



## KEYSTONE OIL PIPELINE PROJECT

### SOUTH DAKOTA PUBLIC UTILITIES COMMISSION QUARTERLY REPORT

For the Quarter Ending: December 31, 2008

## TABLE OF CONTENTS

<b>1.0</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>2.0</b>	<b>LAND ACQUISITION STATUS .....</b>	<b>3</b>
<b>2.1</b>	Finalization of Route .....	3
<b>2.2</b>	Pipe & Contractor Yard Acquisition .....	3
<b>2.3</b>	Pipeline ROW Acquisition .....	4
<b>2.3.1</b>	2008 Construction.....	4
<b>2.3.2</b>	2009 Construction.....	4
<b>2.4</b>	Pump Station Acquisition.....	4
<b>3.0</b>	<b>NON - ENVIRONMENTAL PERMITTING STATUS.....</b>	<b>4</b>
<b>3.1</b>	2008 Construction.....	4
<b>3.1.1</b>	County & Township Roads .....	4
<b>3.1.2</b>	State Roads .....	4
<b>3.1.3</b>	Railroads .....	4
<b>3.1.4</b>	Other .....	4
<b>3.2</b>	2009 Construction.....	4
<b>3.2.1</b>	County & Township Roads .....	4
<b>3.2.2</b>	State Roads .....	4
<b>3.2.3</b>	Railroads .....	5
<b>3.2.4</b>	Other .....	5
<b>3.3</b>	Pump Station Construction .....	5
<b>4.0</b>	<b>ENVIRONMENTAL PERMITTING STATUS.....</b>	<b>5</b>
<b>4.1</b>	2008 Construction.....	5
<b>4.1.1</b>	Federal Permits .....	5
<b>4.1.2</b>	State Permits .....	5
<b>4.2</b>	2009 Construction.....	5
<b>4.2.1</b>	Federal Permits .....	5
<b>4.2.2</b>	State Permits .....	6
<b>5.0</b>	<b>CONSTRUCTION STATUS.....</b>	<b>6</b>
<b>5.1</b>	2008 Construction.....	6
<b>5.1.1</b>	Pipe Offloading.....	6
<b>5.1.2</b>	Pipeline .....	6
<b>5.1.3</b>	Pump Station.....	7
<b>5.1.4</b>	Environmental Control Activities.....	7
<b>5.2</b>	2009 Construction.....	7
<b>5.2.1</b>	Pipe Offloading.....	7
<b>5.2.2</b>	Pipeline .....	8
<b>5.2.3</b>	Pump Station.....	8
<b>6.0</b>	<b>EMERGENCY RESPONSE &amp; INTEGRITY MANAGEMENT PLANS STATUS.....</b>	<b>8</b>
<b>6.1</b>	Emergency Response Plan.....	8
<b>6.2</b>	Integrity Management Plan.....	8
<b>7.0</b>	<b>SUMMARY OF MEASURES TO COMPLY WITH SD PUC CONDITION MEASURES... 9</b>	<b>9</b>

## 1.0 EXECUTIVE SUMMARY

The project commenced construction in May 2008 with two pipeline spreads in the United States. Spread 1A commenced construction at the Canada / USA border and worked only in North Dakota. Spread 2A commenced construction in North Dakota near Valley City and progressed into South Dakota, crossing the State border in August 2008. Spread 2A has completed 39.6 miles in South Dakota, and construction activities are currently ongoing in Marshall and Day Counties with the installation of a six (6) mile skip, left out by the Mainline crews due to severely wet weather conditions in this area during the fall construction period. In addition, four pump stations commenced construction in South Dakota in August 2008, in Beadle, Day, Minor and Hutchinson counties.

Construction for 2009 will commence in January with tree clearing. Mainline pipeline construction will commence in May, 2009 with eight pipeline spreads in the United States. Construction in South Dakota includes Spread 3B, 140.7 miles in Marshall, Clark, Kingsbury, Miner, Hanson, McCook and Hutchinson counties, and Spread 4B which includes 33.7 miles in Hutchinson and Yankton counties. Pump station construction at the four South Dakota pump stations will also continue in 2009.

The overall physical completion of the project as of December 31, 2008 is:

- The overall Keystone project in Canada and the United States is 37 percent complete.
- The project physical completion related to South Dakota is 18 percent.

To date there have been no design changes of a substantive nature.

## 2.0 LAND ACQUISITION STATUS

### 2.1 Finalization of Route

There have been no re-routes on Spread 2A South Dakota since October 31, 2008.

The pipeline route for 2009 construction in the remaining South Dakota counties has been selected and designed and land acquisition is substantially complete. Minor route deviations that have occurred primarily due to landowner requests are reflected in Table 1.

<b>Table 1 - Minor Re-Routes - Spread 3 and 4</b>				
<b>Route Variation</b>	<b>Begin MP</b>	<b>End MP</b>	<b>Drawing Number</b>	<b>Reason</b>
423-SD-312.4-312.5-I	312.4	312.5	SD-423-1	The route was moved to maintain a distance of 10' from power poles from East River Electric Co-op and to minimize crossing length of 415 Ave.

### 2.2 Pipe & Contractor Yard Acquisition

As of December 31, 2008, one Contractor yard and nine pipe yards have been leased. The leases range in duration from eight months to eighteen months. The yards are located in Aberdeen, Amherst, Conde, Redfield, Iroquois, Roswell, Bridgewater, and Yankton.

The Mitchell contractor yard was acquired during December for 2009 pipeline construction and is located thirty miles south of Huron, South Dakota.

## **2.3 Pipeline ROW Acquisition**

### **2.3.1 2008 Construction**

As of December 31, 2008, easements for all tracts were acquired for 2008 construction.

### **2.3.2 2009 Construction**

As of December 31, 2008, easements from 4 landowners (7 tracts) remain to be acquired for 2009 construction.

## **2.4 Pump Station Acquisition**

As of December 31, 2008, all pump station sites have been purchased and permitted. There are four pump stations located in South Dakota: one in Day County, one in Beadle County, one in Miner County and one in Hutchinson County.

## **3.0 NON - ENVIRONMENTAL PERMITTING STATUS**

### **3.1 2008 Construction**

#### **3.1.1 County & Township Roads**

All permits for crossing township and county roads were acquired and haul road agreements are in place.

#### **3.1.2 State Roads**

All permits for crossing state highways were acquired and driveway approach permits were received.

#### **3.1.3 Railroads**

Permits for crossing BNSF Railroad were received.

#### **3.1.4 Other**

All permits were acquired for 2008 construction on pipe yards and pump stations in South Dakota.

### **3.2 2009 Construction**

#### **3.2.1 County & Township Roads**

Land Agents continue the process of contacting local officials regarding crossing permits. Seven of 9 County Road crossing permits and 16 of 33 township road crossing permits have been received and are on file.

#### **3.2.2 State Roads**

All road crossing permits (15) have been issued by the South Dakota Department of Transportation District Offices to cross state road rights of way.

### **3.2.3 Railroads**

Applications were filed with the BNSF railroad for cased crossings on October 6, 2008. BNSF is processing the applications. DM&E Railroad issued Keystone a license to cross their railroad tracks on November 25, 2008.

### **3.2.4 Other**

All pipe yard sites have been acquired and required permits received from local governmental entities. Required permits for valve sites are being applied for or have been received.

## **3.3 Pump Stations**

All permits required for pump station construction have been received.

## **4.0 ENVIRONMENTAL PERMITTING STATUS**

The Keystone Project has applied for and received all required federal and state environmental permits for work in South Dakota.

### **4.1 2008 Construction**

As work continued in South Dakota for the 2008/09 construction season, Keystone made notifications to state and federal regulatory agencies as required. Environmental inspectors continued to evaluate construction activities throughout the project to ensure continued compliance with permits and regulatory commitments.

Refer to Appendix A for the table of the Summary of Consultations with the South Dakota Department of Environmental and Natural Resources (Table 2).

#### **4.1.1 Federal Permits**

Keystone has applied for and received all necessary federal environmental permits for construction in South Dakota. These permits were provided to the South Dakota PUC in a previous filing.

#### **4.1.2 State Permits**

Keystone has applied for and received all necessary state environmental permits for construction in South Dakota. These permits were provided to the South Dakota PUC in a previous filing.

### **4.2 2009 Construction**

#### **4.2.1 Federal Permits**

Permits received for 2008 construction cover the current scope of activities for 2009.

#### **4.2.2 State Permits**

Permits received for 2008 construction cover the current scope of activities for 2009. Some changes to the locations of water withdrawal and discharge points may require permit modifications or additional permits. These will be sent to the Commission during the reporting period these changes are identified, and approvals are obtained from the appropriate authorities.

### **5.0 CONSTRUCTION STATUS**

#### **5.1 2008 Construction**

##### **5.1.1 Pipe Offloading**

Pipe yards have been constructed in Redfield, Iroquois, Roswell, Bridgewater, and Yankton (North) in South Dakota. Heavy wall pipe for road crossing and river crossings has been stockpiled in Redfield, Iroquois, Roswell, Bridgewater and Yankton (North) pipe yards. Heavy wall pipe was transported from Huron Rail Siding to the Yankton (South) pipe yard located in Nebraska for the Horizontal Drilling of the Missouri River just east of the township of Yankton, South Dakota.

##### **5.1.2 Pipeline**

Spread 2A initiated construction just north of Valley City in Barnes County, North Dakota on May 19, 2008, working southerly towards Marshall and Day Counties, South Dakota. On October 5, 2008, right of way clearing and grading crews reached the south end of the spread and subsequent crews (through lower in and backfill) finalized operations on November 15, 2008. In addition, the installation of the Missouri River HDD at Yankton was initiated on October 12, 2008 and completed on November 12, 2008.

Construction crews' status for Spread 2A as of December 31, 2008 is as follows:

Construction Activity	Miles in South Dakota	Percent Complete in South Dakota
Clearing	45.6	100
Grading	45.6	100
Stringing	45.6	100
Bending	39.6	87
Welding	39.6	87
Tie-Ins	36.2	80
Cleanup	0	0

Hydro-testing, clean-up, and valve installation on Spread 2A, will be completed in the Summer of 2009.

### **5.1.3 Pump Station**

Pump Station civil construction has commenced at the four pump stations in South Dakota: Ferney, Carpenter, Roswell and Freeman.

- PS-20 – Ferney Pump Station, Day County – Rough grade is completed and foundation construction has commenced. All foundation work is scheduled for completion by the end of February 2009. Shop fabrication of cable tray supports will be complete at the end of January 2009 and field installation will immediately begin.
- PS-21 – Carpenter Pump Station, Beadle County – Rough grade is completed and foundation construction has commenced. All foundation work is scheduled for completion by mid-February 2009. The site access road is approximately 50% complete and work will resume in the spring. The substation utility provider has installed the transformer, power poles and fencing around the substation.
- PS-22 – Roswell Pump Station, Miner County – Site civil work is partially complete and all piles have been driven. No further site work is scheduled until Spring 2009.
- PS-23 – Freeman Pump Station, Hutchinson County – All piles have been driven and the as-built surveys have been completed. The electric utility has partially completed the substation. The substation transformer has been set in place and the fence installation partially complete. No further site work is anticipated until Spring 2009.

### **5.1.4 Environmental Control Activities**

Environmental control activities continued in South Dakota during this reporting period in parallel with the construction activities.

Erosion control measures were installed during initial soil disturbing activities and will be maintained throughout construction. The environmental inspection team documented the installation and maintenance of these erosion and sediment control measures, as well as Keystone's compliance with permit and regulatory requirements. Keystone has been actively working to minimize impacts to sensitive stream and wetland crossings and other resource areas during construction of the project in South Dakota.

Regular monitoring of erosion and sediment control structures continued until the soils were frozen. This regular erosion and sediment control monitoring will begin again once soils thaw, and will continue as appropriate until the ROW is stabilized.

## **5.2 2009 Construction**

### **5.2.1 Pipe Offloading**

Pipe is currently being railed into Huron and Worthing, South Dakota grain mill sites. Pipe is being trucked and stockpiled into Roswell, Bridgewater, and Yankton (North and South) pipe yards. Pipe offloading is scheduled to be complete by end of April 2009. Approximately 30 miles of pipe is being stockpiled at each of the pipe yards. An additional 30 miles of pipe will be railed into the Worthing, South Dakota rail siding and trucked to the Yankton (South), Nebraska pipe yard for storage.

### **5.2.2 Pipeline**

Construction activities will continue through Q1 2009 in Marshall and Day Counties with the installation of a six (6) mile skip, left out by the mainline crews due to severely wet weather conditions in this area during the fall construction period. Construction activities for the six (6) mile skip (ditching, welding, lowering, backfill and tie-ins) are scheduled to commence January 5, 2009.

Hydro-testing, clean-up, and valve installation on Spread 2A, will be completed in the Summer of 2009.

### **5.2.3 Pump Station**

Pump Station civil construction is ongoing at the four pump stations in South Dakota: Ferney, Carpenter, Roswell and Freeman.

- PS-20 – Ferney Pump Station, Day County –All foundation work is scheduled for completion at the end of February 2009. Fabrication of cable tray supports will be complete at the end of January 2009 and field installation will immediately begin. Shop fabrication of pipe and fitting spools will start in February 2009.
- PS-21 – Carpenter Pump Station, Beadle County – Foundation construction will continue in 2009. All foundation work is scheduled for completion by mid-February 2009. Work on the access road will resume in Spring 2009. Shop fabrication of pipe and fitting spools will start in February 2009.
- PS-22 – Roswell Pump Station, Miner County – Site work will continue in Spring 2009. Re-striking of the piles will continue and should be completed on January 25, 2009. No further site work is currently scheduled until Spring, 2009. Shop fabrication of pipe and fitting spools will start in February 2009.
- PS-23 – Freeman Pump Station, Hutchinson County – Site fill will begin in Spring 2009. The electric utility will continue substation work in January, 2009. Shop fabrication of pipe and fitting spools will start in February 2009.

## **6.0 EMERGENCY RESPONSE & INTEGRITY MANAGEMENT PLANS STATUS**

### **6.1 Emergency Response Plan**

The Emergency Response Program is progressing on schedule. The program has five broad components: the plan itself, equipment and resources, training, change management and public official awareness. All the program components are progressing on a parallel path.

The Emergency Response Plan has been filed with PHMSA. The ERP was approved by PHMSA on January 22, 2009. Emergency response equipment has been procured and training plans and public official visitation programs will commence shortly.

### **6.2 Integrity Management Plan**

A review of the existing Integrity Management Plan (IMP) documentation for TransCanada United States natural gas assets has been completed to determine which areas of the plan can be utilized for Keystone. While the Keystone Pipeline will have unique integrity management characteristics as a liquid pipeline,



integrity management philosophies common to natural gas and crude oil pipelines will be included in the Keystone IMP. Development of the document is ongoing.

## **7.0 SUMMARY OF OTHER MEASURES TO COMPLY WITH SD PUC CONDITION MEASURES**

Refer to Appendix B for the Status of Implementation of South Dakota PUC conditions (Table 3).

## APPENDIX A

**Table 2:** Summary of consultations with the South Dakota Department of Environmental and Natural Resources

<b>Date of Contact</b>	<b>Agency / Individual</b>	<b>Purpose of Consultation</b>	<b>Results of Consultation</b>	<b>Follow-up Required</b>
4/4/08	SD DENR Mark Rath	Response to input from Mr. Rath on potential temporary water use locations	Problem locations and alternatives will be reviewed by Keystone hydrostatic engineer; acceptable locations will be permitted	Further discussion on withdrawal locations
4/11/08	SD DENR Genny McMath	Email transmittal of temp use/temp discharge permits	Permits received	
6/5/08	SD DENR Mark Rath	Obtain contact (SD GF&P) for approval of use of water at Fordham Dam	Contact name – Leslie Petersen	Contact Petersen to discuss use of water
6/5/08	SD DENR Mark Rath	Discuss approval of small volume water use for negative buoyancy	Information should be submitted to Rath and permit can be issued same day in most cases	
6/11/08	SD DENR Stacy Splitstoesser	Update on court ruling vacating oil and gas exemption on construction storm water permitting	SD DENR evaluating ruling – no decision on requirements or schedule yet	Contact in mid July for update
8/4/08	SD Dept. of Game, Fish and Parks Leslie Petersen	Request on procedure for obtaining approval to withdraw water from Fordham Dam for hydrostatic testing	Information provided on data to be submitted in letter requesting approval for withdrawal	Letter to be drafted
9/5/08	SD DENR Mark Rath	Determine procedure for renewing temporary water permits	Previous application (with updated timeframe) can be re-submitted	Application will be drafted
9/11/08	SD DENR Stacy Splitstoesser	Update on court ruling vacating oil and gas exemption on construction storm water permitting	SD DENR evaluating ruling – no decision on requirements or schedule yet	Contact in fourth quarter for update
10/20/08	SD DENR Mark Rath	Discuss a stream crossing at MP 252 relative to the presence of Topeka	If Keystone follows the guidelines set forth in the BA regarding water uptake for temporary use then the DENR	Request concurrence from USFWS that Topeka

		Shiner as identified on the temporary use permit	will be satisfied with compliance.	shiner survey is not needed at this location.
10/20/08	SD DENR Mark Rath	Discuss renewal of temp water use permits for 2009	Re-submit applications from 2008	Re-submittal of applications
10/29/08	USFWS SD Field Office Natalie Gates & Charlene Bessken	Email requesting concurrence from USFWS that Topeka shiner survey is not needed at stream crossing at MP 252	Received concurrence from USFWS on 10/30/08	

## APPENDIX B

**Table 3:** Status of implementation of South Dakota PUC conditions

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
1	Keystone shall comply with all applicable laws and regulations in its construction and operation of the Project. These laws and regulations include, but are not necessarily limited to: the federal Hazardous Liquid Pipeline Safety Act of 1979 and Pipeline Safety Improvement Act of 2002, as amended by the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006, and the various other pipeline safety statutes currently codified at 49 U.S.C. § 60101 et seq. (collectively, the "PSA"); the regulations of the United States Department of Transportation implementing the PSA, particularly 49 C.F.R Parts 194 and 195; temporary permits for use of public water for construction, testing or drilling purposes, SDCL 46-5-40.1 and ARSD 74:02:01:32 through 74:02:01:34.02 and temporary discharges to waters of the state, SDCL 34A-2-36 and ARSD Chapters 74:52:01 through 74:52:11, specifically, ARSD § 74:52:02:46 and the General Permit issued there under covering temporary discharges of water from construction dewatering and hydrostatic testing.	Ongoing, including monitoring of compliance during the work.
2	Keystone shall obtain and shall thereafter comply with all applicable federal, state and local permits, including but not limited to: Presidential Permit from the United States Department of State, Executive Order 11423 of August 16, 1968 (33 Fed. Reg. 11741) and Executive Order 13337 of April 30, 2004 (69 Fed. Reg. 25229), for the construction, connection, operation, or maintenance, at the border of the United States, of facilities for the exportation or importation of petroleum, petroleum products, coal, or other fuels to or from a foreign country; Clean Water Act § 404 and Rivers and Harbors Act Section 10 Permits; Special Permit issued by the Pipeline and Hazardous Materials Safety Administration; Temporary Water Use Permit, General Permit for Temporary Discharges and federal, state and local highway and road encroachment permits. Any of such permits not previously filed with the Commission shall be filed with the Commission upon their issuance.	Initially, Keystone has obtained applicable permits as discussed in this report. All permits currently issued to Keystone have been filed with the Commission. Permits received in the fourth quarter have been submitted to the state.
3	Keystone shall comply with and implement the Recommendations set forth in the Final Environmental Impact Statement issued by the United States Department of State on January 11, 2008.	Ongoing, including monitoring of compliance during the work.
4	The permit granted by this Order shall not be transferable without the approval of the Commission pursuant to SDCL 49-41B-29.	Not Applicable at this time.
5	Keystone shall undertake and complete all of the actions that it and its affiliated entities committed to undertake and complete in its Application and in its testimony before the Commission at the hearing.	Ongoing, including monitoring of compliance during the work.
6	The most recent and accurate depiction of the Project route and facility locations is found in hearing Exhibits A and C, 2 Sept 06, to the Application, Ex TC 1A and 1C, as modified by the valve and pump station relocations described in Ex TC 1C, 5 March 07, Risk Assessment, "6 Overview Valve and Pump Station Relocation (Overview of the Valve and Pump Station Relocation Rationale March 2007)" and "7 Facility Relocation 070328 (Valve and Pump	All material deviations to the final pre-construction route for 2008 were submitted to the Commission for approval.  Notifications to affected landowners, utilities, and local

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	<p>Station Relocation Rationale Keystone Pipeline Project March 22, 2007)" and the route variation maps introduced into evidence at the hearing. Ex TC 9 and TC 10. The testimony of Keystone's witness, Buster Gray, indicated that the land acquisition and precise route finalization process was on-going at the time of the hearing. Keystone shall notify the Commission and all affected landowners, utilities and local governmental units as soon as practicable if material deviations are proposed to the route. At such time as Keystone has finalized the pre-construction route, Keystone shall file maps with the Commission depicting the final pre-construction route. If material deviations from this route must be made during construction, Keystone shall advise the Commission and all affected landowners, utilities and local governmental units prior to making such changes and afford the Commission the opportunity to review and approve such modifications. At the conclusion of construction, Keystone shall file detail maps with the Commission depicting the final as-built location of the Project facilities.</p>	<p>governmental units were also completed.</p> <p>Deviations during 2008 construction have been filed.</p> <p>Deviations to the 2009 construction route will be filed as required. Please refer to Table 1 in Section 2.1 above.</p>
7	<p>Keystone shall provide a public liaison officer, approved by the Commission, to facilitate the exchange of information between Keystone, including its contractors, and landowners, local communities and residents and to promptly resolve complaints and problems that may develop for landowners, local communities and residents as a result of the Project. Keystone shall file with the Commission its proposed public liaison officer's credentials for approval by the Commission prior to the commencement of construction. The public liaison officer shall be afforded immediate access to Keystone's on-site project manager, its executive project manager and to contractors' on-site managers and shall be available at all times to the Commission's Staff via mobile phone to respond to complaints and concerns communicated to the Staff by concerned landowners and others. Keystone shall also implement and keep an up-dated web site covering the planning and implementation of construction and commencement of operations in this state as an informational medium for the public. As soon as the Keystone's public liaison officer has been appointed and approved, Keystone shall provide contact information for him/her to all landowners crossed by the Project and to law enforcement agencies and local governments in the vicinity of the Project. The public liaison officer's contact information shall be provided to landowners in each subsequent written communication with them.</p>	<p>Completed.</p> <p>Notification to landowners and public officials will be repeated prior to May 2009.</p>
8	<p>Until construction of the Project is completed, Keystone shall submit quarterly progress reports to the Commission that summarize the status of land acquisition and route finalization, the status of construction, the status of environmental control activities, including permitting status and Emergency Response Plan and Integrity Management Plan development, the implementation of the other measures required by these conditions, and the overall percent of physical completion of the project and design changes of a substantive nature. Each report shall include a summary of consultations with the South Dakota Department of Environment and Natural Resources and other agencies concerning the issuance of permits. The reports shall list dates, names, and the results of</p>	<p>December 31 Quarterly Report submitted herewith.</p>

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	each contact and the company's progress implementing prescribed construction, land restoration, environmental protection, emergency response and integrity management regulations, plans and standards. The first report shall be due for the period ending June 30, 2008. The reports shall be filed within 31 days after the end of each quarterly period and shall continue until the project is fully operational.	
9	Until construction of the Project is completed, Keystone's public liaison officer shall report quarterly to the Commission on the status of the Project from his/her independent vantage point. The report shall detail problems encountered and complaints received. For the period of three years following completion of construction, Keystone's public liaison officer shall report to the Commission annually regarding post-construction landowner and other complaints, the status of road repair and reconstruction and land and crop restoration and any problems or issues occurring during the course of the year.	<p>June 30 Quarterly Public Liaison Report submitted.</p> <p>September 30 Quarterly Public Liaison Report submitted.</p> <p>December 31 Quarterly Public Liaison Report submitted.</p>
10	As soon as practicable following the issuance of the permit, Keystone shall commence a program of contacts with state, county and municipal emergency response, law enforcement and highway, road and other infrastructure management agencies serving the Project area in order to educate such agencies concerning the planned construction schedule and the measures that such agencies should begin taking to prepare for construction impacts and the commencement of project operations.	<p>Completed by correspondence to agencies.</p> <p>Notification to agencies will be repeated by correspondence prior to May 2009.</p>
11	Keystone shall conduct a preconstruction conference prior to the commencement of construction to ensure that Keystone fully understands the conditions set forth in this order. At a minimum, the conference shall include a Keystone representative, Keystone's construction supervisor and Commission staff.	<p>Completed on May 9 for 2008 pipeline construction.</p> <p>Completed on July 11 by Pump Stations.</p> <p>Will be conducted prior to 2009 pipeline construction.</p>
12	Once known, Keystone shall inform the Commission of the date construction will commence, report to the Commission on the date construction is started and keep the Commission updated on construction activities as provided in Condition 7.	Completed and weekly updates are posted to website for PUC and public access. This posting will be continued once 2009 pipeline is initiated.
13	Except as otherwise provided in the conditions of this Order and Permit, Keystone shall comply with all mitigation measures set forth in the Construction Mitigation and Reclamation Plan (CMR) as set forth in Ex TC 1A as modified in the Final EIS Record of Decision.	Ongoing, including monitoring of compliance during the work.
14	Keystone shall incorporate environmental inspectors into its Construction Mitigation and Reclamation Plan and obtain follow-up information reports from such inspections upon the completion of each construction spread to help ensure compliance with this Order and Permit and all other applicable laws and rules.	Completed.
15	During the course of the hearing, Keystone submitted TC 28, a Construction Agreement it executes with all affected landowners. The Construction Agreement includes a landowner option regarding trenching and topsoil removal methods. Keystone shall provide landowners with an explanation regarding these options and shall follow the landowner's selected preference as	<p>Completed for all landowners with voluntary land acquisition in 2008 construction.</p> <p>This is ongoing for all landowners in 2009 construction. As of December</p>

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	documented on the Construction Agreement. At a minimum, however, Keystone shall separate topsoil from subsoil in agricultural areas, including shelter belts in agricultural areas and grasslands, as provided in Keystone's Construction Mitigation and Reclamation Plan. Keystone shall utilize slope breakers to prevent erosion at a 2 to 4 percent gradient rather than Keystone's proposed 2 to 8 percent gradient. Keystone's cleanup and reclamation efforts shall commence immediately following backfill operations. Except where practicably infeasible, final grading and topsoil replacement and installation of permanent erosion control structures shall be completed in non-residential areas within 20 days after backfilling the trench and within 10 days in residential areas. In the event seasonal or other weather conditions prevent compliance with the time frames, temporary erosion controls shall be maintained until conditions allow completion of cleanup and reclamation.	31, 2008, 254 construction agreements have been signed and 181 are pending.  Regarding slope breakers and cleanup requirements: these structures are being installed during construction activities and are ongoing including monitoring of compliance during construction.
16	Keystone shall cover open-bodied dump trucks carrying sand or soil while on paved roads and cover open-bodied dump trucks carrying gravel or other materials having the potential to be expelled onto other vehicles or persons while on all public roads.	Ongoing, including monitoring of compliance during construction.
17	Herbicides or pesticides shall not be used in or within 100 feet of a water body except as allowed by the landowner and appropriate land management or state agency.	No herbicides have been used in South Dakota during this reporting period.
18	Rock excavation from the trench may be used to backfill the trench only to the top of the existing bedrock profile. All other rock shall be considered construction debris.	Ongoing, including monitoring of compliance during construction.
19	Mulch shall be applied on all slopes concurrent with or immediately after seeding where necessary to stabilize the soil surface and to reduce wind and water erosion. Keystone shall implement Staff's recommendations regarding liquid mulch binders and specifications for mulch use set forth in Staff Exhibit 7.	Ongoing, including monitoring of compliance during construction.
20	Erosion control matting fabric shall be installed on water body banks at the time of final bank re-contouring, unless riprap or other bank stabilization methods are employed in accordance with federal, state and local permits and approvals.	Ongoing, including monitoring of compliance during construction.
21	If trees are to be removed that have commercial or other value to affected landowners, Keystone shall compensate the landowner for the fair market value of the trees to be cleared and/or allow the landowner the right to retain ownership of the felled trees. The environmental inspection in Condition 14 shall include forested lands.	Compensation is ongoing but is substantively complete for 2008 construction. For 2009 Construction 66 land owners are affected. As of December 31, 2008, compensation has been paid to 60 landowners leaving 6 left to meet with.  Environmental inspectors inspected the clearing of trees from the work area during construction.
22	Unless a wetland is actively cultivated or rotated cropland or unless non-cohesive soil conditions require utilization of greater width, the width of the construction right-of-way shall be limited to 75 feet or less in standard wetlands.	Ongoing, including monitoring of compliance during construction.
23	Unless a wetland is actively cultivated or rotated cropland, extra work areas shall be located at least 50 feet away from wetland boundaries except where site-specific conditions render a 50-foot	Ongoing, including monitoring of compliance during construction.

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	setback infeasible.	
24	Vegetation clearing shall be limited between extra work areas and the edge of the wetland to the construction right-of way.	Vegetation clearing is completed for Spread 2A in South Dakota. Vegetation clearing was limited between the extra work area and the wetlands.
25	Wetland boundaries and buffers shall be clearly marked in the field with signs and/or highly visible flagging until construction-related ground disturbing activities are complete.	Wetland boundaries are marked in the field with Wetland Boundary signs. These signs are maintained / replaced on a regular basis by the Environmental Inspection team.
26	Extra work areas near water bodies shall be located at least 50 feet from the water's edge, except where the adjacent upland consists of actively cultivated or rotated cropland or other disturbed land or where site-specific conditions render a 50-foot setback infeasible. Clearing of vegetation between extra work space areas and the water's edge shall be limited to the construction right-of-way.	Vegetation clearing is completed for Spread 2A in South Dakota. Vegetation clearing was limited between the extra work area and the wetlands.  EWS areas are set back from the streams, except in areas where site-specific conditions require workspace closer than 50 feet from the water's edge.
27	In water body areas, work area boundaries and buffers shall be clearly marked in the field with signs and or highly visible flagging until construction-related ground disturbing activities are complete.	Work area boundaries were staked in the field by Keystone survey crews. Additional signs were installed by Environmental Inspectors to emphasize the boundaries and setbacks.
28	Spoil from minor and intermediate water body crossings and upland spoil from major waterway crossings shall be placed in the construction right of way at least 10 feet from the water's edge or in additional extra work areas, except that in-stream spoil from streams greater than 30 feet in width may be temporarily stored in-stream when stream flow conditions warrant such treatment.	Ongoing, including monitoring of compliance during construction.
29	Vegetation maintenance adjacent to water bodies shall be conducted in such manner to allow a riparian strip at least 25 feet wide as measured from the water body's mean high water mark to permanently re-vegetate with native plant species across the entire construction right-of way.	RoW maintenance activities are not underway in South Dakota at this time. Disturbed areas adjacent to waterbodies are being seeded during reclamation activities.
30	The width of the clear cuts through any windbreaks and shelterbelts shall be limited to 50 feet or less. The width of clear cuts through extended lengths of wooded areas shall be limited to 85 feet or less.	Ongoing, including monitoring of compliance during construction. Keystone has gone back to each landowner and has asked for permission to clear a wider path and in all but 2 instances have been granted permission.
31	Keystone shall follow all of Staff's recommendations regarding road protection and bonding. Such recommendations include: a) Keystone shall coordinate road closures with state and local governments and emergency responders. b) Keystone shall implement a regular program of road maintenance and repair through the active construction period to keep paved and gravel roads in an acceptable condition for	A Bond of \$3 million is in place for 2008 construction and a bond for \$12 million will be in place prior to the start of construction in May 2009.



NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	<p>residents and the general public.</p> <p>c) After Construction, Keystone shall repair and restore any deterioration caused by construction traffic such that the roads are returned to at least their preconstruction condition.</p> <p>d) Keystone shall use appropriate preventative measures as needed to prevent damage to paved roads and to remove excess soil or mud from such roadways.</p> <p>e) Pursuant to SDCL 49-41B-38, Keystone shall obtain and file with the Commission a bond in the amount of \$3 million in 2008 and \$12 million in 2009 to ensure that any damage beyond normal wear to public roads, highways, bridges or other related facilities will be adequately compensated. Such bonds shall name the Commission as obligee in favor of and for the benefit of, such townships, counties, or other governmental entities whose property is crossed by the Project. Each bond shall remain in effect until released by the Commission, which release shall not be unreasonably denied following completion of the construction and repair period. Either at the contact meetings required by Condition 10 or by mail, Keystone shall give notice of the existence and amount of these bonds to all counties, townships and other governmental entities whose property is crossed by the Project.</p>	
32	<p>Due to the nature of residential property, Keystone shall implement the following protections in addition to those set forth in its Construction Mitigation and Reclamation Plan in areas where the Project passes within 500 feet of a residence:</p> <p>a. To the extent feasible, Keystone shall coordinate construction work schedules with affected residential landowners prior to the start of construction in the area of the residences.</p> <p>b. Keystone shall maintain access to all residences at all times, except for periods when it is infeasible to do so or except as otherwise agreed between Keystone and the occupant. Such periods shall be restricted to the minimum duration possible and shall be coordinated with affected residential landowners and occupants, to the extent possible</p> <p>c. Keystone shall install temporary safety fencing, when reasonably requested by the landowner or occupant, to control access and minimize hazards associated with an open trench and heavy equipment in a residential area.</p> <p>d. Keystone shall notify affected residents in advance of any scheduled disruption of utilities and limit the duration of such disruption.</p> <p>e. Keystone shall repair any damage to property that results from construction activities.</p> <p>f. Keystone shall restore all areas disturbed by construction to at least their preconstruction condition.</p>	Ongoing, including monitoring of compliance during construction
33	<p>Keystone shall coordinate project activities with the South Dakota State Fair Administration to make best use of fair resources for traditional users as well as construction workers.</p>	<p>The Pipeline Liaison met with fair officials. They had no concerns for the 2008 State Fair, which took place over Labor Day weekend. There was no conflict with Keystone activities as the majority of work was located in Marshall and Day counties and based out of</p>

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
		Aberdeen. There are no concerns for the 2009 State Fair as it is expected that the contractor will operate out of Aberdeen and Mitchell, South Dakota. The Liaison will contact fair officials in summer of 2009 to verify that there are no new concerns.
34	Construction must be suspended when weather conditions are such that construction activities will cause irreparable damage, unless adequate protection measures approved by the Commission are taken.	Ongoing, including monitoring of compliance during construction.  There have been no weather conditions such that construction activities will cause irreparable damage.
35	Reclamation and clean-up along the right-of-way must be continuous and coordinated with ongoing construction.	Ongoing, including monitoring of compliance during construction.
36	All pre-existing roads and lanes used during construction must be restored to a condition that will accommodate their previous use, and areas used as temporary roads during construction must be restored to their original condition, except as otherwise requested or agreed to by the landowner or any governmental authority having jurisdiction over such roadway.	Construction activities are on-going and roads are being maintained as construction occurs. The contractor used motor graders and gravel trucks to repair and maintain road conditions following the heavy rains during the fourth quarter and prepare them for winter. Final reclamation and repair of roadways will take place in the summer of 2009 following the active construction of the pipeline.
37	Keystone shall, prior to any construction, file with the Commission a list identifying private and new access roads that will be used or required during construction and file a description of methods used by Keystone to reclaim those access roads.	Completed
38	In the event the winter season delays successful completion of de-compaction, topsoil replacement or seeding until the following spring, Keystone shall prepare and obtain a winterization plan. The Commission and affected landowners and/or governmental units shall be notified.	Keystone prepared a Winterization Plan detailing these requirements and provided this Plan to the Commission staff.
39	Keystone shall construct and operate the pipeline in the manner described in the application and at the hearing, including in Keystone's exhibits, and in accordance with the conditions of this permit, the PHMSA Special Permit and the conditions of this Order and the construction permit granted herein.	Ongoing, including monitoring of compliance during construction.  PHMSA has audited Spread 2A in South Dakota 5 times since the move to Aberdeen, South Dakota. Each audit consisted of approximately 4 days on site by a PHMSA auditor verifying our construction practices met Federal requirements.
40	Keystone shall require compliance by its shippers with its crude oil specifications in order to minimize the potential for internal corrosion	Not Applicable at this time.
41	Keystone's obligation for reclamation and maintenance of the right-	Not Applicable at this time.

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	of-way shall continue throughout the life of the pipeline.	
42	In accordance with 49 C.F.R. 195, Keystone shall continue to evaluate and perform assessment activities regarding high consequence areas. Prior to Keystone commencing operation, all unusually sensitive areas as defined by 49 CFR 195.6 that may exist, whether currently marked on DOT's HCA maps or not, should be identified and added to the Emergency Response Plan and Integrity Management Plan. In its continuing assessment and evaluation of environmentally sensitive and high consequence areas, Keystone shall seek out and consider local knowledge, including the knowledge of the South Dakota Geological Survey, the Department of Game Fish and Parks and local landowners and governmental officials.	These factors are being taken into consideration in the development of Keystone's Emergency Response Plan and Integrity Management Plan.
43	The evidence in the record demonstrates that in some reaches of the Project in northern Marshall County, the Middle James Aquifer is present at or very near ground surface and is not overlain by sufficient impermeable material to isolate it from surficial infiltration of contaminants. The evidence also demonstrates that this aquifer serves as the water source for at least one significant public water supply system and several domestic farm wells. Keystone shall identify the Middle James Aquifer area in Marshall County as a hydrologically sensitive area in its Integrity Management and Emergency Response Plans, except in areas where Keystone can demonstrate that the aquifer is overlain by sufficient unoxidized glacial till or other impermeable material to isolate it from infiltration of contaminants in the event of a release from the Project. Keystone shall similarly treat any other surficial aquifers of which it becomes aware during construction and continuing route evaluation.	These factors are being taken into consideration in the development of Keystone's Emergency Response Plan and Integrity Management Plan.
44	Prior to putting the Keystone Pipeline into operation, Keystone shall prepare, file with PHMSA and implement an emergency response plan as required under 49 CFR 194 and a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies as required under 49 CFR 195.402. Keystone shall also prepare and implement a written integrity management program in the manner and at such time as required under 49 CFR 195.452. At such time as Keystone files its Emergency Response Plan and Integrity Management Plan with PHMSA or any other state or federal agency, it shall also file such documents with the Commission. The Commission's confidential filing rules found at ARSD 20:10:01:41 may be invoked by Keystone with respect to such filings to the same extent as with all other filings at the Commission. If information is filed as "confidential," any person desiring access to such materials or the Commission Staff or the Commission may invoke the procedures of ARSD 20:10:01:41 through 20:10:01:43 to determine whether such information is entitled to confidential treatment and what protective provisions are appropriate for limited release of information found to be entitled to confidential treatment.	Keystone has filed its Emergency Response Plan with PHMSA. PHMSA approved the ERP on January 22, 2009.  Keystone is developing its Integrity Management Plan.
45	To facilitate periodic pipeline leak surveys during operation of the facilities in wetland areas, a corridor centered on the pipeline and up to 15 feet wide shall be maintained in an herbaceous state. Trees within 15 feet of the pipeline greater than 15 feet in height may be selectively cut and removed from the permanent right-of-	Not Applicable at this time.

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	way.	
46	To facilitate periodic pipeline leak surveys in riparian areas, a corridor centered on the pipeline and up to 10 feet wide shall be maintained in an herbaceous state.	Not Applicable at this time.
47	At the hearing, Keystone's expert witness, Brian Thomas, testified that there do not currently exist any viable and cost effective remote sensing or monitoring systems that could either be installed along the pipeline, particularly at sensitive locations, or employed in aerial and/or ground surveillance activities to detect volatile organic compounds or other indicators of potential leaks. The Commission believes that such technologies, when available, could increase the effectiveness of visual surveillance and augment the SCADA system and mass balance and other leak detection methods that Keystone will employ. The Commission accordingly directs Keystone to keep abreast of the latest developments in such technologies and report to the Commission on the status of innovation in such pipeline leak detection equipment and methods on or before April 1, 2010, and at such additional times thereafter until 2019 as the Commission shall specifically request, but in no case more frequently than once every three years.	Not Applicable at this time.
48	Except to the extent waived by the owner or lessee in writing or to the extent the noise levels already exceed such standard, the noise levels associated with Keystone's pump station and other noise-producing facilities will not exceed the L10=55dbA standard at the nearest occupied, existing residence, office, hotel/motel or non-industrial business not owned by Keystone. The point of measurement will be within 100 feet of the residence or business in the direction of the pump station facility. Post-construction operational noise assessments will be completed by an independent third-party noise consultant, approved by the Commission, to show compliance with the noise level at each pump station or other noise-producing facility. The noise assessments will be performed in accordance with applicable American National Standards Institute standards. The results of the assessments will be filed with the Commission. In the event the noise level exceeds the limits set forth in this condition at any pump station or other noise producing facility, Keystone shall promptly implement noise mitigation measures to bring the facility into compliance with the limits set forth in this condition and shall report to the Commission concerning the measures taken and the results of post-mitigation assessments demonstrating that the noise limits have been met.	Not Applicable at this time.
49	At the request of any landowner or public water supply system that offers to provide the necessary access to Keystone over his/her property or easement(s) to perform the necessary work, Keystone shall replace at no cost to such landowner or public water supply system, any polyethylene water piping located within 500 feet of the Project. Keystone shall not be required to replace that portion of any piping that passes through or under a basement wall or other wall of a home or other structure. At least forty-five (45) days prior to commencing construction, Keystone shall publish a notice in at least one newspaper of general circulation in each county through which the Project will be constructed advising landowners and public water supply systems of this condition.	Completed for 2008. No requests from any landowners at this time.  Publication will be repeated prior to May 2009

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
50	If during construction, Keystone or its agents discover what may be an archaeological resource, cultural resource, paleontological resource, historical resource or gravesite, Keystone or its agents shall immediately cease work at that portion of the site and notify the Commission and the State Historical Preservation Office. If the SHPO determines a protectable resource is present, Keystone shall develop a plan that is acceptable to the SHPO to salvage, avoid or protect the archaeological resource. If such a plan will require a different route than that approved by the Commission, Keystone shall obtain Commission approval for the new route before proceeding with any further construction.	Ongoing, including monitoring of compliance during the work.
51	Keystone shall promptly report to the Commission the presence in the permit area of any critical habitat of threatened or endangered species that Keystone becomes aware of and that were not previously reported to the Commission.	Ongoing, including monitoring of compliance during the work.
52	Keystone shall keep a record of drain tile system information throughout construction. Location information shall be collected using a sub-meter accuracy global positioning system where available or, where not available by accurately documenting the pipeline station numbers of each exposed drain tile. Keystone shall maintain the drain tile location information and tile specifications and incorporate it into its Emergency Response and Integrity Management Plans where drains might be expected to serve as contaminant conduits in the event of a release.	Ongoing, including monitoring of compliance during the work.  There have been no drain tile crossings to date.
53	Keystone shall repair or replace all property removed or damaged during all phases of construction and operation of the proposed transmission facility, including but not limited to, all fences, gates and irrigation or drainage systems. Keystone shall compensate the owners for damages or losses that cannot be fully remedied by repair or replacement, such as lost productivity and crop and livestock losses.	Ongoing, including monitoring of compliance during the work. Repairs to property such as drain tile, culverts and irrigation systems are repaired as they are encountered during construction prior to trench backfill. The majority of repairs and damage compensation will be addressed in concurrence with clean up and reclamation work. Other issues will be handled as they arise.
54	In the event that a person's well is contaminated as a result of the pipeline operation, Keystone shall pay all costs associated with finding and providing a permanent water supply that is at least of similar quality and quantity; and any other related damages including but not limited to any consequences, medical or otherwise, related to water contamination.	Not Applicable at this time.
55	Any damage that occurs as a result of soil disturbance on a persons' property shall be paid for by Keystone.	Not Applicable at this time.
56	No person will be held responsible for a pipeline leak that occurs as a result of his/her normal farming practices over the top of or near the pipeline.	Not Applicable at this time.
57	Keystone shall pay commercially reasonable costs and indemnify and hold the landowner harmless for any loss, damage, claim or action resulting from Keystone's use of the easement, except to the extent such loss, damage claim or action results from the gross negligence or willful misconduct of the landowner or its agents.	Not Applicable at this time.