

Official: Pipeline, refinery not linked

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PIERRE — The Keystone crude-oil pipeline that TransCanada wants to build through South Dakota is not intended to serve the Hyperion oil refinery project proposed near Elk Point, according to sworn testimony filed with the state Public Utilities Commission.

Robert Jones, vice president for TransCanada Pipelines, said Keystone has firm contracts to deliver 495,000 barrels per day to customers at Wood River and Patoka, Ill., and Cushing, Okla.

"Hyperion is not included as a firm shipper. Keystone has not negotiated any shipping contracts or connection contracts with the proposed Hyperion project or any other proposed refinery," Jones said in his prefiled testimony.

Jones said there are sufficient commitments to lead TransCanada to increase the pipeline's capacity to 591,000 barrels per day.

"Keystone is not dependent on the construction of the Hyperion

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Oil: Cost estimated at \$300 million

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refinery or any other proposed refinery," he added.

Opponents of the pipeline have charged that TransCanada and Hyperion are linked.

The PUC will have a hearing in December on whether to grant TransCanada the necessary state permit to construct the pipeline through South Dakota. The 220-mile route would cross 10 counties.

Interstate 29: A project consultant said TransCanada never considered running the pipeline down the Interstate

29 corridor because such a route wouldn't be allowed for safety reasons.

The consultant, Michael Troski, said TransCanada also rejected the option of running the pipeline on property adjacent to I-29 because that route would need to loop around interchanges, overpasses and residential and commercial areas of development.

Opponents have urged the project be relocated from the James River Valley to the I-29 corridor.

Jones in his testimony said Keystone will have three

full-time employees in South Dakota after construction is complete, along with 50 to 60 part-time contractual positions.

TransCanada wants to start construction in 2008 and have the project in operation by late 2009.

Cost, tax revenue: Jones said the estimated cost of construction in South Dakota is \$300 million. He said sales and use taxes would normally be about \$18 million, but a state law allows a 75 percent refund that would result in TransCanada paying about \$4.5 million.

He expects the pipeline to generate about \$6.5 million in taxes in the first year after construction.

The pre-filed testimony from TransCanada officials is the first step in the process leading up to the December hearing. Opponents will pre-file their testimony next, followed by rebuttals from each side.

The purpose of the pre-filed testimony is to allow the three PUC members to better consider the written statements and to accelerate the hearing process.