

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

**Fourth Quarter 2009**  
**October 01, through December 31, 2009**

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## **1. General Liaison Activity**

The fourth quarter of 2009, beginning October 1<sup>st</sup> and ending December 31<sup>st</sup>, saw the completion of construction and reclamation on the Keystone pipeline in South Dakota. All construction spreads were completed and reclamation was finished on all but a few locations of the pipeline corridor.

Rain and environmental conditions again affected work on the pipeline. However, work was successfully completed. Keystone does anticipate that some isolated reclamation work will be required in 2010. Areas that require some additional attention may become apparent as land is returned to pre-construction uses. The liaison officer and Keystone personnel will be available to address such issues.

Roads were, once again, the primary issue to be reported to the liaison officer during the fourth quarter. Most of the road districts with haul routes were addressed during the fourth quarter of the year. There are a few remaining counties and townships that meetings will be held with to conclude road damage settlements. These meetings are set for the first quarter of the new year. Keystone also continued to hold weekly teleconference meetings throughout the quarter to track progress on road issues and will continue to do so until all road issues are resolved with the project.

Reclamation went well across the state and nearly all land has been reclaimed. In Spread 2A, saturated conditions halted reclamation in some areas and it will have to be reclaimed in 2010 when drier ground conditions allow for effective reclamation. Keystone will address this area and any others that become apparent as the land is turned back to its original use. Land agents continue to meet with landowners to finish payment of 2<sup>nd</sup> and 3<sup>rd</sup> year damages and address any incidental damages that occurred as a result of construction.

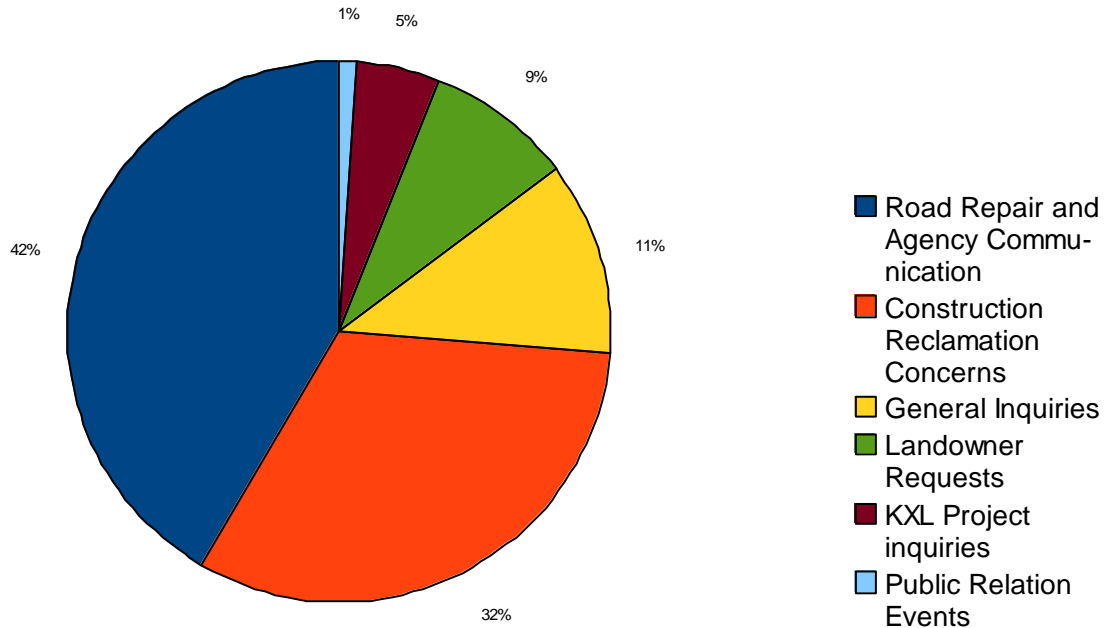
Over all the project was completed on schedule and final testing and commissioning activities are taking place. The majority of landowners and tenants have been fully compensated for any losses due to the pipeline and this work should be completed in the first part of 2010. Reclamation is complete but monitoring and supplemental work will continue into the future as needed. As the Keystone Pipeline becomes operational, several employees will remain in state to maintain and operate the line. The liaison officer will be available to landowners, tenants, agencies and interested parties for three years post construction to assist with any issues or questions that arise.

## **2. Issue Tracking**

There were fewer calls during the fourth quarter of 2009 with a total of 164 calls received related to the Keystone Pipeline and there were 13 meetings primarily with road groups. No letters came into the liaison officer this quarter and there were only 16 emails regarding pipeline issues. There were contacts made with 11 landowners, 2 tenants and 17 agencies, there were 31 contacts from other interested parties with project inquiries.

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

- a) Road Repair and Agency Communications 42%.
- b) Construction and Reclamation 32%.
- c) General Inquires 11%.
- d) Landowner Requests 9%.
- e) KXL Project Inquiries 5%
- f) Public Relations and Press Events ~1%.



### 3. Road Repair and Agency Communication

Most road issues were settled in the fourth quarter but there are three counties and several townships that will carry over into 2010 due to conditions including heavy rains and the final construction and inspection efforts on the project. Again, roads were the primary issue with construction this quarter. Multiple meetings were held with three counties and four townships. Contact was made with other township and county road districts through the Land Department as well as via email and phone. In some cases, formal meetings were not necessary to settle road issues and the liaison did not get involved. Negotiations will continue into 2010 to settle damages on the remainder of the county and township haul roads in the state.

Township and county road officials contacted the liaison officer about getting temporary repairs made in advance of winter and about getting settlements put together for final repairs. There were also several calls and emails regarding locations where approaches needed some winterization work prior to snowfall and the onset of snow mobile use along roadways. Temporary repairs and winterization work was completed upon request in the fourth quarter,

during harvest and prior to the onset of winter weather. The liaison officer worked with the contractors to repair specific locations as directed by the road supervisors.

In the third quarter, Keystone hired a South Dakota engineering firm to assess damages to the haul routes. The majority of reports were finalized and delivered to each county and township where necessary in the fourth quarter. The majority of these areas have been settled, final meetings to review the reports with Clark Co., and Marshall Co., will take place in the first part of 2010. The engineers will conduct a study of Hutchinson Co. roads after the new year and meetings will take place with county officials in January, 2010. Negotiations are expected to be concluded with all road districts early in 2010.

Keystone continues to be committed to working with the counties and townships to return haul roads to their pre-construction conditions. Keystone understands that construction compounded the damage that resulted from heavy precipitation in the construction corridor during the 2008 and 2009 seasons. Keystone representatives will continue to hold meetings with the affected counties and townships to get final repairs addressed. During the fourth quarter, Keystone has continued to hold weekly teleconferences to address road issues across the project. The liaison officer has attended each of these meetings and reported updates to the PUC on the status of roads. Keystone anticipates that road issues will be finalized early in 2010. Communication with the PUC and affected parties will continue until settlements are reached and release of damages on haul routes have been issued by each road group.

#### **4. Construction Issues and Concerns**

Concerns regarding construction this quarter were primarily related to final damage compensation following reclamation. The contractors were able to address some of these issues as they were brought to attention and no compensation was due. There were some areas reported where no work could occur due to environmental conditions and additional work may be required in 2010. Saturated soils are the typical cause for reclamation to be pushed into 2010. For example, an area might need some contour adjustment or a fence might need repair. In areas that were reclaimed and then became saturated due to the unusual precipitation levels in October, repairs would cause more damage and Keystone will have to wait for dry conditions. In these cases, Keystone will revisit the issue in 2010 or compensate the landowner to make the repairs when possible. In many cases, the landowners are the best person to take care of these final tasks and Keystone compensates them for the work.

Some issues like incorrect contouring lead to water run off that resulted in crop loss and compensation was taken care of by land agents and the area of concern reported to the contractor. All reclamation issues and damage claim cases were referred to both the Land Department and the contractors. In some cases, claims are under review by Keystone management in order to fully assess the issue and make the best management practice decisions and reclamation plans for the land.

There was only one issue with de-watering which occurred early in the fourth quarter. Several landowners in Spread 2A contacted the liaison about a valve site de-watering and asked for someone to assess the situation. The liaison officer as well as Keystone's project director visited the site and met with landowners and neighbors. Keystone will review any resulting requests for damage compensation from the affected parties. However, there were no claims made as of

the end of 2009. Some claims are anticipated and Keystone will continue with the investigation of the hydrology of the area and the circumstance of the situation. In most cases problems with de-watering were avoidable as land agents provided the contractor with landowner approved locations prior to de-watering activities. Heavy October rains caused other issues in Spread 2A, south of SD Highway 10 and crews were unable to reclaim a portion of the ROW due to the saturated conditions. Keystone will work with their environmental consultants to formulate a reclamation plan to restore the area in 2010 once conditions are drier.

Overall construction went well in the final quarter of the year and reclamation was successfully completed. There are a few isolated areas that will need further reclamation work to be completed in 2010. However the majority of the construction project was finished. As with any construction project, isolated locations may need additional attention in post construction years and Keystone will have operations personnel in state to monitor and address any such occurrences. Land agents will also remain in state to address reclamation issues and damages for a period post construction. The liaison officer will be available three years post construction to work with operations personnel to address any issues that arise as a result of operation and maintenance of the Keystone Pipeline.

## **5. General Project Inquiries**

General inquiries this quarter consisted mostly of calls regarding the completion of construction. Interested parties, landowners, tenants as well as people in the area of the project called to ask various questions. Inquiries were about construction completion, reclamation progress or practices and about operations plans or schedules. People were again curious about the overall capacity and destination of the line. There were also calls from landowners and tenants looking for an update on the second and third year damages or just to get an update on progress. Damage requests and inquiries regarding payments already made were referred to the Land Office in Huron, SD where the land agents are finishing with compensation payments for the 2<sup>nd</sup> and 3<sup>rd</sup> year damages.

## **6. Landowner Requests**

There were not many landowner requests aside from those that were addressed in reclamation and clean up this quarter. Typically, these calls were to report things like signs or sand bags that had been missed during the clean up. There were a few calls and emails related to state and county roads where the road supervisors requested some winterization work at road crossing to insure the safety of snowmobile trails. Keystone's contractors sent crews out to address these issues as they were reported.

As construction was completed, some land agents moved out of state or moved to other projects. There were some requests for contact information for the Land Office and Keystone operations as the number of land agents needed in the state declined. The majority of landowners have been fully compensated for losses due to the construction of the pipeline. However, several land agents will remain in state to finish 2<sup>nd</sup> and 3<sup>rd</sup> year damages and any address other incidental damages that may occur as final testing and commissioning activities take place. Keystone will have some permanent personnel in state to address any future issues that arise due to the pipeline activities related to its operation and maintenance.

## **7. KXL Project**

There were several general inquiries regarding the KXL project this quarter. Most of them were parties seeking employment or offering services to the project. These calls and emails were referred to personnel working directly on the KXL project. Some of the calls were just seeking information on the overall Keystone project. There was one meeting that the Liaison Officer attended that related to the KXL project. Several landowners, who will potentially be affected by the KXL pipeline, toured construction of the Keystone pipeline in North Dakota and the Liaison Officer met them to answer questions that they had about the project. Due to winter weather conditions and conflicting schedules, other Keystone representatives were unable to meet with this group.

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

There was no media activity with the liaison office this quarter. There were two Keystone public relations events with the first being the KXL tour and, the second, an Emergency Responder meeting in Clark, SD where Keystone presented information to the community on Keystone's Emergency Response Plan, equipment and resource availability and personnel emergency response training. There will be more of these events held in the coming year as well. The goal is to share information with the public and emergency responders in the vicinity of the pipeline, to bring awareness of the "811" One Call program, and inform on Keystone's plan and resources available should there be an emergency incident related to the pipeline. Events will be planned to share information with Sheriff offices, fire departments and ambulance services in the pipeline corridor. Additional information will be provided to residents along the pipeline corridor in 2010 as the pipeline is put into operation.

## **9. Open Issues**

Only two issues remain open going into 2010, the status of these are as follows;

- a) The majority of reclamation was completed in the fourth quarter. There is one location in Marshall County where saturated conditions did not allow for effective reclamation and the area will be addressed in 2010. A reclamation plan has been developed by Keystone's environmental consultants and reclamation will take place when conditions allow.
- b) Final road repairs are being assessed by Keystone in conjunction with the counties and townships governing haul routes. Settlements have been reached with most groups and final agreements on all roads are anticipated early in 2010. The liaison will continue to track and report to the PUC on these issues as they progress and are settled.

## **10. Summary**

Despite the wet weather, reclamation went well across the state in the fourth quarter. All of spreads 3B and 4B were reclaimed and of the ten miles that remained on Spread 2A at the end of the third quarter all but one area was reclaimed. The remaining area will be reclamation in 2010 as will any other areas reported to have problems. Keystone will monitor the construction corridor but it is only anticipated that a few isolated spots will need attention as the land recovers from disturbance and is returned to pre-construction use. Land agents worked and will continue to work in 2010 to address all damages that resulted from construction.

Road repairs were the primary concern during the fourth quarter and many of these issues were settled. The liaison officer attended many meetings with road officials and Keystone representatives. Keystone will continue to hold weekly teleconferences to track the status of road damage issues until all are settled. The engineering firm has taken inventory of all haul routes and prepared detailed reports for Keystone to base their compensation offers on. Meetings will be held with the remaining counties in early 2010 to finalize all road issues.

Mainline construction was fully completed and tested during the fourth quarter as expected and commissioning activities will commence in 2010. Overall, construction of the Keystone pipeline is completed and it will soon be put into operation. The liaison officer will be available to share information and address any issues that are brought to Keystone's attention by landowners, tenants and agencies in the post construction years.