between 60 and 70 degrees Fahrenheit at the 435 case, and then  
4 it will be between 70 and 80 degrees Fahrenheit at the 590,000  
5 barrel-a-day case.

6 MR. MADSEN: Okay. Then so -- I don't know what it's  
7 going to be like. None of us do. I mean, if it's 68 or 70  
8 degrees in the wintertime, would this ground -- is it deep  
9 enough so this ground will freeze like the rest of the ground,  
10 or will you be able to see across, well, the snow's melting  
11 there?

12 MR. THOMAS: No. And certainly it will continue to  
13 freeze, and there will continue to, you know, be snow there when  
14 that snow is on the adjacent lands.

15 MR. MADSEN: It doesn't throw off that much heat then?

16 MR. THOMAS: No. I'm sure you will notice late in the  
17 spring as the snow is actually melting, the right of way itself  
18 may be the first piece that you would notice not to have snow.  
19 But the adjacent lands would shortly thereafter, you know, have  
20 no snow on it. So, you know, I don't want to give you the  
21 impression that there's absolutely no impact, but at the same  
22 time it is very minimal.

23 MR. MADSEN: I was just concerned about the insects  
24 that go dormant in the wintertime, you know, and you get a  
25 frost and kill all -- you know, an entomologist would probably

1 have to answer this, but would there be a hazard to some kind of  
2 insects staying in that field all winter because of the spot in  
3 this field that doesn't get as cold as the rest of it?

4 MR. ELLIS: Yeah. My name is Scott Ellis, and I'm --  
5 yeah. I'm directing some of the environmental studies. I think  
6 by and large, you know, most of the insects, you know, if it  
7 gets quite cold, most of them are sort of right at the ground  
8 surface, and they're going to be, you know, however -- they're  
9 going to -- pretty similar in how cold it is right at the  
10 surface where they are. I think that you could have, you know,  
11 just as Brian said, you know, a little bit more early emergence  
12 in some of those insects where the ground does warm up a little  
13 bit if they're sort of temperature sensitive.

14 So I can see, you know, maybe extending your  
15 insect-emergence season a little bit by that extra warmth in the  
16 soil. But again I don't think the differences are going to be  
17 great or probably likely to change how you have to manage your  
18 field.

19 MR. JERRY RUSHER: My name is Jerry Rusher. I'm from  
20 Wasilla, Alaska. I used to live in Carthage and I'm a little  
21 bit concerned about what might go on from what happened in  
22 Alaska. I'd like to know when the NEPA statement's going to  
23 be -- what's the time frame for that?

24 MR. KOSKI: Yes. The expected time frame for the  
25 draft EIS, which is the first publicly-released portion of the

1 environmental impact statement, is expected we're thinking  
2 sometime in July. The final by the end of the year is the time  
3 frame.

4 And just to clarify, it is issued by the Department of  
5 State. It is not us that prepares it or issues it. So these  
6 are somewhat -- I'm estimating the time frames based on what we  
7 hear from them.

8 MS. HOLLY BEVING: My name is Holly Beving (phonetic)  
9 and I'm from Garden City but we own land in the Carpenter area.  
10 I'd just like you to define remediation of the land. What does  
11 that entail?

12 MR. GRAY: When we describe remediation it is that  
13 once we have the pipe in and we backfill it, some of the  
14 operations that will occur after that are relieving compaction.  
15 The heavy equipment that we take down particularly what we call  
16 the working side or the right of way, we will rip the soil  
17 similar to what I believe farmers do on a periodic basis to  
18 relieve compaction with repair plows or deep tilling type  
19 equipment. That is actually checked for comparative compaction  
20 levels to the right of way -- or the land adjacent to our right  
21 of way by penetrometer test to see if we've returned it to that  
22 level.

23 Actually that ripping would occur on kind of the  
24 subsoil, and once the topsoil is put back on, we will cultivate  
25 or disk or whatever to loosen that soil.

1           Additionally to that is rock picking that I talked  
2 about. Our specification of the requirement we put forward to  
3 contractors is to remove the rock to the size and density that  
4 it is less on our construction right of way than appears on the  
5 adjacent lands to the right of way.

6           The other things that we do relative to erosion  
7 control, and this is based a lot upon a particular landowner's  
8 desires or requirements, we will seed the land with a winter rye  
9 or a seed cover if you allow it. If you do not allow it, we  
10 will not do that.

11           Erosion control, if you have rolling terrain, we use  
12 what's called a slope breaker where we might put either with  
13 silt fence or some berms to prevent erosion in the case of heavy  
14 rains.

15           I'm trying to think in my mind if there's any other  
16 particular aspects of -- we're typically working with you if you  
17 want some -- and it's on a case-by-case basis again. If there's  
18 fertilizer additives that you want put back in, we can either  
19 compensate you to do that or if you want us to do it, we can as  
20 well.

21           MS. BEVING: I guess my real question is -- and please  
22 correct me if I have my facts wrong -- when we were at a meeting  
23 before and we said if there would be a leak, how long would it  
24 take before they could shut off the pumps to stop the leak, and  
25 it was told to us 50 minutes. When you look at the 435,000

1 barrels a day, that would be 864,000 gallons approximately.  
2 When we get up to 590,000 barrels a day, that would be  
3 approximately 1 million gallons of oil that could possibly spill  
4 in that 50-minute period. My point is what's your remediation  
5 with that?

6 MR. GRAY: Okay. I'm going to pass this to another  
7 gentleman, please. I get the easy ones.

8 MS. BEVING: And please know we're not trying to -- we  
9 just want to know.

10 MR. THOMAS: And I certainly respect that. I would as  
11 well. Just to talk about leak detection systems first off  
12 because I'm not 100 percent -- I heard the statistics that you  
13 mentioned there, but I'll just go through them here initially,  
14 and then we'll talk about the remediation side of it.

15 Keystone will have, as Mr. Jones indicated, a  
16 computer-based computational model that will perform leak  
17 detection on the pipeline system. These systems are accurate,  
18 but basically the way they work is that the larger leaks can be  
19 detected quicker. So the smaller the leak, kind of the longer  
20 the time period is in order to detect it.

21 So what we've established as our leak-detection  
22 thresholds, and I'll just give you a couple of examples here, is  
23 that a 2 percent leak we would detect in 102 minutes. So that  
24 would be at that level 616 barrels. Now when you get to a  
25 larger leak, just as an example, a 15 percent leak, we would



1 detect in 18 minutes. Now I don't want to leave you with the  
2 idea that this system and others aren't capable of detecting  
3 leaks smaller than 2 percent because they are. It's just it  
4 takes a longer period of time.

5           So the -- there is also other systems that we would  
6 use when you get to these thresholds that are less than 2  
7 percent, Keystone will do a line patrol every -- well, 26 times  
8 a year there will be a line patrol. There is also, of course,  
9 maintenance folks in the area. Landowners obviously in the area  
10 that sometimes would potentially notice a leak in the unlikely  
11 case there is one.

12           So there certainly are other methods as well to detect  
13 these leaks that are smaller than the 2 percent.

14           MS. BEVING: But detecting the leak and stopping the  
15 leak are not the same thing.

16           MR. THOMAS: Right. Now I'm going to come to the  
17 stopping part. In order to basically shut the pipeline down,  
18 the operator from the Calgary control center actually has to do  
19 two things. First of all, he would shut down all of the pump  
20 stations along the pipeline right of way. And then once those  
21 pump stations have been shut down, they would close all the  
22 isolation valves. So all of those valves along the pipeline  
23 right of way are remotely controlled.

24           Now it would take about 9 minutes for us to stop all  
25 the pump stations and to actually close all of the valves. And

1 the valves themselves take about 3 minutes to close. So the  
2 pump stations take about 6 minutes and then 3 minutes to close  
3 the valves.

4 Now if that answers that part of the question, I'll  
5 turn it over to --

6 MS. BEVING: Are the valves in between each pump  
7 station, or are there valves all along the way in between the  
8 pump stations?

9 MR. THOMAS: Just to give you an idea of that, there  
10 is 15 valves in South Dakota and there are four pump stations.  
11 So depending on the line segment there are, you know, a number  
12 of valves in between.

13 MS. BEVING: So when you shut off the oil, the oil  
14 between the two valves can leak out; correct?

15 MR. THOMAS: Yeah. Unless the leak is between those  
16 two valves. But certainly if the leak isn't, that's correct.

17 CHAIRMAN JOHNSON: I'd just also note that please try  
18 to avoid interrupting one another. It's difficult for our court  
19 reporter when two people are speaking at once to try to get that  
20 all into the record. So just a request. Thanks.

21 MR. THOMAS: I'll just turn it over now to address the  
22 remediation piece of that.

23 MS. TILLQUIST: My name is Heidi Tillquist. In  
24 response to the remediation issue, if a spill did occur, there's  
25 different ways of addressing that. Basically once the spill

1 occurred they -- Keystone would have to go in, do emergency  
2 cleanup, and then they would coordinate with state and federal  
3 agencies to determine what needed to be done.

4 There's a variety, a whole bunch of remediation  
5 methods, active methods, passive methods, things like using  
6 microbes, there are enhancements using fertilizers and  
7 oxygenations. It's not my specialty, but there are quite a few.

8 I guess the point of that, though, is those  
9 remediation efforts have to occur until that soil is brought  
10 down to a level that meets safety standards. So those levels  
11 would be -- so vegetation wouldn't have -- you wouldn't have  
12 vegetation effects. It would be human health effect threshold  
13 levels. Basically all the oil levels would have to be brought  
14 down below those thresholds so it wouldn't cause any impacts.

15 MS. BEVING: How about loss of income then during that  
16 time?

17 MR. KOENECKE: Apologize. We were having a sidebar  
18 conversation over here. What was your specific question? Would  
19 you say it again for me, please.

20 MS. BEVING: Well, we talk about a remediation if  
21 there is a spill. And we know that's a real remote chance.  
22 However, if there is a spill and we're busy fixing the land from  
23 the spill, what about compensation for when the land isn't  
24 producing as the spill is cleaned up?

25 MR. KOENECKE: TransCanada bears the responsibility of

1 the burden to remediate and to take care of affected people who  
2 are bearing the effects of a spill like that. We think that's  
3 part of our burden for coming through the property. And that's  
4 our deal. It's our problem, and we'll take care of it.

5 MS. BEVING: Thank you.

6 MR. KOENECKE: If you would, Brian wants to clarify  
7 something that he told you, and I'll give him the microphone  
8 back.

9 MR. THOMAS: Just for a moment to come back to that  
10 issue with respect to like the volume of oil that would drain  
11 out in the event of a leak. When we talk about the -- like say  
12 a pipeline segment where there's valves on either side, if a  
13 leak occurs again, you know, in that segment, the valves are  
14 closed. I didn't want to leave you with the impression that all  
15 of the oil in that segment drains at the leak site.

16 Basically due to the up-and-down nature of the  
17 topography, only the oil -- like the amount of oil that actually  
18 drains is limited due to the up-and-down profile of the  
19 elevation. So there's only a fraction then of the oil between  
20 these two valves that would actually drain in the event of a  
21 leak.

22 MR. ERIC McPEEK: Eric McPeek at Clark, South Dakota.  
23 What would happen if your leak-detection systems failed?

24 MR. THOMAS: We actually have redundant leak-detection  
25 systems. The leak-detection system itself, this computer-based

1 model, actually runs on a totally dedicated system. So it's  
2 totally separate from all of the other systems that the control  
3 center operators utilize.

4 And we have actually both a main and a standby system.  
5 So that in the event the main system fails, we can swing  
6 automatically to the standby system that's updated with  
7 real-time data constantly. So we have a secondary system to go  
8 to immediately.

9 MR. McPEEK: What would happen if that secondary  
10 system would fail too?

11 MR. THOMAS: Well, it's again very unlikely that that  
12 would happen. But there are these other systems that I've  
13 mentioned that we have in place as well that could be relied  
14 upon for that very brief period that is very, very unlikely to  
15 happen.

16 MR. McPEEK: What would happen if the valves would  
17 fail to close?

18 MR. THOMAS: If the valves were to fail to close, we  
19 would immediately send people that are located in close  
20 proximity of those valves to close them by hand.

21 MR. McPEEK: Okay. Thanks.

22 MR. THOMAS: And just to come back to your question  
23 with respect to, you know, the failure of the -- both  
24 leak-detection systems, if we were in a position like that  
25 where, you know, there was virtually any chance of our ability

1 to detect leaks and so on, we would by caution basically shut  
2 the pipeline system down until we could have those systems  
3 restored to full service.

4 MS. VONI DURANT: Voni Durant from Carthage. Would  
5 you explain again what -- you said, was it 6.5 million the first  
6 year and then who gets what after that, or did you say counties  
7 or did you say state or what? I'm sorry. I missed that.

8 MR. KOENECKE: I'll try to go through taxes as quickly  
9 as I can. The project will pay sales and use tax and  
10 contractor's excise tax on the construction costs right up front  
11 and that will go to the State. In some cases, it will either go  
12 to -- like the City of Yankton, when we go through that city, I  
13 expect to have to pay use taxes there. In a lot of cases it's  
14 avoiding cities so the 4 percent figure plus the 2 percent of  
15 contractor's excise tax, that's what we're coming at there.

16 The pipeline will be centrally assessed as per state  
17 law. That means the value of the entire pipeline from one  
18 border to the other is assessed at the Department of Revenue in  
19 Pierre, and they will affix the value by law every year on  
20 July 5. They'll say this is what the entire pipeline is worth.  
21 And then, as I understand it, they transmit that value out to  
22 the counties for application of the mill levies and assessment  
23 of taxes that get paid to the counties for the schools and  
24 county property taxes in due course.

25 The pump stations, however, will be individually

1 assessed by the counties in which they reside. So if your  
2 county or your school district has a pump station, you'd be  
3 looking at we think annual property taxes in the maybe  
4 \$600,000 -- let me back up. \$200,000 range is what we're  
5 looking at on the annual taxes based on a \$10 million  
6 construction cost.

7 That's a lot of thumbnail sketching there, but I think  
8 that's a general overview of how the taxes are going to be paid  
9 going forward.

10 MS. DURANT: Do the townships -- I mean, you're going  
11 to be going over -- under, rather, township roads. What are the  
12 townships going to get out of this?

13 MR. KOENECKE: The townships, townships are assessing  
14 a small mill levy, if I'm correct. Do you know? And whatever  
15 that is would go to the township. But I think based on the way  
16 the assessor in the auditor's office are going to put that out.

17 As far as crossing the township roads, we expect and  
18 will have to enter into agreements with all the townships for  
19 permits to cross through and underneath or cut the roads as  
20 Buster was describing previously. And there's a specific  
21 provision in state law that allows the Commission to assess a  
22 construction bond as part of this permitting process to pay for  
23 and ensure that any costs of road and bridge damage are going to  
24 be paid for when we're done.

25 MS. DURANT: Thank you.

1           MR. DON HUBER: Don Huber. I have some land over here  
2 in the northern side of the county, northwest corner. I guess I  
3 don't know if I'm out of line or not, but I've gotten books like  
4 everybody has from all of these outfits -- I hate to put a name  
5 on them -- that are completely different from what you guys are  
6 saying. I have nothing against the pipeline. I'd just as soon  
7 it went through. I think someday we're going to need it. But  
8 we get a lot of misinformation in these books. Like they put  
9 out -- I think they said on the money that's going to pass  
10 through the pipeline is put out like TransCanada owns the oil  
11 and now you fellows here tonight say they don't own the oil,  
12 they just own the pipeline. Is that correct?

13           MR. JONES: That's correct.

14           MR. HUBER: So how do we sort this information out as  
15 to what's correct and what's incorrect? Because there's a lot  
16 of concerns that they think, or whoever thinks, that are  
17 addressed in this issue.

18           MR. JONES: Thank you very much for the question. And  
19 I agree with you, there is a lot of misinformation out there.  
20 And I think this forum is an excellent opportunity for you to  
21 ask questions with regards to what that information may be. And  
22 we certainly are prepared to answer that.

23           So, please, I encourage everyone if they have some  
24 concerns or questions, I think the presentation did certainly a  
25 good foundation for understanding, but if you have a specific



1 concern, we certainly are prepared to answer your question.

2 And you're obviously right. We don't own the oil. We  
3 are the trucker.

4 CHAIRMAN JOHNSON: You know, this is Commissioner  
5 Johnson again. And I think it's worth noting that during the  
6 more formalized proceeding of this, the evidence that's  
7 introduced before the Commission, I mean, that's going to be  
8 evidence that's going to be -- there will be sworn affidavits.  
9 People will be providing testimony under oath. And I mean if  
10 you lie under oath before the Commission, that carries with it  
11 the same criminal penalty it would if you lied in any other  
12 court of law in this state. You'd be guilty of perjury.

13 And so we will really be making our decision based on  
14 the evidence, the facts. And when people make promises before  
15 the Commission, those promises, if the Commission were to  
16 approve the pipeline, there would be conditions based on many of  
17 those promises that would be made. Again, that's presuming the  
18 Commission were to approve the pipeline. We don't know if  
19 that's the case yet.

20 So hopefully that will give you some faith that it's  
21 not just you that's going to be struggling with what's truth and  
22 what's not, but it's also the job of the Commission.

23 MR. DELWIN HOFER: I'm Delwin Hofer. I'm from  
24 Carpenter, South Dakota, and I guess I've got a lot of  
25 questions. I'll try to limit it. I understand that you do have

1 a lot of landowners. I was wondering how much money -- what's  
2 the payroll to these landowners per year?

3 MR. JONES: I'm struggling with this mic. You can  
4 never tell if it's on or off. There is not an annual payment to  
5 landowners. When TransCanada or any of its affiliates acquires  
6 an easement, we are acquiring the land to install the pipeline  
7 and then the landowner continues to use the land after we've  
8 built the pipe to continue to do his farm activities or ranching  
9 activities as he has in the past.

10 MR. DELWIN HOFER: I guess I feel that I cannot sign  
11 the easement because it takes away every right I've got. I  
12 don't have a right if you have an oil spill or if anything else  
13 happens on my land, I don't have a right to take TransCanada or  
14 whoever to court. And the payment that I get off this don't  
15 amount to nothing. It figures out -- if you figure it out in  
16 25 years, that's \$500 a year. And that's really pretty cheap.  
17 Can't you do better than that?

18 MR. JONES: So in the unlikely event of a spill, as  
19 you described, I want you all to understand that Keystone is  
20 responsible for the cleanup, and we are liable for any damages  
21 caused by that spill. And I also want you to appreciate that  
22 it's an extremely unlikely event.

23 Also once the pipeline is built, you'll continue to  
24 enjoy full use of the land. The fees, as Buster described, are  
25 based on fair market value. So, you know, the amount of money

1 everyone gets certainly depends on how much land they own.

2 MR. DELWIN HOFER: Well, it's so much to go through  
3 your land, and it's a very minimum figure.

4 MR. GRAY: Just a couple of other comments regarding  
5 the cost. The land agents you're interfacing with do ultimately  
6 report to me. And the -- I guess as Robert had indicated, the  
7 fair market value payment of what you could sell the land for in  
8 fee today, but yet you get the return of the land for the use of  
9 farming or rangeland we believe is a very fair payment for the  
10 use of the land.

11 Regarding the spill and the indemnity language or  
12 things in the easement agreement, what I wanted to express to  
13 the group here is we have gotten a lot of feedback from  
14 landowners such as yourself concerning the language and the  
15 complexity of the language in the agreement. We have  
16 reevaluated that. We are working towards an indemnity and  
17 liability language that is much less complex than the one that's  
18 in it. And our goal is to have that document available to our  
19 land agents here within the next week to 10 days.

20 The comment I would make in it is we don't believe --  
21 we believe the full rights and responsibilities and liabilities  
22 of TransCanada is not substantively different in the new  
23 document we're going to give you. It is just much clearer and  
24 much less complex to interpret.

25 MR. DELWIN HOFER: If I sign this easement, will I be

1     able to take TransCanada to court if I do not agree with what  
2     they're willing to pay me for damages?

3             MR. GRAY: Those types of things, if you're not in  
4     agreement with a damage situation that may occur, you have the  
5     rights as if you were damaged in any other process, I guess in  
6     my opinion. Now there's legal counsel here and I'll get a legal  
7     interpretation, but if we cannot reach concurrence, you have use  
8     of the judicial system as any citizen does.

9             MR. DELWIN HOFER: Not if I sign the easement. You  
10    have all the rights to it if I sign the easement the way I read  
11    it.

12            MR. GRAY: I understand the easement language may not  
13    be clear in your idea of an interpretation, but our legal  
14    counsel has reinforced to me on several occasions because I've  
15    asked in it as well that indeed your full rights and ability to  
16    sue TransCanada over issues are there.

17            I think the confusion, and I may need one of these  
18    legal counsel's help is, it's relative to the easement itself.  
19    And that language is relative to the ability of you to renege on  
20    that easement once you have executed it, that you cannot sue me  
21    over that. But as far as damages or other things, it's just a  
22    complex way that it's been written. Hopefully the newer version  
23    will be absolutely clear.

24            MR. DELWIN HOFER: I guess I can't understand it quite  
25    that way, I guess.

1 MR. GRAY: And, sir, I respect that you can't either.  
2 It's a complex document.

3 MR. DELWIN HOFER: And another question I've got, at  
4 this present time I understand that you do not have a pipeline  
5 like this anywhere. Is that correct?

6 CHAIRMAN JOHNSON: Mr. Jones, if you'd pause for just  
7 a moment, I don't know that we're getting good volume out of  
8 that mic, sir. If you could pass it to Ms. Van Bockern.

9 MR. DELWIN HOFER: Okay. I'm sorry. I didn't know  
10 how to talk into it I guess.

11 CHAIRMAN JOHNSON: That's all right. Mr. Jones, go  
12 ahead.

13 MR. DELWIN HOFER: The question I have was I  
14 understand that you do not own or operate a pipeline like this  
15 right now and maybe never have, Keystone.

16 MR. JONES: Thank you for the question. TransCanada  
17 has been in business since 1957, and we have owned a number of  
18 different pipelines including liquid pipelines. We've owned  
19 liquid pipelines in Alberta, and we developed, designed, and  
20 constructed the Express pipeline. The Express pipeline was a  
21 pipeline very similar to Keystone. It moved crude oil very  
22 similar to crude oils we're going to move on Keystone, and it  
23 moved it through Montana and Wyoming.

24 And then from there we owned the Platte pipeline. We  
25 bought that off of Marathon. Marathon pipeline company designed

1 and constructed and operated that pipeline for years. We  
2 acquired it so that we could move the oil down Express onto  
3 Platte to the same Wood River refinery that Keystone is going  
4 to.

5 So, again, these are some of the misrepresentations  
6 that are out there. So TransCanada has designed, owned, and  
7 operated very much similar pipelines to Keystone.

8 MR. DELWIN HOFER: No. I don't believe you got my  
9 question. I was to a meeting in Aberdeen and Nicole Aitken  
10 made the statement there that at this present time Canada -- the  
11 pipeline company does not have a line like this anywhere. Is  
12 that correct?

13 MR. JONES: Yes. That's absolutely correct. We sold  
14 that pipeline, and as we sell pipelines all the time, and we  
15 acquire pipelines. And so as being an infrastructure company, a  
16 utility, there are times when you acquire lines and you sell  
17 lines. So we did that pipeline and we sold it and now we're  
18 developing this one.

19 MR. DELWIN HOFER: She told us at that meeting that  
20 there might have been two pipelines that was in a country far  
21 away that they have owned at one time. Didn't say anything  
22 about owning any of these kind of pipelines lately. So what I'm  
23 trying to say is I don't believe you really know the effect that  
24 this pipeline could have on our land, on our water.

25 MR. JONES: Well, I respect your concern. I can

1 definitely tell you that we do have experience operating liquid  
2 pipelines. We've also operated them outside of North America as  
3 well. We owned and operated a pipeline in Columbia, it's called  
4 the OCENSA pipeline, and then it went across the Andes. A far  
5 more harsh environment than we're going to see here in the  
6 Dakotas.

7 MR. DELWIN HOFER: Nicole, would you like to explain  
8 what you said up there in Aberdeen at that meeting?

9 MS. AITKEN: I would love to explain it. So what I  
10 said in Aberdeen is that TransCanada has 36,500 miles of  
11 existing pipeline infrastructure in North America. Those assets  
12 are in Canada, the United States, and in Mexico. We have  
13 previous pipeline operations experience in crude oil or liquid  
14 pipelines which included Express and the OCENSA in Columbia.  
15 And thank you, Robert, for adding the additional crude oil  
16 pipelines that we operated because I did fail to mention those.

17 MR. DELWIN HOFER: I guess I've got more questions,  
18 but I guess I'll probably let them go.

19 COMMISSIONER KOLBECK: I'd just like to make one  
20 comment. We're getting into a little bit of is it a fact, is it  
21 not a fact. There's one thing that people can always do, and  
22 they can always call the Public Utilities Commission. Our  
23 staff, we have staff people who are assigned to this docket.  
24 They've been working very hard on this docket.

25 The Commissioners ourselves have to recluse from that,

1 but we do have staff and I'll give you the 800 number if you  
2 have a pen and pencil quick. It's 1-800-332-1782. And that's  
3 exactly what we'd like to hear from you if you do have a  
4 question. And we can help you work through our website too.  
5 There's a lot of information there.

6 MR. DELWIN HOFER: I'm sorry if I got you off track.  
7 I really didn't mean to, but these questions are very important  
8 to me because I'm a landowner. I'm not getting treated fair at  
9 all. And I want you to know that.

10 CHAIRMAN JOHNSON: And, sir, I think your questions  
11 were good ones, and I don't think Commissioner Kolbeck meant to  
12 insinuate that they weren't. I just think he wanted to make  
13 sure that people knew that this is going to be an ongoing  
14 process, and to the extent that anybody's got questions about  
15 the process, we're here to help. So thanks.

16 Go ahead.

17 MR. KOENECKE: Commissioners, we'd very much like to  
18 go through Mr. Hofer's questions. We want to try to answer to  
19 the best of our ability any question that anybody's got.

20 CHAIRMAN JOHNSON: Absolutely.

21 MR. DELWIN HOFER: I guess I'd have one more on the  
22 easement. I was wondering if TransCanada would be willing to,  
23 after you get all the permits -- and I probably won't have it  
24 signed, this easement, I wonder if you'd be willing to sit down  
25 with my lawyer in my lawyer's office and maybe we could rewrite



1 the easement that I could live comfortable with? Would you be  
2 willing to do that?

3 One more question you can answer at the same time.  
4 Did you have any landowners or property owners there when you  
5 made this easement?

6 MS. ROTH: I'm Sandra Roth, and I'm the U.S. land  
7 agent for TransCanada.

8 MR. DELWIN HOFER: Can't hear you.

9 MS. ROTH: Okay. There's a trick. Okay. In answer  
10 to your question about discussing the easement terms with your  
11 attorney, we would be glad to. The easements are a document  
12 that we will listen to all your concerns and questions about and  
13 go over with you line by line, word by word with you or your  
14 attorneys. And we will listen to your concerns and try to get  
15 the document to be one that is comfortable for you in addition  
16 to serving the purpose that we need it for.

17 We do understand there have been some concerns about  
18 the document. As Buster said, we're taking another look at it.  
19 Our attorneys are reviewing it along with all the comments that  
20 have come in from our land agents from the owners they have  
21 spoken to. We do want to get this document to be one that you  
22 can agree to and readily sign. And so, yes, we would do that.

23 MR. DELWIN HOFER: Okay. I have these two easements  
24 here. I'd like to have you take them back if you would, please.  
25 I don't want them.

1 MS. ROTH: If you want to give them back, I'd be glad  
2 to take them.

3 MR. TIM HOFER: My name is Tim Hofer. I'm from  
4 Carpenter, and it's going over our family land south of  
5 Carpenter. And there was a few things I wanted to say. I'm  
6 just going to hit a couple.

7 It would be inconvenient enough if it would go  
8 straight up and down the field, it would only bother a couple of  
9 rounds. They're going kitty-corner across the land. So every  
10 round I make it's going to be in the way. If we have a wet year  
11 like this one, I'll probably get stuck 100 times. I don't trust  
12 any of them guys to come pull me out. So I don't know how I'm  
13 going to get out.

14 The agents that come around are very inconsiderate. I  
15 actually heard more on the news the last few days about the  
16 pipeline than was in our contract or anybody ever said, you  
17 know. Evidently putting a little pressure on them must be kind  
18 of helping getting along with us a little better.

19 I hope you guys take us into consideration, the guys  
20 that work on the land, not just the money that South Dakota  
21 might or might not get.

22 I'm not for the pipeline right now, so I guess that's  
23 all I have to say.

24 MR. GRAY: You made a couple of comments about, one,  
25 going diagonally across the land. And certainly as we move

1 south -- and I don't know the particular reasons for the -- I'd  
2 use the word catty-corner where you use kitty-corner. But there  
3 is some -- there is some reason for that. I don't know that I  
4 know what it is tonight in it.

5 But I would share with you that, one, when we go  
6 across that direction as we cross your field in a diagonal is  
7 impacts to you and damages to you relative to your farming  
8 operation during our construction and your tilling, you have  
9 damages that a farmer that we're going north and south does not  
10 have. We believe we will compensate you for those  
11 inconveniences.

12 The second comment I would like to address and I  
13 actually had made a note from the previous question in the rear  
14 is that the trench line, we have two compaction issues when we  
15 build a pipeline. One of them I addressed is relieving  
16 compaction of where our heavy equipment runs.

17 The other is returning compaction to the trench line  
18 and construction areas next to roads and highways. And we  
19 typically do that by when we bring our spoil materials back in  
20 with the wheels of what I call a maintainer or road grader type  
21 of equipment or with the tracks of equipment to walk that down  
22 to get compaction in it, and where I would suggest to you over  
23 time is is that using those techniques and agricultural areas we  
24 generally do not see significant subsidence. Nor do we have the  
25 issue that you've described relative to getting stuck and

1 crossing the right of way.

2 I would certainly, as you folks have experienced here  
3 in South Dakota this year, 10-inch rains and 5-inch rains and  
4 those things are certainly things that we have to deal with.  
5 But I would suggest to you my experience has been we can restore  
6 the trench line to where the issues relative to getting stuck  
7 are subsided. I will not go on here to say when you build 1,080  
8 miles of pipeline you will have some subsidence that we might  
9 have to deal with, but as a rule it is not prevalent.

10 CHAIRMAN JOHNSON: You know, Ms. Van Bockern, we've  
11 been at it for just short of two hours, and I wonder if we  
12 shouldn't give our court reporter a short break. Normally 10  
13 minutes has been about enough. So let's go ahead, and we'll be  
14 back about 9 o'clock. Thanks.

15 (A short recess is taken)

16 MS. PAM HOFER: I've just had more so facts and things  
17 I've learned, so I'm going to change it here and have some  
18 questions and a few facts.

19 CHAIRMAN JOHNSON: You know what, I actually didn't  
20 mention that at the beginning of the meeting. Thank you for  
21 reminding me of that.

22 You know, at past hearings, not for this pipeline but  
23 in the past, sometimes we have people come to these meetings and  
24 they want to read these articles or other information they've  
25 got into the record. And even though it seems like it's just a

1 two-page newspaper article, it takes a long time. We've had it  
2 happen before and it really brings the meeting to a screeching  
3 halt and everybody starts drifting off 30 seconds in anyway  
4 because somebody's just reading.

5 So if you brought articles or information, we want  
6 them from you. We want them to be part of the record. But we'd  
7 ask when you come to the mic you just tell us what you've got.  
8 Describe it generally, give us the information. We will put it  
9 on the Web and it will be part of the official record. And,  
10 frankly, it will be a lot more useful in that format than it  
11 would be if you're just reading and the only people that are  
12 really able to hear it are here in the room as opposed to  
13 everybody in the whole world.

14 So with that, yeah, I mean if you want to briefly  
15 describe and sort of give an outline and then if you've got  
16 information you want to hand to us afterwards, we'll get it into  
17 the record.

18 MS. PAM HOFER: My name is Pam Hofer, Carpenter,  
19 South Dakota, Beadle County. In this Keystone Pipeline Energy  
20 Conservation and Transmission Act that's been handed in, under  
21 22 F it says the pipeline's going to be 1,440 pounds pressure.  
22 We've been hearing at some of the meetings we've gone to in  
23 Aberdeen, Buster had said it's going to go up to 17, 1,800  
24 pounds pressure at times. They're going to ship 435,000 barrels  
25 a day. It's going to go up to 591,000 barrels. And by 2015,

1 they want to double it to 4 million barrels. So there's a lot  
2 of difference in the figures there.

3 I'm going to skip that. I'm going to skip that. I'm  
4 a little concerned with studying some of the spills  
5 TransCanada's had. They've had 576 spills in the past six years  
6 for an average of 96 spills in one year. So it's very scary to  
7 us about the property damage, property values. The future of  
8 the farmers, and the contamination of our soil.

9 In 1979 in Bemidji, Minnesota there was a spill that  
10 was never fully cleaned up and 28 years later, which is now, the  
11 soil is still sterile. So this is very scary when you own the  
12 land that maybe something's going to happen to it.

13 I'm concerned too with the depth of the pipe. We're  
14 saying 4 feet but in my reading it says that they really would  
15 only have to go 2 feet but they're going to go a foot and a half  
16 deeper to be good to us. So is it 3 and a half feet? Is it 4  
17 feet? Are we really going to be 4 feet? You know, we go over  
18 with our big equipment and we start sinking, we're pretty close  
19 to those pipes if we get buried. So that's why my concern is  
20 about that.

21 Skip that.

22 I'm concerned too that it says there's only 20 people  
23 going to be taking care of this line. Are they going to work in  
24 ones, twos, or threes? This is going to cut their miles a lot  
25 for the way it's going to be cared for. That's something I'm

1 very concerned about.

2 This is a real big thing to me. I just discovered  
3 this about three days ago and I was going today. I measured  
4 this out to make sure I was right before I came tonight.

5 In the South Dakota PUC application permit, Table 8,  
6 page 51 it says -- they say there's three structures within one  
7 mile of the Carpenter pumping station. The town of Carpenter's  
8 within one mile of the station. I clocked it today. There's 49  
9 buildings or dwellings. A child could count better than that if  
10 somebody went out to count it. So they must have different  
11 learning than we do to get that much difference. There's 12  
12 houses, there's five businesses, there's one church. There's 25  
13 structures and there's six big fertilizer tanks. And the three  
14 buildings they have, the way I figure it, is across the road  
15 there's an old garage and the park has an outhouse and a lunch  
16 kitchen -- or a lunch building. That's it.

17 And then one more thing. The Madsen's have their lot  
18 there. I don't know what you call a structure. They have a lot  
19 where they take their corral -- where they chase their cattle in  
20 to work it.

21 So that would make 50 structures within one mile. If  
22 it would accidentally get into Spink County if they can't get the  
23 Beadle County land, we're adding our grandpa's farm, which would  
24 be 16 buildings, and the neighbor across the street is two more  
25 buildings.

1           And then I have the land buyers. But that's been  
2 touched, how we've been lied to. That's been touched, so I'm  
3 not going to do it.

4           I have one more here that's real major to me. This  
5 map, it's page 20 of -- I can't read. It's saying what my land  
6 is. If it's farmland or hay land. My land -- our land is  
7 right -- this is the pumping station. We're a mile south. We  
8 angle through the corridor. This has it as grass or hay land.  
9 Well, in a way they're not totally wrong because when the  
10 Indians came and our forefathers, it was hay land, pasture land.  
11 My husband and I now this year we have owned it for 40 years,  
12 and we have farmed it. So that is a big thing. That's not  
13 true. In fact, the land is backwards on this thing. The map is  
14 wrong.

15           And I feel if they have to have the pipeline, they  
16 should go over to the Interstate and go down there. If they go  
17 in the ditch or something, they're not ruining all the good  
18 farmland. We've worked hard for our farmland to put food on the  
19 table for our families and our children, and our land is  
20 important to us. And if there would be a leak or something, it  
21 would be spotted a lot quicker. And I think the Governor  
22 calling them to tell them there's a leak would mean a lot more  
23 than a farmer calling them to tell them.

24           So my feelings are I don't like the project, and I'd  
25 like to see it stopped. Thank you.



1           CHAIRMAN JOHNSON: Ms. Hofer, I do have to comment, I  
2 know you were concerned about your time, but you did a great job  
3 in covering a lot of issues in a relatively short amount of  
4 time. So thank you for your consideration. I'm sure we'll be  
5 able to get to other people tonight as a result of that. So  
6 thanks.

7           I might just note I meant to do this during -- if  
8 TransCanada has some comments, we'd be happy to hear them. It's  
9 a little warm in here. Does anybody know the climate control in  
10 this room? I don't. And if you're familiar with that -- just  
11 turned down. All right. Thanks. As usual, the room that I'm  
12 in is about five steps ahead of me. So thanks much.

13           All right. Mr. Koenecke.

14           MR. KOENECKE: Robert I'm sure will start.

15           MR. JONES: Thank you very much for all of those  
16 questions. And there's a number of them so we're going to pass  
17 the mic so we make sure the appropriate person, the expert, can  
18 answer your questions.

19           One of your questions was with regards to how much oil  
20 is going to be moving in the pipeline. And you are correct, the  
21 initial flow will be 435,000 barrels a day. And if you expand  
22 it by just adding more pump stations, it will go to 591,000  
23 barrels a day.

24           Now the number you heard with regards to by 2015 there  
25 will be 4 million barrels, that will be the entire production

1 that's forecasted for Canada. So that number would have been  
2 found by what they call the Canadian Association of Petroleum  
3 Producers. And every year they put out a forecast of what they  
4 think the production of oil -- you'll recall at the beginning of  
5 my presentation I said there was 175 billion barrels of oil up  
6 in Canada that they could develop. Well, they're forecasting by  
7 2015 the ability to produce 4 million barrels but that all  
8 depends whether or not it can actually find a market to serve  
9 the U.S.

10 But this pipeline is 435,000 barrels expandable to  
11 591,000 barrels. I'm now going to ask Buster to answer a few  
12 more questions on the pressure and such.

13 MR. GRAY: Regarding the pressure and certainly --  
14 yep. And certainly recognizing the -- our meeting in Aberdeen,  
15 is that 1,440 is the maximum operating pressure of the pipeline.  
16 I believe at that meeting I talked in terms of test pressure.  
17 And the test pressure at 1.25 times 1,440 equals 1,800 psi. And  
18 I believe there might be some confusion relative to those  
19 numbers.

20 Relative to the depth of cover of 4 feet, the  
21 construction mitigation and reclamation plan Mr. Koski referred  
22 to in his slides, it's a document that's been filed as an  
23 attachment to our permitting applications, and it becomes a  
24 mandate or standard by which we have to build this pipeline to.  
25 So literally by the issue of the permit and the permit requiring

1 us meet the application, things that we put forward, we are  
2 mandated by these permits to meet this 4-foot requirement.

3 So relative to we've had several landowners say why is  
4 it not in the easement agreement? And we believe because it is  
5 attached in all the various construction mitigation requirements  
6 or attached to various permits we have that that binds us by  
7 those permits and requirements versus it needing to be in an  
8 easement document.

9 I was trying to see -- there were two or three other  
10 issues here.

11 MR. JONES: I just want to clarify that question that  
12 Buster had on the pressure. That's a one-time hydro test  
13 pressure and we fill the pipeline full of water and then we  
14 pressure it just that one time to make sure that there's no  
15 further defects. Then from then on, the pipeline can't exceed  
16 ever 1,440. And that's why we have the redundant computerized  
17 system to make sure that never happens.

18 MR. THOMAS: And just to add to that, it's actually a  
19 PHMSA requirement that any excursions beyond that MAOP of 1,440  
20 are reported to the federal regulator, PHMSA.

21 MS. AITKEN: I'd like to clarify some of the spill  
22 information. I believe that this also I touched on in the  
23 meeting in Aberdeen for clarification.

24 The 576 number I believe which was quoted is an  
25 indication of the total incident reportable of all spills of any

1 type for our entire operating system. If you go on to our  
2 TransCanada website and you look at our incident management  
3 system, there's three components that compromise that system.  
4 We have a crisis management program, an emergency management  
5 program, and an incident management program.

6 Things such as lube oil leaks from any hoses of our  
7 bulldozer operations, that constitutes a spill. If we have any  
8 drops of liquid that come from any of our pumps or units, that  
9 constitutes a spill. So we have a very significant reporting  
10 requirement internally at TransCanada. So when you get those  
11 numbers and if you'd like to check the definitions of those,  
12 that's also on our Web page so you can check those.

13 MR. GRAY: I believe the other topic that was  
14 mentioned was Bemidji and the oil spill that occurred in 1979.  
15 This morning I had some time between the hearings, and I took  
16 the opportunity to -- Mr. Commissioner, to investigate some of  
17 the Bemidji information that's been put forward. And I would  
18 ask the Commissioners for the record that I do believe that  
19 there's some misinformation that's been put forward to the  
20 Commission and would like that just to be on the record relative  
21 to Bemidji.

22 Relative to two particular items that have been raised  
23 in previous meetings that I would like to address are is that  
24 when kind of a reference to it not cleaned up or whatever it is,  
25 I spoke to a Mr. Jeffrey Delin, D-E-L-I-N, at 763-783-3231 who's

1 the manager of that site at present. He has indicated to me  
2 that this site is a research and a study area that the Federal  
3 Government established for studying the migration of crude oil  
4 or like spills for study purposes. There has been no  
5 remediation done at that site for the study purposes of  
6 determining how oils or spills might move.

7 The second comment was there's been statements that  
8 nothing will grow. Nothing will grow on the ground that's  
9 there. Mr. Delin indicates that there is a certain amount of  
10 area that they have kept open for their study work but that  
11 indeed it has revegetated and a lot of the area where the spill  
12 was where there's trees and even in the area that is kept clear,  
13 that there is grass and I don't know the particular weeds we've  
14 heard about, but there is foliage growing on the site.

15 I'm sorry. Were there any more?

16 MR. KOSKI: Yes. With respect to possible  
17 inconsistencies in the application, we certainly thank you for  
18 putting those out. We'd like the opportunity to take a closer  
19 look at that information, and if necessary we'll file an  
20 addendum to the application to correct anything.

21 MS. HOFER: How did three structures come up? I mean,  
22 why wasn't that correct to 50 structures?

23 MR. KOSKI: Just being here right now, it's difficult  
24 for me to determine how that happened. I'd have to go through  
25 the application. But if there is an error in the information

1 that was filed, it would certainly be corrected.

2 COMMISSIONER KOLBECK: And, Pam, did you want to hand  
3 that in, that -- can we somehow make copies of that and make  
4 that -- because you wanted the rest of that to be on record;  
5 correct?

6 MS. HOFER: Yes.

7 COMMISSIONER KOLBECK: While Ms. Van Bockern is maybe  
8 trying to copy that or --

9 MS. HOFER: She can have it. She doesn't have to copy  
10 it.

11 COMMISSIONER KOLBECK: Okay. Thank you.

12 MR. GRAY: It was pointed out to me that the issue  
13 about a soft trench line or being stuck was raised again by  
14 Ms. Hofer. And, again, I would like to reemphasize that when we  
15 dig and build a pipeline and we dig the trench, we go through  
16 efforts to prevent the very circumstance that you've described  
17 with compaction methods of the trench line. And, again, through  
18 my career over 30 years in it, is that an issue of this being  
19 prevalent in our industry I am absolutely not aware of it. I  
20 will not say to you that it may not have happened on occasion,  
21 but it is not prevalent in the industry.

22 COMMISSIONER KOLBECK: And, Buster, during the break  
23 there's some people who, as we have found in other meetings,  
24 some people are a little shy to get up and ask a question. They  
25 asked if I would ask this:

1           Could you please explain the difference between an  
2           easement and a construction agreement and what comes with both  
3           of those and what people can get out of both of those?

4           MR. GRAY:  You've -- the people that have been  
5           approached about acquiring right of way, you've potentially seen  
6           two documents.  One is our easement document, and the other is  
7           one we call a construction restriction binding agreement.  And  
8           that is the document that is our preference that there are  
9           unique things about your land that you want to capture to ensure  
10          that when we construct this pipeline, we adhere to those  
11          requirements.

12          And if you've seen that form, it talks about topsoil  
13          stripping.  It talks about access to the land.  When we build a  
14          linear facility, we may cut you off from another field or  
15          pasture.  If you designate you want a lane kept open for your  
16          farming or cattle operations, if you'll specify that on the  
17          form, we will facilitate that during construction.

18          Some other things that may not be so explicit on the  
19          form, an example would be timber.  If we're clearing some timber  
20          on your land and you want the wood kept for firewood or  
21          marketable timber that you might sell, if you specify that to  
22          us, we will stack it along the right of way at a location that  
23          you would designate.

24          I will take you to a couple of other examples that  
25          I've experienced in my career.  I don't know that they're here.

1 But we've had instances where there are truly an elderly person  
2 or somebody with healthcare problems that might need emergency  
3 access for medical reasons. It's unpredictable. But a driveway  
4 to a home or an access to somewhere. If you specify that needs  
5 to be kept open at all times, then we will facilitate that.  
6 When we put that driveway crossing in, we will put a temporary  
7 bypass much like the county does.

8 But this construction restriction binding agreement is  
9 the vehicle by which you can communicate to us things that are  
10 very unique and special about your property.

11 If -- I think we had one today, grazing of cattle.  
12 Issues about fencing off for cattle are in some instances we've  
13 worked with landowners to move cattle to another pasture as a  
14 damage. But these are the types of things that go into that  
15 form. And many landowners on the project so far have said,  
16 well, we want that in the easement document. And our comment to  
17 you is this is a binding contractual agreement between us and  
18 you guys.

19 One, it's easier for us to account -- I'm sorry. I  
20 got it too far away. It's easier for us to keep up with it on  
21 that form than buried inside of an easement agreement.

22 Secondly, you know, Mr. Jones indicates 40,000  
23 landowners. It truly is the company's preference not to have  
24 40,000 different easements to have to administer over time.  
25 This gives us a vehicle to prevent that. So I hope that would



1 explain the two forms and their uses. But various things that  
2 I've described are the places to where we can take care of that.

3 CHAIRMAN JOHNSON: Go ahead. Question. In the back.  
4 Go ahead.

5 MR. RUSHER: Yes. My name is Jerry Rusher again. The  
6 pig that you're going to send down through the line here in  
7 three years, is it a multiple pig?

8 MR. JONES: If I understand your question correctly,  
9 you were asking if it is a multiple pig?

10 MR. RUSHER: Right.

11 MR. JONES: It is an in-line inspection tool, a  
12 high-technology tool that can detect thinning of the wall.  
13 Before you send that tool down the line during construction we  
14 will have already sent down a caliper tool so we would have  
15 determined whether or not the pipe had any ovality and make sure  
16 that this tool can easily access through the pipeline.

17 So it's a -- I wouldn't call it a multiple tool. I'd  
18 call it a smart tool or in-line inspection tool.

19 MR. RUSHER: So you're just going to inspect the line  
20 in three years?

21 MS. KOTHARI: Hi. I'm Meera Kothari. I'll actually  
22 go through and describe that process. The tool inspection run  
23 that we will be performing within three years, it's actually a  
24 three-part run. The first run is a cleaning run where we would  
25 send the first tool down the line to clean the pipeline. The

1 second inspection run we would perform is that of a caliper tool  
2 nature, the one that is shown in the picture in the  
3 presentation, and the third run is the run that Robert just  
4 described with respect to the smart tool that would pick up any  
5 anomaly changes in the wall. So there would be three components  
6 to the in-line inspection run performed within three years.

7 MR. RUSHER: Thank you very much.

8 MS. DURANT: Vonni Durant again from Carthage. On this  
9 easement thing, can you run multiple lines in that given area of  
10 your easement? I mean, you're going to put in the 30-inch line  
11 now. If something came up in the future, can you run another  
12 one in the same easement area?

13 MR. JONES: That's correct. We're requesting that  
14 this easement in the permanent easement have the ability for a  
15 second line. Let me please explain that today there isn't  
16 enough production to warrant one, nor is there a sufficient  
17 market. So if that was ever to happen in the future, we would  
18 be filing again another set of regulations and just like this  
19 one, the only difference is that when we came through the second  
20 time and we were meeting with all the landowners we would not  
21 only have the -- I believe, Buster, you call it the construction  
22 space -- because the easement itself is only 50 feet. The other  
23 60 feet is a working -- so we would pay again the damages for  
24 the crops and the -- we would also pay for the cost of that  
25 working space as well.

1 MS. DURANT: But nothing more for -- the easement is  
2 you can use my land basically; right?

3 MR. JONES: Sorry. The easement will have the ability  
4 to put in two lines. It will be wide enough to put in two  
5 lines. The lines tend to be about 10 feet apart. So within  
6 that you can basically build or construct two different lines,  
7 that's correct.

8 MS. DURANT: Okay. Thank you.

9 MS. VAN BOCKERN: I'd like to add on behalf of staff,  
10 however, that the easement is a completely separate animal from  
11 what we're doing now, and this would happen all over again. The  
12 Applicant would have to reapply for another siting application  
13 in the event there was a second pipeline.

14 MR. KOENECKE: We agree wholeheartedly with that.  
15 That's absolutely accurate.

16 MARK NELSON: Mark Nelson. We had our contract  
17 reviewed by a lawyer today, and he informed us that in case of a  
18 spillage it would do a good job of covering the spills that  
19 happened on our land. However, if the spill would leak over to  
20 an adjacent quarter of land, that was not covered by the  
21 easement. In the contract it stated absolutely nothing. He  
22 informed us that in turn they would have to sue us and we would  
23 have to sue you. So my question is why didn't you put anything  
24 about the continuous spillage?

25 MR. JONES: I think we need to clarify the difference

1 between an easement and TransCanada's responsibility in the  
2 event of a leak. In the event of a leak, no matter how it is  
3 caused, we are responsible to clean up the leak. There's no  
4 question about that.

5 As for the easement and whether or not a property  
6 adjacent got damaged, we would clean it up and do the  
7 restoration over the entire spill area. The actual legalities,  
8 again I'm not a lawyer so I would ask Brett then to talk about  
9 your legalities. In fact, if you could do me a favor, could you  
10 repeat that question with regards to --

11 MR. NELSON: The spillage would occur on our land and  
12 if it would leak to another piece of somebody else's land, like  
13 a neighbor's?

14 MR. JONES: And I suggested we would clean -- we would  
15 clean up -- sorry. We would be responsible to clean up whether  
16 it's on your land on your neighbor's land. There's no question  
17 about that.

18 MR. NELSON: My second question is, is it a 100-year  
19 easement or not?

20 MR. JONES: No. It's a perpetual easement because the  
21 life of the pipeline is -- you know, it's 175 billion barrels up  
22 in Alberta, potentially the reserves here, we plan to keep this  
23 pipeline in great shape, and we would expect the life of it to  
24 exceed 100 years.

25 MS. BETTY OLIVER: In referring to the lady who spoke

1 about the large machinery, and I have some pictures that  
2 happened in our area this spring --

3 CHAIRMAN JOHNSON: Ma'am, I'm sorry, did you have an  
4 opportunity to state your name yet?

5 MS. OLIVER: Betty Oliver. Betty Oliver. And I have  
6 some pictures, and the lady was referring to the large machinery  
7 we have. And it took three tractors, one backhoe to dig this  
8 tractor this spring to get it out. And I would like to bring  
9 these up and show them to you all. Because I think it's quite  
10 devastating. This is what large equipment would do, and it  
11 would sit right on top of your pipeline. But I think you guys  
12 should keep these because it's a very good indication that  
13 4 feet is not very deep.

14 CHAIRMAN JOHNSON: Just so you all have an idea what's  
15 going on, we're just putting Ms. Oliver's name on the back of  
16 these pictures and we'll make these part of the record and if  
17 anybody wants to see them, they'll be available on the  
18 Commission website.

19 (Discussion off the record)

20 CHAIRMAN JOHNSON: We are going to go back on the  
21 record and thank Ms. Oliver for her pictures, and the Applicant  
22 has asked for an opportunity to respond. Go ahead.

23 MR. GRAY: You know, certainly the pictures that have  
24 been put forward here of farm equipment that is imbedded up to  
25 the axles. That would be the description I would give of it.

1 Certainly I've seen farm equipment that's been stuck and the  
2 thing's in it. I still strongly suggest that this piece of  
3 equipment is as apt to get stuck anywhere in the field as it is  
4 our trench line if we compact it accordingly.

5 All I can also answer to this is if you go to records  
6 in the pipeline industry that are filed with the Federal  
7 Government, records of types of damages and leaks or things that  
8 might be caused by this are virtually nonexistent.

9 MS. KOTHARI: Sorry. I just understand that there was  
10 a follow-up question with respect to the comments around the  
11 in-line inspection. The follow-up question, as I understood it,  
12 was if this inspection was only to occur one time.

13 A subsequent in-line inspection would be performed in  
14 accordance with 49 CFR 195. That rule states that pipeline  
15 would have to be inspected once every five years. So we'd  
16 establish our baseline inspection within three years, and then  
17 subsequent to that within five years we would perform a  
18 reinspection. However, as part of TransCanada's integrity  
19 management program, depending on the assessment that we would  
20 perform annually with respect to the pipeline, we would  
21 determine a frequency as such. So as part of regulations we  
22 would look to do an inspection every five years. However,  
23 TransCanada would look to potentially perform inspections on a  
24 shorter interval if we deemed it necessary.

25 MR. DUSTIN VAN GILDER: Hi. My name is Dustin

1 Van Gilder (phonetic). I am owner of First Rate Fencing, a  
2 fencing company in the area here.

3 With the Northern Border Pipeline, I know a lot of  
4 landowners had concerns about the -- I understand that the  
5 fencing will be attached to the construction restriction binding  
6 agreement. And what rights do the landowners have as far as  
7 fence specifications and as far as hiring contractors of their  
8 choice? And what will the pipeline do to -- you say it's a  
9 100-year pipeline, to maintain that fence for 100 years?

10 MR. JONES: I think there's a couple of questions  
11 there, so let me answer the last one because that's the one I  
12 think I understood, and then I'll have Buster to answer the  
13 first one.

14 There will be -- I would suggest to you that there's  
15 two kinds of fencing that you described. There would be fencing  
16 that may be required if during construction along the pipeline  
17 right of way -- and, again, I'm going to get Buster to give you  
18 details on that.

19 Once the pipeline is built, though, there certainly  
20 will not be any fencing along the right of way. But there is a  
21 need for permanent fencing around the pump station. And the  
22 fencing around the pump station is a code requirement. And we  
23 need to make sure it's of a certain vintage as well. I believe  
24 the pipeline -- the fence needs to be 6 feet. And it would  
25 obviously be able to ensure security of that pump station.

1           MR. GRAY: And regarding I guess existing fencing, and  
2 I assume that's what your question was, replacing of existing  
3 fixing?

4           MR. VAN GILDER: Well, that and I know the pastures  
5 that the Northern Border Pipeline went through, they built the  
6 fence, you know, with substandard materials and, you know, five  
7 years later they're -- you know, it's rotting.

8           MR. GRAY: Okay. Now I understand the question. Is  
9 that when we construct a pipeline, we need to have a continuous  
10 access along our right of way much like when I say a road. And  
11 we take a section of your fence out and we call it a gap and put  
12 a temporary fencing in it so that our construction crews can  
13 pass through much as I had described.

14           Once that last construction crew's through, we go back  
15 and we put in a permanent fence and restore that. We typically  
16 use an H brace and materials that I would say are -- would meet  
17 the original or superior to the materials of the existing fence.  
18 But you're absolutely correct, if that's a concern from  
19 experience on that particular project, the construction binding  
20 agreement, you're welcome to specify the materials that that  
21 will be restored by in that agreement if that gives you comfort  
22 that that would ensure that we meet your requirements.

23           COMMISSIONER KOLBECK: Buster, I'm sorry. Would that  
24 gentleman be able to do the work?

25           MR. GRAY: Sandy, you can answer that if you want.



1 Certainly in the restoration to it, if you desire to do that  
2 work yourself and if that can be arranged as well using this  
3 construction binding agreement by which we will -- we will  
4 compensate you much like we would compensate a fence company to  
5 do it.

6 He is a fence company. I'm sorry. Okay.

7 MS. ROTH: All right. Aside from being the fence  
8 company, if you are a private landowner and still have an issue  
9 with Northern Border Pipeline restoration, whether it's fencing  
10 or anything else, please see me after the meeting. I also  
11 represent Northern Border Pipeline.

12 MR. JONES: I also want to say if you're a local  
13 contractor, I have been approached this evening with regards to  
14 that. On our website you can register yourself and be included  
15 in that selection process.

16 CHAIRMAN JOHNSON: Mr. Jones, do you have any idea on  
17 a percentage of how much local contractors you'd use as opposed  
18 to out of area?

19 MR. JONES: Commissioner Johnson, that's a great  
20 question and a tough one to answer. We're going to hire -- or  
21 we will select a general contractor. And the general contractor  
22 will then need to get specialized local contracts to do it. You  
23 know, I'd venture to guess -- you know, I don't even know if I  
24 could. And maybe, Buster, you could add to that. But, you  
25 know, we do know that there will be a need for local contractors

1     like this gentleman, whether it be for seeding or fencing or  
2     other supplies. Also we tend to use local contractors for  
3     foundation work, clearing of sites for the pump station, the  
4     foundations and the like.

5             CHAIRMAN JOHNSON: I bet Dustin builds a mean fence.

6             MR. GRAY: Pipeline construction, and I'm speaking to  
7     that more than pump station construction, is a very specialized  
8     work. Contractors that do large-diameter pipeline construction  
9     are very specialty contractors that move all over the  
10    United States doing this particular type of work.

11            Also this work is done by union contractors in it to  
12    access the welders and the operators in it. So when we describe  
13    to it employment opportunities are more through unions and then  
14    when I say small suppliers and contractors then in direct  
15    contracts because of the union contractors that are used to  
16    build pipeline construction.

17            So, again, in supplying aggregate, supplying various  
18    things but in pure construction work, it would primarily be by a  
19    pipeline contractor with union labor.

20            MR. RAMON FELLER: My name is Ramon Feller. I live in  
21    Utah now, but I was born and raised about 25 miles north of here  
22    in Day County. My brother and I still own land which has been  
23    in the family for many years.

24            We got the copy of this contract, and neither one of  
25    us liked it. And we sent -- without saying why, we sent it to

1 our attorney who I think is well-known in the state. And he  
2 agreed with all our points and added a couple more.

3 So at this point we're not necessarily against the  
4 pipeline, but we're certainly against that contract.

5 I do have a question. All of a sudden we find out  
6 that there's supposedly a refinery going in in the corner of the  
7 state by Hyperion Oil who happens to be just going to use the  
8 amount of oil that you're going to be pumping. I would invite  
9 some comments. Thank you.

10 MR. JONES: That's a great question. And for the  
11 first two hearings of this presentation I made it perfectly  
12 clear and today I skipped over it, and so thank you for the  
13 question because it was missed in my presentation.

14 During that slide I had commercial underpinnings of  
15 the project. The pipeline is designed to move 435,000 barrels  
16 and, yes, I'm told that this refinery is a similar size. But I  
17 have binding contracts for almost all of -- for 20 years for  
18 340,000 barrels to deliver crude oil to the refineries at  
19 Wood River, Illinois and over to refineries that source oil at  
20 Patoka.

21 We are absolutely not connected to that refinery  
22 proposal whatsoever. And I just want to make sure that  
23 everybody really appreciates that that is nothing to do with  
24 Keystone.

25 COMMISSIONER KOLBECK: And, sir, I might --

1 MR. FELLER: I was just going to add that I believe my  
2 attorney's going to send a letter to TransCanada suggesting  
3 maybe some improvements in the contract.

4 So I did have occasion to talk a few days ago with a  
5 long-time family friend who lives in Calgary, has known  
6 TransCanada people since their inception and couldn't find a --  
7 get a bad word from this person, for what it's worth.

8 MR. JONES: Well, thank you very much for that.  
9 That's a very nice comment. Also with regards to your letter  
10 from the lawyers, that's very good as well, and we look forward  
11 to seeing that.

12 COMMISSIONER KOLBECK: And, sir, I may just add too,  
13 to the refinery, that may take 15 years. I mean, before that  
14 refinery is even up in operation. It could take 15 years for  
15 all the permits to take place. So -- we're kind of getting off  
16 the subject. So we need to focus --

17 MR. FELLER: It just seems like it started about the  
18 time you guys started. And it's very suspicious looking, you  
19 know, we all of a sudden find this out.

20 MR. JONES: I agree their timing couldn't be worse.

21 MS. VAN BOCKERN: Mr. Chairman, we do have a request  
22 from a gentleman that would like to make a presentation beyond  
23 the question-answer format. Are we ready to move on to that, or  
24 do we have additional question-answer type format?

25 CHAIRMAN JOHNSON: I think to be considerate to those

1 people here who might have shorter comments to go ahead, and  
2 anybody who's got comments like we've been having, relatively  
3 short questions or relatively short comments, let's do those and  
4 then afterwards we can move to something longer.

5 Yeah. Go ahead, sir.

6 MR. DON ARNE: My name is Don Arne. The pipeline goes  
7 through some of our land in -- okay. Everybody can hear me now.

8 But anyway, Don Arne. I live in Carpenter. And the  
9 pipeline goes through some of our land. And I just want to have  
10 a little of the opposite theme tonight because I thought I was  
11 treated well by the -- by the pipeline company. And in anything  
12 there is risks. And if we want to do something, there's a risk  
13 in anything we do. And I think this pipeline may be worth the  
14 risk, and I was treated fairly. Thank you.

15 CHAIRMAN JOHNSON: Other questions or comments?

16 MR. RON OPSAHL: I'm Ron Opsahl from Carpenter.  
17 You're talking about fair market value for this land that you're  
18 compensating us for. As you know, fair market value changes  
19 every year just like your salaries and the taxes that the  
20 counties and the state is going to get on this.

21 Why are you paying us a one-shot deal instead of  
22 compensating us every year?

23 MR. JONES: The reason we're paying a one-time deal as  
24 you described or a one-time payment is we are acquiring the  
25 easement for perpetually. So we want to use it to get the

1 pipeline built. And then we give you back the land to continue  
2 to use as you have before we showed up.

3 MR. OPSAHL: Yeah. But you'll be making money every  
4 year on that pipeline. Why shouldn't we get a little bit of the  
5 action?

6 MR. JONES: Again, folks, we don't own the oil that's  
7 in the pipeline. We are the trucker. And so, you know, we  
8 don't make any money on the oil that moves through the line. We  
9 charge a toll or like a postage stamp to do so. And like any  
10 utility, we make a reasonable economic return for installing it  
11 and taking the risk with regards to capital and such. And as  
12 for the oil that flows down the line, we do not make money on  
13 the oil that flows down the line.

14 CHAIRMAN JOHNSON: Mr. Jones, I wonder if it might be  
15 worth noting as well that I believe, and correct me if I'm  
16 wrong, but the transportation in a pipeline is a tariffed item  
17 and so it's not -- you know, a lot of people see the price of  
18 gas go up and down and the price of gasoline really is driven by  
19 the market.

20 That is not true in the traditional sense for  
21 pipeline. That is a rate, a tariffed rate, set by federal  
22 governments, at least I know that it is in the United States and  
23 I presume it is in Canada as well.

24 MR. JONES: That is correct. And we are regulated by  
25 the Federal Government, FERC, with regards to tolls and tariffs,

1 and so we do make a toll and a tariff for every barrel that's  
2 moved down. The analogy I would use would be like a postage  
3 stamp mailing a letter. So for every barrel that we move we  
4 charge a postage stamp tariff to move that barrel.

5 MR. CURT HOHN: My name is Curt Hohn. I'm the Web  
6 manager from Aberdeen, South Dakota. Mr. Jones, you've made  
7 that statement in every meeting we've attended, the fact that  
8 you're the trucker and you really don't own the oil. But isn't  
9 it true in your own website and in news stories on the Internet  
10 that one of the biggest investors in TransCanada pipeline is  
11 Phillips Petroleum and Conoco and they also own the oil?

12 You make it sound like you're just some poor trucker  
13 schlepping this oil across the state when really the people that  
14 own you are the people that own the oil.

15 Now maybe what you'd like to do -- you always say I'm  
16 not putting out accurate information. I'm getting it off your  
17 website. Maybe what you'd like to do tomorrow is issue to the  
18 press a listing of everybody that's invested in your company,  
19 who owns the shares, so we can find out who owns TransCanada  
20 pipeline and who owns the oil that's going to be shipped in it.

21 You're not a trucker. The people that own you own the  
22 oil. And they could be paying these farmers an annual payment  
23 based on the price of oil so when the oil price went up they  
24 shared in the wealth and when it went down they shared in the  
25 reduction.

1           You're not a trucker, sir. You're a pipe company  
2 owned by oil companies, by Texas oil companies. So would you  
3 like to answer that question?

4           MR. JONES: I absolutely look forward to answering  
5 that question and for folks to really recognize the falsehood of  
6 these statements.

7           TransCanada is absolutely not owned by the Texas oil  
8 companies. TransCanada is traded on two stock exchanges. It's  
9 traded on the Toronto Stock Exchange, and it's traded on the  
10 New York Stock Exchange. We are a publicly-traded utility like  
11 any other utility that crosses the state. So we are absolutely  
12 not owned by an oil company.

13           COMMISSIONER KOLBECK: So just so we're clear here,  
14 anybody in this room can buy a share in your company?

15           MR. JONES: That's absolutely correct. And, in fact,  
16 I encourage you to buy shares in TransCanada.

17           COMMISSIONER KOLBECK: Anyone in this room except for  
18 the three Commissioners.

19           MR. JONES: Yeah. The shareholder names is TRP, and  
20 we certainly do encourage you to have a look at it.

21           MR. MIKE NELSON: My name is Mike Nelson. And I was  
22 wondering, you put a tax on each gallon of oil but on this  
23 easement you say one or more pipelines. Well, we would like to  
24 get paid for one or more pipelines if you're going to do that.  
25 You know, I only want one, and I really don't want that. But if



1 you've got an easement for one or more, shouldn't we expect to  
2 get paid for one or more?

3 MS. VAN BOCKERN: I think there's some confusion of  
4 what the legal definition may be of what an easement is. Just  
5 to answer on behalf of Commission staff, and please help me,  
6 Mr. Koenecke, maybe define what an easement is, but it's a sale  
7 for the use of land; is that correct? It's the fair market  
8 value for the use of that land.

9 MR. KOENECKE: It's a grant of an interest in real  
10 property that's not -- doesn't rise to the level of the sale of  
11 the entirety of the property. It's a grant of an interest in  
12 this case, a subsurface interest, to have a utility residing in  
13 that ground and passing through it.

14 Does that square, Ms. Van Bockern, with your  
15 understanding?

16 MR. MARK NELSON: So then why when we get these  
17 contracts it says right in there we're going to pay you for the  
18 easement? You're saying these are two separate things. So then  
19 why is it in this contract we're going to pay you for the  
20 easement and then we're going to pay you for the -- you know,  
21 reimburse you for the stuff that -- obviously for the crops. So  
22 why is this two separate things but we're going to receive one  
23 check for the compensation -- or, you know, easement money and  
24 the --

25 CHAIRMAN JOHNSON: You know, we actually had two

1 individuals back there -- the first individual, why don't you  
2 say your name again.

3 MR. MIKE NELSON: My name is Mike Nelson. The second  
4 one was Mark Nelson.

5 CHAIRMAN JOHNSON: The second one was Mark Nelson.  
6 There we go. Thanks very much.

7 MR. GRAY: I think I understood the question. And if  
8 my answer is not responsive, I'd ask that you ask it again. But  
9 in making our payments, we separate the payments into two  
10 things, the acquisition of the easement and the payment for  
11 damages. And that's the process that we go through in making  
12 those payments.

13 What I did not understand in the question was about  
14 the separation in the easement document or something.

15 MR. MARK NELSON: Mark Nelson. So are we going to get  
16 paid again for the second pipeline to come through?

17 MR. GRAY: For the easement that we're paying the fair  
18 market value for, you would not get a compensation for that.  
19 You would get a compensation for the damage portion that we've  
20 talked about before, much like in this time. We would have to  
21 have the temporary work space to construct the second line. And  
22 you would be compensated for that.

23 I'm sorry. I got people speaking to me.

24 MS. AITKEN: And the damages.

25 MR. GRAY: I said the work space and the damages, I

1 think. Okay.

2 MR. MIKE NELSON: My name is Mike Nelson again. And  
3 we had some land, I'll just use some round figures, but we'll  
4 say I was offered like \$1,000 an acre and I had a land that sold  
5 like a mile away that was sold for like \$1,500 an acre. So how  
6 is that like a fair easement? I mean, when they told me they  
7 said, well, land here sells for a thousand but yet a mile and a  
8 half away it sold for 1,500.

9 MS. ROTH: In the process of determining what we were  
10 going to offer -- let me back up, first thing. There are two  
11 ways historically to pay for an easement. One is to offer the  
12 full fair market value of the property. And the second is to  
13 offer for the easement value of the property, which is a greatly  
14 reduced percentage of what the full market value is. And that  
15 is done in some regions.

16 TransCanada decided on the Keystone project we would  
17 offer you full fair market value for the easement. Now in the  
18 beginning of our process, we had independent appraisers from the  
19 area go out and do market studies to determine the different  
20 values of the properties. If you find that the market value  
21 we're offering today is not what you think it should be, we will  
22 sit down and talk with you. And if you can show us evidence to  
23 the contrary that your land should be valued at a higher value  
24 than what we've offered you, we will talk to you about that. It  
25 is a negotiable dollar value.

1           CHAIRMAN JOHNSON: This is really out of my area of  
2 expertise and it's not something the Public Utilities Commission  
3 under state law is given any authority over. But, you know, and  
4 TransCanada doesn't need to respond, but I just might offer a  
5 suggestion.

6           It seems as though some people are concerned about  
7 that second pipeline, and I just wonder if you could research  
8 what other companies have done, you know, in North America.  
9 Have there been easements written that allow for a second  
10 payment if a second pipeline were to go in or a third payment if  
11 a third pipeline were to go in?

12           And if you have an opportunity to research that, maybe  
13 that might be a mechanism that would gain greater landowner  
14 comfort with the easement document. Thanks.

15           MR. JONES: We'd have to do the research,  
16 Commissioner.

17           MR. FLOYD HANSMEIER: Floyd Hansmeier, Bristol,  
18 South Dakota. It was kind of brought up, but maybe I missed it.  
19 Who owns the oil that's going past Day County, Valley Township  
20 where we have property? Who owns the oil? Is it the country of  
21 Canada, an oil company up there, or an oil company in Oklahoma  
22 or Illinois?

23           MR. JONES: You're right, Commissioner, we should just  
24 leave this mic on, and I'll try and take care to do that. Thank  
25 you very much for the question. It's a good question.

1           When we go out to solicit for these binding contracts,  
2           the entity that owns the oil is called the shipper and the  
3           shippers out there can be a variety of companies. They could  
4           potentially be Canadian oil producers and in the U.S. they could  
5           be U.S. refiners.

6           There's also marketing companies. These are just  
7           companies that buy and sell oil. And so there's a variety of  
8           different entities that can own the oil in the pipeline. Is  
9           that -- I hope that answers your question.

10          MS. HANSMEIER: Yes, it does. Do these people bear  
11          any responsibility in case of a spill?

12          MR. JONES: No, they don't. TransCanada bears the  
13          responsibility to clean up the spill.

14          MR. HANSMEIER: What about the national security  
15          issues, both state and national?

16          MR. JONES: That is a very good question. And we have  
17          to be conscious of homeland security requirements, and that  
18          actually comes to the fact that we have to put a fence, for  
19          example, for security over the pump station. And also we cannot  
20          put the exact legal land description of where the pipeline is on  
21          the Internet or have maps that can be distributed amongst the  
22          public or shipped, for example, overseas. So we have to be very  
23          conscious to make sure that we follow the guidelines of homeland  
24          security.

25          MR. HANSMEIER: One comment. I know some folks have

1 said that they haven't been treated right with the easement  
2 people that's come out. I know I have two neighbors that are  
3 working for the company. And I know very well that they --  
4 certainly those two individuals are not folks that would do  
5 anything to coerce or to -- what's the word I'm looking for --  
6 to talk somebody into it if they didn't want to or whatever.

7 And if they're hiring people like them, I just can't  
8 believe that there would be any problems.

9 MR. FELLER: This is Raymon Feller again. One  
10 question. What compensation do you offer for the pumping  
11 station locations, if it's different from --

12 MS. ROTH: We are offering a different compensation  
13 plan for acquisition of the pump stations. The reason being,  
14 that will be a fee purchase and we will own the property in its  
15 entirety. And right now the pump station offers are being  
16 prepared to go out. Maybe some of you have been talked to about  
17 it already.

18 Frankly because that is a fee purchase between the  
19 landowner and Keystone, we would like to keep those negotiations  
20 at a private level. We don't feel that it should be a public  
21 thing on what someone is selling their land for, that most of  
22 the landowners who are selling to us prefer to keep that  
23 private. But it is a different plan than what we use to  
24 compensate for the easement.

25 MR. FELLER: Thank you. It was my understanding that

1 there's a possibility it was going on a cousin of mine's land  
2 perhaps and just interested in her behalf. She couldn't be  
3 here. Thank you.

4 CHAIRMAN JOHNSON: You want to know whether or not  
5 your cousin's going to have to buy you the next round when you  
6 guys get together; right?

7 MR. FELLER: Well, not (Inaudible).

8 MR. KIM MADSEN: Kim Madsen, Carpenter. I'd like to  
9 know down the line, you know, things happen in life. I don't  
10 know if TransCanada or Keystone or whoever -- if something  
11 happens and you're not here and, you know, the business goes  
12 broke or whatever, I was wondering, is there going to be any  
13 bonds or anything to take care of things if things go haywire  
14 and we got all of this stuff in the ground and things rust out?  
15 I guess I was wondering about that. I take it, are you a  
16 limited liability company or I mean --

17 MR. JONES: I think the answer to your question is  
18 regards to regulation. As a utility, we have to comply with  
19 regulations. So for the life of the pipeline, and it is for the  
20 benefit of the owner and the operator of the pipeline, you'll  
21 want to continue to maintain it so it is in just as good of  
22 shape let's say 100 years from now as it is today. So we have  
23 codes and regulations where you need to continue to maintain it.

24 And even if you look at examples where I know we heard  
25 about pipeline companies that went bankrupt in the past, and

1 Enron continues to be one of the names that is brought up. But  
2 even during all of those bankruptcies, the pipelines they owned  
3 continued to be operated, the tolls continued to be paid, and  
4 they continued to maintain them. And that's because that's the  
5 law. That's the code, and they need to continue to do so.

6 CHAIRMAN JOHNSON: We've got a question in the back  
7 there and another one here. Maybe let's take another question  
8 and then we'll take another short break because I see we've got  
9 a few questions and we'll get one, a break right now. Go ahead.

10 MS. VONI DURANT: Voni Durant here. Did you say what  
11 you are bonded? I know you said you had to keep the pipelines  
12 going, but does the company have a bond? What happens if the  
13 pipeline would go belly up? Who's responsible? I mean, the  
14 counties that they're going through, I know Miner County can't  
15 afford to clean up a mess if something happens.

16 MR. JONES: So if I understand your question that has  
17 to do with what happens if, for example, TransCanada went  
18 bankrupt. And I think the answer would be very similar to what  
19 happened with Enron. It would go into bankruptcy proceedings,  
20 but you would need to continue -- in fact, the new owner would  
21 want you to continue to operate the pipeline safely. And as I  
22 suggested before, they have to. That's the law. And that's  
23 under the code requirements.

24 And that's because you'd want to continue to have the  
25 revenue stream. And so the bankruptcy proceedings, I know



1 TransCanada was part of that, how we acquired Northern Border  
2 was, you know, a company went bankrupt and we were the new  
3 owners and we ended up acquiring that asset.

4 And so there would be a transaction, and you would,  
5 you know, go through the bankruptcy proceedings. They continue  
6 to do the operation to make sure that the pipeline was operated  
7 safely, and the tolls or tariffs would continue to be paid and  
8 collected.

9 MS. DURANT: But still there is -- basically there is  
10 no bond issued. I mean, you don't have -- different entities  
11 have to have a bond if something -- I mean, basically just like  
12 if you're charged with a crime, if you're let out on bail you  
13 have to pay a bail bond. All right. You've got a bond. You  
14 don't have, other than you're guaranteeing that the oil keeps  
15 coming through the pipeline. That's what I'm getting at.

16 Is there a 10 -- 100,000 or \$100 billion, say,  
17 somewhere in a bond that says hell or high water this is here,  
18 everybody is going to be taken care of?

19 MR. JONES: To answer your question with regards to  
20 bonds, there will be a bond that will need to be posted during  
21 construction for any potential damage like crossing bridges or  
22 roads. But we do not have a bond during operations to have  
23 anything once the pipeline is in service, no.

24 MS. DURANT: Okay. Thank you.

25 CHAIRMAN JOHNSON: With that, let's go ahead and take

1 a relatively short break, and we'll come back and get some other  
2 questions and comments.

3 (A short recess is taken)

4 CHAIRMAN JOHNSON: All right. Well, if nobody --  
5 let's go ahead and, sir, you had indicated to Ms. Van Bockern  
6 you wanted to make a brief presentation, something longer than Q  
7 and A. And actually Commissioner Kolbeck does have a question,  
8 so we'll take him and then we'll go right to you, sir.

9 COMMISSIONER KOLBECK: Mine's a very short question.  
10 Mine was asked by someone out in the hall that didn't want to  
11 come up. Is there ever a time when there's a leak that you  
12 consider to be a nonsubstantial enough leak to shut down the  
13 pipeline? And if so, how long does it take you to fix that?

14 In other words, is there ever an occurrence where it's  
15 not leaking very bad so we'll just send somebody out there to  
16 fix it while there's oil flowing through it? Or does any -- any  
17 leak stop operation of the pipeline and then you go find it and  
18 fix it?

19 MR. JONES: Thank you for that question, Commissioner.  
20 The answer is if there is ever identification of a leak, and  
21 even if we haven't confirmed it, somebody phones us up and they  
22 say I saw black liquid sitting over the pipeline, we  
23 automatically shut down the line.

24 COMMISSIONER KOLBECK: So nothing is considered too  
25 small to shut down the pipeline?

1           MR. THOMAS: No. Certainly not. You know, Keystone's  
2 policy is certainly that no leaks are acceptable. You know, we  
3 will err on the side of safety, most definitely. In fact,  
4 operation of the pipeline will be shut down if there's a  
5 suspected leak immediately as well. So absolutely under all  
6 cases, even suspected leaks is an automatic line shutdown.

7           COMMISSIONER KOLBECK: Thank you.

8           MR. GEORGE PIPER: Mr. Chairman and members of the  
9 Commission, my name is George Piper. I reside at 818 Ninth  
10 Street Southwest, Huron, South Dakota. I'm a member of the  
11 board of directors for the South Dakota Resources Coalition.  
12 And we have applied for party status in this matter, and I am  
13 here to speak on behalf of the coalition.

14           The coalition was organized as a nonprofit  
15 organization about 35 years ago. And we advocate in the public  
16 interest on natural resource and environmental matters.

17           We have -- we're an all-volunteer board. We have no  
18 vested interest in property affected by the pipeline or in the  
19 investments of TransCanada.

20           First of all, we're concerned that the raptor report  
21 of February 2007 is being withheld from the public. Not  
22 withstanding the federal regulations that protect the Bald Eagle  
23 and habitat, there is public interest in the preservation of the  
24 eagles as a species, and we believe that the public has a right  
25 to know what the impacts of this project will be on the -- on

1 the species and the habitat.

2 I have been informed by personnel of the U.S. Fish and  
3 Wildlife Service that it was the decision of the -- of  
4 TransCanada to -- and their consultants not to divulge this. It  
5 was not a decision of the regulatory agency to maintain this  
6 information as confidential.

7 I believe that the raptor report should be -- should  
8 be released for public inspection during these proceedings.

9 Now crude oil pipelines leak. TransCanada's spill  
10 frequency volume study projects that a spill of between 50 and  
11 1,000 barrels of crude oil anywhere along the pipeline may occur  
12 once in 12 years. The study also indicates that large spills  
13 may occur, larger spills. My information is all taken from  
14 documents that we have reviewed that have been issued by  
15 TransCanada on the pipeline that were provided with their  
16 application to the State Department. So these are all facts  
17 from their documents.

18 And I have a couple of -- I have a picture here that I  
19 want to show you.

20 (Mr. Piper distributes photograph)

21 MR. PIPER: Now the picture indicates there that the  
22 TransCanada -- the routing of TransCanada pipeline lies along  
23 the eastern slope of the James River drainage almost entirely  
24 throughout the state. The picture, the particular picture in  
25 front of you, shows probably just the northern portion of this

1 area.

2 This area has -- it contains some of the richest  
3 wetlands as well as several aquifers that are used for domestic  
4 water use.

5 Some of the surface water bodies in the vicinity of  
6 the proposed pipeline route include the Fordham Reservoir near  
7 Clark in Clark County. Foster Creek in Clark and Spink County.  
8 Crow Creek and Crow Creek drainage ditch in Marshall County.  
9 Rensinhausen (phonetic) Slough in Marshall County. Amsden Lake  
10 in Day County, and tributaries along Logan Dam and reservoirs in  
11 Clark County and Antelope Creek in Day County.

12 All of these -- all the drainage from surface waters  
13 throughout this region drains into the James River. Also, there  
14 are numerous ground aquifers in the area of the vicinity of  
15 the -- of the proposed route. And these have been identified by  
16 TransCanada. Some of the aquifers are of shallow depth. That  
17 is, at a low distance between the ground surface. The Oaks  
18 aquifer in Marshall County area with a depth of 10 to 15 feet  
19 below the surface and the upper layers of the Altma (phonetic)  
20 aquifer near Raymond in Clark County varies from 10 to 35 feet  
21 below surface.

22 Now crude oil contains several very toxic chemicals.  
23 Some of the lighter-weight chemicals like benzene, toluene,  
24 ethylbenzene, and xylene. And these chemicals are some of the  
25 lighter-weight chemicals in petroleum products, and they can

1 rapidly disburse in water or wet soils.

2           These are all regulated contaminants in both surface  
3 and ground water by the U.S. EPA and South Dakota water quality  
4 standards.

5           For example, the enforceable standard for benzene is  
6 .005 parts per million. That's the enforceable standard.

7           Again, pipelines leak. Now to us TransCanada has not  
8 proven that a crude oil spill in or around any of these surface  
9 waters or a spill in the area of the shallow aquifers would not  
10 pollute the water in violation of the water quality standards.

11           Our recommendations to the Commission regarding  
12 protections for the environment as well as soil and natural  
13 resources, we think that the Commission should require  
14 TransCanada to provide a remedial plan that they and their  
15 contractors will follow to clean up soil surface waters and  
16 groundwaters contaminated by an operational crude oil spill,  
17 both inside and outside of the right of way, easement right of  
18 way.

19           The plan should also include reimbursement to  
20 landowners, adjacent property owners, water utilities and public  
21 lands and resources that are impacted by an oil spill or  
22 pipeline accident.

23           Also, we feel that TransCanada should be required  
24 along with its partners to post bond and a cash payment with the  
25 State of South Dakota to cover the cost of cleanup of any crude

1 oil spill during the lifetime of the project.

2           You know, we repeatedly hear that, yes, we will clean  
3 up everything, we will take care of everything. But where is  
4 that in writing? Where is that -- where is all of this  
5 commitment to take care of everything in writing and documented  
6 and on file with the public entities, both at the state level  
7 and throughout the state, regarding their commitment to take  
8 care of things?

9           Now we're told that we need this crude oil pipeline  
10 that will contribute to meet our energy needs and solve the  
11 energy problems. Well, they tell -- the petroleum industry  
12 tells us that and, of course, we increase using petroleum all  
13 the time.

14           However, I would encourage the Commission to generate  
15 some leadership in the state in developing an energy policy  
16 that's going to move us away from the use of fossil fuel and the  
17 burning of carbon products which contribute to carbon emissions  
18 and global warming.

19           Now the South Dakota Public Utilities Commission has  
20 done a lot in advancing things like wind power and other  
21 alternatives that are more environmental friendly than the use  
22 of fossil fuels. I know this is a big issue. But we have a --  
23 there is an emergency -- emerging national policy that we --  
24 that we -- that we really take account of the carbon emissions  
25 and that there will be a policy emerging that stresses

1 conservation and more efficient use.

2 Even at this time Congress, although very limited, are  
3 advancing fuel-efficiency standards for cars and trucks.

4 And we would encourage the Commission to, you know,  
5 get on board on some of these things.

6 I think that some of those things would be -- would  
7 be -- they can offer a lot of -- there's a lot of jobs involved  
8 in using -- in developing other energy types of things.

9 That's the end of my remarks. But throughout the --  
10 throughout the discussion this evening, I guess when one sits  
11 around you think of a lot of questions. And the statement was  
12 made -- this is a little bit different and I can direct a couple  
13 of questions over here now.

14 The statement was made that for the -- and this  
15 regards the tax -- the taxing of the pipeline. That the first  
16 year it is taxed on a value. Is it taxed on that value every  
17 year, or does the value change?

18 MR. KOENECKE: State law provides that the pipeline  
19 will be valued each and every year. Could it be the same from  
20 year to year? Yes, it could if the value as the State  
21 Department of Revenue has set forth -- the mechanism that they  
22 use to set the value results in the same. That's a possibility.  
23 Could it be different? That's also a possibility. But it will  
24 be revalued every year. It will be revisited. Every year on  
25 July 5, according to state law, the pipeline has to be valued.



1           MR. PIPER: Have you had any communications with the  
2 revenue department about the assessment of the pipeline, the  
3 values and the assessment of the pipeline?

4           MR. KOENECKE: I have not.

5           MR. PIPER: So we don't know. We don't know what the  
6 value and what the tax collection is going to be each and every  
7 year. You know, I don't think we should be really impressed by  
8 the \$6.5 million. Look at what you're dealing with. The  
9 petroleum industry has billions.

10           Now they say they don't own the oil, they don't own  
11 the oil. But they certainly gain some revenues -- they  
12 certainly gain tremendous revenues.

13           If we looked at the value of the oil that goes through  
14 the pipeline, the -- at the rate of -- let's say it was \$45 a  
15 barrel. Now I'm not directing this to you people because this  
16 would be misinformation. But I want the Commission and the  
17 state to recognize that I don't know if we should be impressed  
18 with the \$6.5 million. If we valued the oil at \$45 a barrel, at  
19 435,000 barrels a day they could pay that taxes in eight hours.

20           So, you know, we shouldn't jump onto something because  
21 we're impressed with \$6.5 million in taxes. I mean, why don't  
22 we require TransCanada to post the bond or put up some money to  
23 assure us that -- I mean, if we look at a spill of 50 barrels,  
24 you know, in a matter of 12 years, now that's not all going to  
25 be -- I mean, what is the cost? Another thing we're going to

1 have to examine, what is the cost of the cleanup of 50 barrels  
2 of oil?

3 Nobody knows. Nobody knows who's going to pay for it,  
4 what it's going to cost. But I just -- I just want to point out  
5 to the Commission that I think through these proceedings, really  
6 take a good look at some of the promises. One, do we have  
7 anything in writing as to when they say yes, we will take care  
8 of everything, we will clean up everything, every spill gets  
9 cleaned up. I mean, do we know what -- really, do we have  
10 anything in writing of that?

11 And, secondly, what are the costs that are faced by  
12 the state, the local fire department, and whoever has to be  
13 involved with, you know, some emergency or some problem along  
14 with the operation?

15 I mean, they should be responsible for the operation  
16 of the pipeline and the state should have some assurance that  
17 that will be affirmed from that point.

18 I want to thank you. I want to thank the Commission  
19 for, you know, having these hearings and coming to Clark so we  
20 don't have to run to Pierre to everything. And we appreciate  
21 that, you know, you're taking the time to gather a lot of  
22 information and listen to the people.

23 COMMISSIONER KOLBECK: Thank you.

24 CHAIRMAN JOHNSON: I should note that the Pierre  
25 Chamber of Commerce isn't very pleased with it. But, you know,

1 thanks. Mr. Koenecke, go ahead.

2 MR. KOENECKE: Commissioner, there were a number of  
3 contentions there that we would like to provide information on  
4 to the extent we can. The first one, Mr. Piper, would be that  
5 it's written in state and federal law that TransCanada is  
6 responsible for the cleanup. That's where it's written. It's  
7 written in our state's code book and federal law. So we'd be  
8 glad to provide you with citations for that. We'd rather be  
9 right than quick in communication with you on that. But that's  
10 where it's written.

11 And as far as the rest of the questions, I'll pass the  
12 microphone around.

13 MR. PIPER: Well, is it the understanding of the  
14 Commission that this is adequate, his comment that because it's  
15 in the law, you know, it's going to be -- it's going to be taken  
16 care of?

17 CHAIRMAN JOHNSON: Mr. Piper, I would just indicate  
18 that we're at the very beginning of this process, and that's  
19 certainly something the Commission staff and ultimately the  
20 Commissioners will evaluate as a part of this process.

21 MR. PIPER: Okay. Thanks.

22 COMMISSIONER KOLBECK: Can I ask, I mean, are you  
23 wanting us to get a commitment from them stating that they would  
24 follow state law?

25 MR. PIPER: Well, why not?

1           COMMISSIONER KOLBECK: I'm just asking, is that what  
2     you're after?

3           MR. PIPER: Well, I think it should go way beyond  
4     that. There should be a plan. Sure, the law says clean up.  
5     But what is your plan? What is your plan? How are you going to  
6     do it? What's the process? What procedures are you going to  
7     follow? Who's going to be involved? Who's going to have  
8     responsibilities, you know, whatever -- whatever  
9     responsibilities the state or some local business or property  
10    owner, you know, might be faced with.

11          CHAIRMAN JOHNSON: You know, and I should just also  
12    mention, you know, your organization has applied for party  
13    status, and so we will have an opportunity in a more formal  
14    process to evaluate these issues and try to find out exactly  
15    what the facts are based on the evidence that's submitted. So  
16    we may not get an answer to all the questions tonight, but we  
17    certainly will as we move forward.

18          MR. PIPER: Well, that's great. But I think we start  
19    talking about these things now because there's a lot of things  
20    to happen between now and the time of your decision.

21          CHAIRMAN JOHNSON: That's right. Let's go ahead and  
22    look to Mr. Koenecke. Did you guys have additional comments?

23          MR. KOENECKE: I believe we do.

24          MS. TILLQUIST: I'd like to address the  
25    spill-frequency issue. The numbers that were provided in the

1 risk assessment, trying to figure out how to explain it. The  
2 numbers were derived from a national database. It's based on  
3 historical data containing pipelines all across the U.S. for  
4 many years.

5 When we derived the numbers, it's -- we calculated the  
6 number of spills we would expect based on the mileage applied.  
7 The way to think of this, it's not that TransCanada is  
8 expecting, you know, to spill anything. But if you were driving  
9 a car, your insurance company will have statistics, and they may  
10 say, you know, on average you might expect to have 1.5 accidents  
11 per 10 years. And that's what these type of statistics are  
12 indicating. TransCanada's philosophy, as I have said, is to  
13 have zero spills.

14 So it's not an expectation. It's just based on  
15 historical data. It doesn't account for a lot of the pipes that  
16 are in that database don't have things like the FBE coating that  
17 we've talked about tonight. They don't cathodic protection and  
18 other standards that this pipeline will be not only designed and  
19 manufactured to but how it will be operated.

20 MR. PIPER: Well, we hope there aren't any leaks  
21 either, but there will be leaks. I mean, it's like there will  
22 be car accidents.

23 CHAIRMAN JOHNSON: And, Mr. Piper, let's go ahead and  
24 allow TransCanada an opportunity to respond to your comments,  
25 and then if they say something that you want to make a comment

1 to, we can certainly go back to you. Go ahead.

2 MS. TILLQUIST: Resources, you mentioned sensitive  
3 water bodies, things like James River, aquifers, things like  
4 that. There's a number of resources that have been identified  
5 by the Department of Transportation in coordination with state  
6 and federal agencies and a lot of NGOs. Those areas are  
7 identified and when the pipeline crosses those areas or a spill  
8 could potentially get to that area, we are actually held to a  
9 higher level of inspection and repair criteria than in other  
10 areas. So, you know, we recognize those sensitive areas and  
11 there's a way to protect those.

12 You mentioned the BTEX compounds, the benzene,  
13 toluene, ethylbenzene, and xylene. Those are soluble aromatic  
14 hydrocarbons that are contained within crude oil. The content  
15 in this crude oil tends to be very low compared to many other  
16 crude oils. If a spill did occur, and it did get into water,  
17 then we would be required to remediate, clean up, those -- the  
18 water to federal and state standards which we had talked about.

19 And then I guess the last thing I'd like to kind of  
20 segue into your stuff is basically there is a plan in place that  
21 will allow Keystone to respond -- detect, respond, contain,  
22 clean up, and that's all in the emergency response plan. And  
23 that's what Brian will talk about.

24 MR. THOMAS: Thanks. And maybe just to state once  
25 again certainly TransCanada's standard is that no leaks are

1 acceptable. You know, you quote that the pipeline will leak.  
2 And, you know, I'm not here to say that with absolute certainty.  
3 Of course, I can't say that it will never leak. But this is  
4 where TransCanada has a comprehensive program in place to do  
5 really all that can be done in that regard.

6 So it starts with the prevention part of the program  
7 that involves the design of facilities and so on. Then it moves  
8 to the detection so that we have leak detection systems and  
9 those things. And then finally if it does leak, we have our  
10 mitigation plans in place.

11 We will have an emergency response plan in place for  
12 every -- every basically foot of the pipeline right of way. We  
13 will have basically a spill analysis that is very much a what-if  
14 scenario completed so that we will determine in the event of a  
15 leak what volume will leak at every 100-foot spacing along the  
16 pipeline right of way, and then we will develop the resources to  
17 deal with that spill and ensure that they are in place and will  
18 be compliant with Government regulations in terms of the  
19 response time to get to site and begin the cleanup and  
20 restoration activities. So it is very much a comprehensive plan  
21 that will be used.

22 And those regulations, just for reference, are all in  
23 49 CFR 194.

24 CHAIRMAN JOHNSON: Mr. Koenecke, was -- is the  
25 Applicant done with their response?

1 MR. KOENECKE: I believe so, Commissioner. Thank you.

2 CHAIRMAN JOHNSON: Okay. Great. Any other comments?

3 MR. PIPER: Well, I, you know, really appreciate  
4 the -- the issues that they're looking at. But I still contend  
5 that, you know, we're -- we need a plan. We need to know a  
6 plan. We need to know the facts and details of some kind of a  
7 remedial plan and who -- who's involved, what is their capacity,  
8 what is their potential responsibilities and what are some  
9 possible costs? I just think, you know, we should need that.

10 CHAIRMAN JOHNSON: The document you're asking for  
11 makes a lot of sense and so, you know, presumably TransCanada  
12 can work with you either before the fall process --

13 MR. PIPER: They're not working with me. They're  
14 working with you.

15 CHAIRMAN JOHNSON: And obviously they'll provide that  
16 information to us as well. If you want it in advance of -- you  
17 know, I know a lot has been introduced as part of the  
18 application. If there's something you wanted entered into the  
19 record that's not part of the application, we can certainly have  
20 that be a part of the process.

21 Commissioner Kolbeck.

22 COMMISSIONER KOLBECK: Yes, just for my own  
23 clarification, maybe Kara, you can help me with this. He asked  
24 about the raptor sheet. And I was thinking that was all backed  
25 up with written letters, certified letters.



1 MS. VAN BOCKERN: We did not receive a letter on that  
2 specific issue. However, as I read the federal laws and  
3 regulations, it's very clear that TransCanada had an obligation  
4 to protect those areas, and in turn I believe we have an  
5 obligation to keep those portions of their application  
6 confidential.

7 And certainly as a party now your organization could  
8 enter into a confidentiality agreement with the Applicant so you  
9 could see them, as could any party that's intervened in this.

10 COMMISSIONER KOLBECK: So you can get those documents  
11 if you want them.

12 MR. SMITH: Could I make a comment?

13 MR. PIPER: Well, I'm a little confused. Where are  
14 the documents and, you know, how does one get them? And, I  
15 mean, we're not -- you know, I'm not looking for them just for  
16 my use. But for the public information, they should be posted  
17 on your website so that anybody could get -- could get access to  
18 it.

19 MR. SMITH: May I just ask a question here because  
20 I've looked at all of that stuff because I have access to it.  
21 And, I mean, it's my understanding and again, it's very --  
22 looking at that enormous volume of stuff it's sometimes hard to  
23 figure out exactly what is or isn't in the redacted portion.  
24 But based on my look at it, all that is redacted -- the basic  
25 study and conclusions of the raptor study, it's all open to the

1 public. The only thing that is redacted are the precise  
2 locations of endangered-species nests. And there's very few.  
3 And the reason the Government or some portions of it don't want  
4 that is you've got people out there that will not use that  
5 information in the right way.

6           You know, it's -- I think that's the reason is they  
7 don't necessarily want people who might want eagle feathers or  
8 whatever to know exactly where eagles' nests are, although they  
9 probably know already.

10           But the conclusions which basically get to, okay, if  
11 there are eagles' nests here, what kind of threat does that pose  
12 to the species? At least my recollection is that those are all  
13 public now. It's just the exact maps that contain the exact  
14 nesting locations and the verbal descriptions of exactly where  
15 those are that are confidential. That's it.

16           MS. VAN BOCKERN: And more specific to our procedure  
17 at the Commission, we have both the confidential version that's  
18 not -- that contains no redactions that the Commissioners and  
19 staff can view, and then the confidential redacted portion  
20 that's available to the public. And certainly it will be  
21 considered when appropriate in the Commission's decision.

22           And as far as the confidentiality agreement, parties  
23 are able to enter into individual agreements with the Applicant  
24 and it's brought before the Commission and it's part of the  
25 proceeding.

1           CHAIRMAN JOHNSON: Ms. Van Bockern, maybe you could  
2 take Mr. Piper's information and make available to him the  
3 letter that you filed with the Commission last week, and then  
4 you can work to make sure that if he's got other concerns about  
5 information, that we resolve those to the extent possible.

6           MR. PIPER: I just have one further thing. As I  
7 recall, I checked the website yesterday and there was one  
8 summary report on the raptors, raptor report that was not  
9 available, in addition to all of the documentation that you,  
10 Mr. Smith, had on there too. But there was one summary report I  
11 think was not available.

12           CHAIRMAN JOHNSON: Again, I think the best way to  
13 proceed, at our Commission meeting this morning we did address  
14 this issue, and staff did file a summary of what is currently  
15 not completely open to the public. And so we'll get you a copy  
16 of that so we can make sure everybody's on the same page about  
17 what's available and what's not.

18           Mr. Hohn has been patient. I know he's got some  
19 comments. Unless anybody else has got something burning, I  
20 think you're up.

21           MR. HOHN: Mr. Chairman, I have a map here I want to  
22 show, and I'll just use the mic and walk if I can.

23           Before I comment on that, this is a follow-up from  
24 something at the previous hearing. It's a new item. My name is  
25 Curt Hohn. I'm the Web manager from Aberdeen, South Dakota.

1 Curt Hohn, H-O-H-N.

2 On the issue of the documents, Web was one of the  
3 organizations that filed with the Commission, asked you to have  
4 a special hearing to release documents that were filed by  
5 TransCanada on April 27 and all marked confidential, including  
6 the table of contents. I've never seen such a thing. I mean,  
7 it's like very odd.

8 Now I've heard from various people, not from these  
9 people but some of your staff, that that was a mistake and that  
10 we're going to rectify that. But to rectify it, I was shocked  
11 when I learned that you couldn't get at the information, and I  
12 contacted John and a few others to figure out what I had to do  
13 to get it open.

14 So that was April 27. And you responded as quickly as  
15 you're allowed under the statutes, and there was a hearing held  
16 which we attended and you were all involved. An agreement was  
17 made that it was going to be released that Friday. And my  
18 understanding was what was released was released a week later.  
19 Now maybe I misunderstood, and I didn't look at the transcript  
20 to verify what was agreed to.

21 As I understand it, and I've read Kara Van Bockern's  
22 letter. She sent I believe it to us as one of the parties.  
23 Essentially what she's saying if I read the letter correctly is  
24 you have an e-mail message from Jay Vogt, who I know very well  
25 with SHPO, State Historic Preservation, and essentially he said

1 in the memo that he didn't want the specific locations of the  
2 historic information released but the summary which is normally  
3 released on water systems could be.

4 All right. So we have that document.

5 I have not seen anything from any federal agency, from  
6 U.S. Fish and Wildlife Service, from the Game, Fish & Parks in  
7 writing that says -- from an agency person not connected with  
8 these consultants and this client saying we do not want this  
9 released.

10 In fact, since your hearing I have received calls from  
11 two people, one with the Game, Fish & Parks and one with the  
12 U.S. Fish and Wildlife Service, saying we can't understand why  
13 that's not released, and it isn't us that's restricting it, it's  
14 them, the Applicant.

15 Now if your staff is here -- truly here to assist the  
16 citizens of South Dakota to get at this information -- her  
17 letter says she talked to people in the federal agency -- she  
18 had some federal statute or something that said it had to be  
19 blocked. The federal people say it doesn't. It's being blocked  
20 because of the client, the Applicant.

21 Now the question is, how important is what's not being  
22 made available? I have no idea. Like I told you at the hearing  
23 on the 12th, won't know until I see it. But there's just a  
24 fundamental issue. It should all be open. It should never have  
25 been marked confidential in the first place.

1           And with all respect to Mr. Jones, if I were one of  
2 the CEOs involved with this application, I'd find out who filed  
3 that confidentially, and I'd get a new person because that was a  
4 bonehead mistake. I mean, it's foolish. How can you come to  
5 this state and say in good conscience we're open, we want to be  
6 honest, we're going to work with you, and the first thing you do  
7 is block everything about your application. That's not how we  
8 do it here.

9           Now if it was an honest mistake, lift it. Don't use  
10 homeland security. My goodness. Homeland security is getting  
11 blamed for everything. There's not a lot of Arabs out here in  
12 the Midwest looking for oil lines. If they came, we'd probably  
13 be able to notice them, and we'd call you.

14           What's happening here is restricting information, and  
15 I really think the Commission needs to bore down on that.  
16 Because if you cannot submit letters from federal agencies  
17 saying do not release this or that item, there should only be a  
18 handful of things that can't be released. But if you can't  
19 submit it, I submit as a representative of one of the parties,  
20 that that agreement that was made at your hearing on the 12th is  
21 not being kept.

22           Now we're going to get at those documents, so don't  
23 destroy any and don't lose any because we'll go to court through  
24 discovery if we have to to get it. And this gentleman is  
25 smiling. He finds it very funny. I don't find it funny. You

1 need to tell us what you're going to do and you have an  
2 obligation to tell us and show us and, you know, if you'd do  
3 that, you'd probably have less trouble. Open disclosure, full  
4 disclosure, that's what we'd like to see. I have better things  
5 to do than to go to Pierre and try to get you to do what you  
6 should have done in the first place. Not a question, a comment.

7           Now with regard to water quality, I have a map which  
8 I'd like to have -- maybe Mr. Piper would hand this to the  
9 Commission. It's the map from the wall, and I've already given  
10 a copy to one of the TransCanada people, and I'll give two of  
11 them here to this gentleman. They say they're aware of it, and  
12 if they are, then this won't be a big issue.

13           This is a map prepared by the Department of  
14 Environment and Natural Resources. It's very hard to read. If  
15 you need bifocals like I do, you're going to need glasses. It  
16 is an enlarged map which you can get from the Department of  
17 Environment and Natural Resources, and I'll give it to your  
18 staff so you can see it and make it much easier to read.  
19 There's copies here I'll just hand out to those in the audience  
20 who might want to look at it.

21           This is a map of Clark County. And there's a legend  
22 on the right, and essentially the light gray and the dark gray  
23 are shallow aquifer areas. This says the depth would be about  
24 50 feet, and this would be about 50 to 100 feet from the land  
25 surface.

1           You'll notice that along the west side of Clark County  
2 is a light gray and dark gray area. The little dot you see in  
3 between 117 and 116 north is Raymond. The pipeline, we plotted  
4 the pipeline on this map based on the last map we were able to  
5 get our hands on from your website. Now whether it's exactly  
6 right or not, I don't know because I haven't seen all the  
7 documents, haven't had a chance to look at them.

8           But it's essentially that light gray area and dark  
9 gray. I'd say about two-thirds of that edge of the county.  
10 Their pipeline parallels that side of the county. Now at one of  
11 the earlier hearings, these people said we routed the pipe to  
12 try to avoid underground aquifers. This is shallow aquifer.  
13 It's used by farmers who live there. Our laws say that they  
14 have to prove that they will not impact the environment, or the  
15 health and welfare of the people who live in this area.

16           How do you prove that you won't leak in about a  
17 40-mile area over an aquifer that's relied on by farmers and  
18 small towns? And there are people who were here tonight from  
19 Carpenter who can tell you they have water at 20 to 30 to 40  
20 feet, good water.

21           That's why I and the Clark rural water haven't been  
22 able to sell water to them. They have a source of water. That  
23 source of water has a value. We're not talking about land.  
24 We're talking about a resource under that land that has value  
25 that could be contaminated if they have a spill.



1           Now they say we're going to fix a leak. Think about  
2 that, a pipeline under pressure, 1,700 pounds and it leaks.  
3 There's going to be a lot of oil. It will not be hard to see  
4 something like 200,000 gallons of oil. That will be a major  
5 spill.

6           BP had a similar spill in Alaska, covered almost a  
7 section of land when you got all done with the contamination.  
8 But the contamination of the groundwater is even harder to track  
9 because when those chemicals, benzene and toluene and all the  
10 things they were discussing earlier, get in the water, they're  
11 going to move. And to say you're going to take them out and  
12 completely remove them, I hope they're not saying that because  
13 you can't do it. It's not possible.

14           All right. The law says they have to prove -- the  
15 burden of proof is on them that they will not endanger the  
16 environment or the water quality. There are several maps like  
17 this in other counties. And when we get to Marshall County  
18 tomorrow, I'll show you that one. You have access to the  
19 Department of Environment and Natural Resources. I think it  
20 would behoove the Commission, independent of these consultants  
21 because they work for him. They don't work for us. They don't  
22 work for you.

23           Independent of these consultants, you need to examine  
24 that very closely. Because when you talk to a landowner and  
25 say, well, what's the land worth, that water underneath it might

1 be worth as much as the land or more if you damage it.

2 And I submit that they're going to have a hard time  
3 proving beyond a reasonable doubt that they won't contaminate  
4 it.

5 Now we talk about fixing a leak. Nobody's ever showed  
6 you pictures of how they fix an oil leak. Think about that.  
7 What are you going to do? Weld it? Are you going to put a  
8 rubber boot around it, turn it back up to 1,700 pounds of  
9 pressure? My crew fixed 200 and 160 psi pipe. And I can tell  
10 you, that's hard to control. Do they take the whole mainline  
11 down?

12 We need to see some specifics. Show us how you  
13 actually fix that pipe. I want to see pictures. I'd like to  
14 see drawings. If we build an extension to our water system or  
15 if Clark rural water adds on, we have to take our blueprints to  
16 DNRD and have it approved and stamped.

17 Where are the plans for this project? Where are the  
18 blueprints? Where are the engineering reports? Who's going to  
19 review those? I want to see them. And I'll be asking for them  
20 as part of discovery. Because when I build a water line that if  
21 it fails, can't hurt anybody except maybe flood the corn and  
22 cause crop damage. The State of South Dakota requires that I  
23 submit plans and that they be approved. It usually takes six  
24 months to a year on a major project.

25 If a farmer in this room or a Hutterite colony builds

1 a turkey barn or a feedlot, we require -- DNRD and the State  
2 requires detailed plans to be submitted and approved. And I  
3 will expect and I think everybody in this state will expect that  
4 the State give the same amount of due diligence to this project  
5 as you would one lowly feedlot in Marshall County or a turkey  
6 barn in Beadle County.

7 Otherwise, the State of South Dakota is not doing due  
8 diligence. And as far as saying, well, how are we going to do  
9 it? Are we going to rely solely on them to tell us what's going  
10 to happen? We don't have to. We had a spill in the Sioux Falls  
11 area, the Michaels pipeline -- the Williams pipeline. What  
12 happened? What did we wish would have been in place before that  
13 happened? And what happened and how did we turn out after it  
14 was all over? You learn from your mistakes or you learn from  
15 the past.

16 Instead of -- listen to these people, that's fine.  
17 But I think we also need to look to some independent parties  
18 like the U.S. Geological Survey, which will give you far  
19 different numbers and statistics than this young lady gave us.  
20 They see a whole lot more leaks, larger.

21 And, you know, the National Transportation Safety  
22 Board investigates every major pipe failure, and that's  
23 available on the Web. Try reading about three or four of them.  
24 83 pages long, well written, well documented, independent  
25 people. That's where I'm getting my information. And why is

1 it? Because I can't get the information we should be able to  
2 get open and honestly from this oil company.

3 The last thing I want to say, we banter these  
4 chemicals around, benzene. This came from the Canadian  
5 occupational health organization. That's not the title, but  
6 that's who they are. Benzene exposure can cause anemia or  
7 decrease in blood platelets and may result in increased risk of  
8 cancer. Toluene in excess of EPA standards can cause problems  
9 with the nervous system, kidneys, and liver. Ethylbenzene can  
10 cause problems with liver, kidneys. Xylene can cause damage to  
11 the nervous system.

12 We're not talking about some small thing. And so if  
13 there is a leak, it's one thing to clean up the oil and stop the  
14 leak. What do you do for a farmer who lives here and his  
15 family's drinking water out of an aquifer and they've been  
16 drinking out of it since statehood? What do you do for them?  
17 And what is this company going to do? They're going to do the  
18 least possible.

19 They talk about the federal laws. In 2000 a pipe  
20 explosion in Carlsbad, New Mexico killed 12 people, and ever  
21 since then, Congress has been trying to pass laws to tighten  
22 federal laws regarding oil and gas. You know what happened?  
23 You won't be surprised. The legislation was gutted and killed.

24 And where am I getting that information? From the  
25 sponsor. You know how that was killed? The oil lobby.

1           So I'm sorry if I'm a bit skeptical. And, you know,  
2 they can question the veracity of my information, and I'm giving  
3 you what I can find because they're resisting making a lot of  
4 what they have available. But I challenge the veracity of some  
5 of these slick blue papers that they're handing out as well.  
6 Because they're underestimating the negative and overestimating  
7 the positive.

8           We need to be realistic. What really can happen?  
9 What will you do and how long does it take? And don't blow  
10 smoke.

11           We deal with leaks on our water system. I can tell  
12 you how long it takes to mobilize a crew from Aberdeen and get  
13 them to Webster in the middle of winter at 1:00 in the morning.  
14 It takes a long time. And if Mr. Jones's people are coming out  
15 of Omaha, Nebraska and there's a leak at Raymond, we got a  
16 problem. It's going to be a lot longer. We need people  
17 stationed in this state. We need people that can respond to a  
18 leak. We can't rely on our local fire departments, and we  
19 shouldn't ask them to fight this kind of problem and deal with  
20 it. They're not getting paid to do that. And there's a  
21 liability associated with it.

22           That has to be nailed down in the -- a condition of  
23 this permit in fairness to the people that you're trying to  
24 protect and the resources you're trying to protect has to be in  
25 writing. And don't let them tell you it's all covered under

1 federal law. Because all you have to do is call your colleagues  
2 in the other PUCs around the state, and they'll tell you over a  
3 drink or a cup of coffee it's a tough business. We're getting  
4 into something we don't know anything about.

5 We have gas lines. And if a gas line leaks, it goes  
6 up. And if you're unlucky and you're smoking near it, you go  
7 with it. We've never had that happen.

8 If you have an oil leak, it's going into the ground.  
9 And it's not going to be easy to get it up.

10 And so I appreciate too the hearings and the  
11 Commission's willingness to sit and listen at all of these  
12 hearings and listen to me more than once, which is appreciated.  
13 But we're dealing with a very serious thing.

14 I spent most of my career working in this area. I'm  
15 not ready to just turn it over to somebody who's moving in from  
16 out of state and say I'm going to trust you.

17 I deal with contractors. It's arms-length and you've  
18 got to be careful and you've got to make sure they do what you  
19 expect they're going to do. And the only way I've ever found  
20 out that it worked is to have it in writing and have somebody at  
21 the state level have their hands on the reins.

22 And I think you have the power and authority to put  
23 conditions on this permit. And you're hearing from people up  
24 and down the state which gives you some idea of the concerns. I  
25 hope you have resources, funds available, to hire your own

1 experts, to look beyond me and these people and anybody else and  
2 be able to get somebody who can help you put this together.

3 Because if you do it right, we can turn out fine. But  
4 if we -- we just sit back and say, well, let them do what they  
5 want, the law doesn't allow us to get proactive or progressive,  
6 I think this could be a debacle.

7 So thank you very much, and I'm going to leave this  
8 with Kara and John.

9 CHAIRMAN JOHNSON: Thanks very much, Mr. Hohn. Other  
10 comments or questions?

11 MS. ANDERSON: I have one.

12 CHAIRMAN JOHNSON: Hold on. I probably should have  
13 looked to the Applicant to see if they have any comments. Okay.

14 MR. KOENECKE: We don't. Thank you, Commissioner.

15 CHAIRMAN JOHNSON: Ms. Anderson, did you have a  
16 question?

17 MS. ANDERSON: I think you can hear me from here.

18 CHAIRMAN JOHNSON: Actually, we'd like you to use our  
19 microphone because our recording equipment doesn't pick you up  
20 if you're not speaking into the mic. Thanks.

21 MS. ANDERSON: All right. I'm Lillian Anderson. I'm  
22 from Langford, South Dakota. The news constantly says that the  
23 United States refineries are running at full capacity. This  
24 project is going to bring in 435,000 barrels of crude. Enbridge  
25 wants to bring in 410,000 barrels. That's 845,000 barrels extra

1 of crude. So if the refineries are already running at full  
2 capacity, how are you going to refine another 845,000 barrels a  
3 day?

4 Another question, do we really need this crude oil?  
5 When you read about it in Canada, Canada does not want it coming  
6 down here. Canada is fighting it coming down here. Canada is  
7 very angry that it's coming down here. Canada wants the jobs.  
8 Canada wants it kept up there, and they want to refine it. So  
9 why are we accepting crude oil and damages to this degree?

10 COMMISSIONER KOLBECK: What was the last part of  
11 that -- I'm sorry. Canada doesn't want it, and then I didn't  
12 hear.

13 MS. ANDERSON: Canada does not want the crude being  
14 shipped down here. They want to refine it up there. They do  
15 not want to lose the jobs to the United States. Their labor  
16 unions are fighting it.

17 COMMISSIONER KOLBECK: And then what was the last part  
18 of your question? I didn't hear it. That was it. I'm sorry.  
19 Mr. Jones.

20 MR. JONES: Thank you. Be pleased to answer those  
21 questions. With regards to crude oil shipments into the  
22 United States, I think we hear on the news every day we've got a  
23 significant reliance on foreign sources of oil. And whether it  
24 be in the Middle East or Venezuela. And there's no question  
25 that the U.S. is looking to convert the reliance on foreign



1 sources of oil to a much more stable production basin such as  
2 Canada.

3 So there's no doubt there's a displacement with  
4 regards to the importations of foreign oil and offshore oil.  
5 The other one is decline in the basins. The U.S. basins,  
6 whether they be the basins in Oklahoma or Texas, are declining  
7 at a rate of about 5 percent a year. So the U.S. is going to  
8 continue to rely on importations, whether they be from Canada or  
9 Mexico or Saudi Arabia or wherever else. So there's always  
10 going to be a continuing need with this decline in production  
11 here in the United States.

12 Oh, and the question with regards to Canada doesn't  
13 want the oil down here. There's no question that there is a  
14 group in Canada, the labor unions, who are part of the refinery  
15 association have intervened in the NEB application. This is the  
16 equivalent process, a federal process we have in Canada. What  
17 they would like us to do, of course, not us, the industry, they  
18 would like to see Canada change energy policy. Well, of course,  
19 debates on energy policy happen in our country as much as it  
20 happens in your country. So we have these debates, and they're  
21 healthy debates.

22 The premise would be that a refinery should be built  
23 in Canada. Well, if the refinery was build in Canada, then the  
24 products of that refinery would have to be moved to market.  
25 That's why refineries are near population centers. If you look

1 in the U.S., most refineries are adjacent to huge, large  
2 population centers. In Texas, of course, is where most of them  
3 are. There's quite a few in Chicago. And that's because those  
4 are large population centers, and they work in a hub-and-spoke  
5 basis. And so the products from those refineries can get to --  
6 it's the most sufficient way to move those products around.

7 So if we were to have a large refinery in Canada --  
8 and, by the way, we have sufficient refining capacity in  
9 Canada -- then we'd have to have a number of those products come  
10 through the U.S. anyway. They would come through either  
11 products pipelines, or they'd have to move the coke for the  
12 asphalt or whatever.

13 So the most efficient way is to build a crude oil  
14 pipeline to feed these refineries, and the number one reason  
15 really is to change the source of oil from foreign offshore to  
16 domestic or -- sorry, North American based.

17 I apologize for the long-winded answer. Obviously I  
18 have a lot of passion for my business.

19 CHAIRMAN JOHNSON: Thank you very much. Other  
20 comments or questions? Other comments or questions?

21 Seeing none, we would thank everybody for your  
22 patience in sticking around tonight and thank you for all the  
23 great questions and comments. Thanks.  
24  
25

STATE OF SOUTH DAKOTA)

:SS


CERTIFICATE

COUNTY OF HUGHES )

I, CHERI MCCOMSEY WITTLER, a Registered  
Professional Reporter, Certified Realtime Reporter and  
Notary Public in and for the State of South Dakota:

DO HEREBY CERTIFY that as the duly-appointed  
shorthand reporter, I took in shorthand the proceedings  
had in the above-entitled matter on the 26th day of  
June 2007, and that the attached is a true and correct  
transcription of the proceedings so taken.

Dated at Pierre, South Dakota this 17th day of  
July 2007.

  
Cheri McComsey Wittler,  
Notary Public and  
Registered Professional Reporter  
Certified Realtime Reporter