



KEYSTONE OIL PIPELINE PROJECT

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION QUARTERLY REPORT

For the Quarter Ending: June 30, 2009

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1.0 EXECUTIVE SUMMARY

The Keystone Pipeline Project (the Project) includes the construction of 2,148 miles of pipeline, as well as associated facilities in order to transport approximately 590,000 barrels of crude oil a day to the U.S. Midwest markets at Wood River and Patoka, Illinois and to Cushing, Oklahoma. Keystone commenced pipeline construction activities in May 2008 on the U.S portion as well as the Canadian segment. The as-planned 2008 Construction schedule included approximately 262 miles of pipeline in the states of North Dakota and South Dakota, combining two spreads (1A and 2A), each with a length of about 130 miles. Spread 1A initiated construction activities at the Canada/USA border and continued working south in the state of North Dakota. Spread 2A commenced construction in North Dakota, near Valley City, and progressed into South Dakota, crossing the state border in August 2008 and completing approximately 45.6 miles. Construction activities were concluded, but not completed, on this spread in February 2009, with the remaining activities scheduled to commence in 2009.

Pre-construction for 2009 began during the month of January, with a tree clearing program planned to minimize environmental impacts. The tree clearing program was successfully completed at the end of March, when the first 70 miles of all Mainline spreads were cleared of trees. In addition, all environmentally sensitive areas were mitigated as mandated by regulatory agencies.

Construction activities for all Mainline spreads commenced in May 2009 with eight spreads (1A-8B) in the United States. Construction in South Dakota includes the completion of work on Spread 2A in Day and Marshall counties, and construction of Spread 3B (140.9 miles) in Marshall, Clark, Kingsbury, Miner, Hanson, McCook and Hutchinson counties and Spread 4B (33.7 miles) in Hutchinson and Yankton counties.

The physical completion of Phase 1 the project as of June 30, 2009 is as follows:

- The overall Project in Canada and the United States is 73 percent complete.
- In South Dakota, the Project is 25 percent complete.

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 in South Dakota since January 1, 2009.

The pipeline route for 2009 construction in the remaining South Dakota counties has been selected and designed and land acquisition is complete. There has been one minor route deviation, which is reflected in Table 1.

Table 1 - Minor Re-Routes - Spread 3 and 4				
Route Variation	Begin MP	End MP	Drawing Number	Reason
462-SD-386.2-386.6-I	386.2	386.6	SD-462-1	This reroute is due to a newly constructed house, dam and pond within the ROW. Route is moved away from these features.

2.2 Pipe & Contractor Yard Acquisition

As of June 30, 2009, two contractor yards and nine pipe yards have been leased in South Dakota. 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 pipe yard in Amherst has been reclaimed and released to the landowner who has seeded it to hay.

The Mitchell contractor yard was acquired during December 2008 for 2009 pipeline construction and is located thirty miles south of Huron.

2.3 Pipeline ROW Acquisition

2.3.1 Construction

Easements for all tracts were acquired in 2008 for 2008 construction.

As of June 30, 2009, all easements have been acquired for 2009 construction.

2.4 Pump Station Acquisition

All pump station sites were purchased and permitted in 2008. There are four pump stations located in South Dakota: Ferney Pump Station in Day County, Carpenter Pump Station in Beadle County, Roswell Pump Station in Miner County and Freeman Pump Station in Hutchinson County. An application for a tower permit for the Carpenter Pump Station in Beadle County was granted.

3.0 NON - ENVIRONMENTAL PERMITTING STATUS

3.1 Construction

3.1.1 County & Township Roads

Permits for all County and Township Roads have been received and are on file at the Kansas City Project office. During construction, road issues are being addressed and resolved as they occur.

3.1.2 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.

3.1.3 Railroads

BNSF Railroad permit was received May 8, 2009, and is on file at the Kansas City office. All other Railroad permits have previously been received.

3.1.4 Other

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

Applications for a tower permit in two counties at three different sites were filed. These are for the Carpenter Pump Station in Beadle County, which was approved, and two Valve Sites in Yankton County, which have been approved with conditions and are awaiting final approval.

3.2 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, and is in compliance with those permits.

4.1 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 Public Utilities Commission (SD PUC) in a previous filing. Permits received for 2008 construction cover the scope of activities for 2009.

4.2 State Permits

Keystone has applied for and received all necessary state environmental permits for construction in South Dakota. These permits were provided to the SD PUC in a previous filing. Permits received for 2008 construction cover the current scope of activities for 2009. A number of water withdrawal and discharge permits were resubmitted for extensions to cover the 2009 construction period. Approvals for these permits/ extensions were received.

4.3 Permit Compliance

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 evaluated construction activities throughout the project to ensure continued compliance with permits and regulatory commitments. Mainline construction activities on Spreads 3B and 4B have taken place during this quarter. Final construction activities and the remainder of cleanup activities on Spread 2A in the South Dakota area are being completed throughout the summer.

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

5.0 CONSTRUCTION STATUS

5.1 Construction

5.1.1 Pipe Offloading

All pipe offloading activities were completed in April 2009 at the Redfield, Iroquois, Roswell, Bridgewater, and Yankton (North) pipe yards.

5.1.2 Pipeline

Construction activities in South Dakota recommenced at the beginning of May 2009 with the pipeline contractors mobilizing as early as mid April. Schedule delays due to flooding and lifting of road bans in South Dakota impacted the planned productivity; however recovery plans have been addressed and implemented accordingly.

On Spread 2A, work continued on the remaining activities consisting of hydro-testing, mainline valve installation and cleanup. This is currently scheduled for completion in the second half of September.

On Spread 3B, clearing and grading activities were initiated as scheduled, and work is progressing as planned in order to achieve a target completion date of November 30, 2009. On Spread 4B, construction activities commenced as planned with clearing and grading kicking off in Hutchinson County on May 15, 2009. As part of the pipeline installation activities, contractors initiated the Horizontal Directional Drill (HDD) at the Elkhorn River on June 24, 2009. The HDD was completed on June 30, 2009, as scheduled, without any construction issues or schedule impacts. The tables below indicate the status of construction activities in South Dakota as of June 30, 2009 on Spreads 2A, 3B and 4B.

<i>Spread 2A Status</i>		
Construction Activity	Miles in South Dakota	Percent Complete in South Dakota
Clearing	45.6	100
Grading	45.6	100
Stringing	45.6	100
Bending	45.6	100
Welding	45.6	100
Tie-Ins	45.6	100
Cleanup	0	5

<i>Spread 3B Status</i>		
Construction Activity	Miles in South Dakota	Percent Complete in South Dakota
Clearing	140.9	39
Grading	140.9	39
Stringing	140.9	32
Bending	140.9	20
Welding	140.9	20
Tie-Ins	140.9	9
Cleanup	140.9	0

<i>Spread 4B Status</i>		
Construction Activity	Miles in South Dakota	Percent Complete in South Dakota
Clearing	33.7	100
Grading	33.7	100
Stringing	33.7	90
Bending	33.7	70
Welding	33.7	70
Tie-Ins	33.7	2
Cleanup	33.7	0

5.1.3 Pump Station

Pump Station general construction is ongoing at the four pump stations in South Dakota: Ferney, Carpenter, Roswell and Freeman. Pump station construction status as of June 30, 2009, is summarized below:

- PS-20 – Ferney Pump Station, Day County – All major equipment and pipe support foundations are complete. Fabrication of the station piping is complete, and installation of the piping began in mid-June. Major equipment has been delivered and is currently being installed. Pump station electrical work is continuing. Work on the electrical substation is currently underway.
- PS-21 – Carpenter Pump Station, Beadle County – All major equipment and pipe support foundations are complete. Fabrication of the station piping is complete and the piping is being installed. The mainline pumps have been delivered and are being installed. All primary electrical equipment and components have been delivered and installation is progressing. All major components of the electrical substation have been installed and the substation is fenced. County and Township roads are currently being repaired.
- PS-22 – Roswell Pump Station, Miner County – All major equipment foundations will be complete in early July. The mainline pumps are on site and will be installed in July. Fabrication of station piping is complete and installation will begin in July. All major electrical equipment has been delivered and installation is progressing. All major components for the electrical substation are complete and work resumed in June with the installation of the electrical components.
- PS-23 – Freeman Pump Station, Hutchinson County – All major equipment foundations are complete and the major equipment has been delivered with the exception of one mainline pump. Delivery of this pump is expected in July. Installation of electrical components is ongoing. All major electrical equipment has been delivered to the site. Station piping has been fabricated and installation is to begin in July. Installation of the electrical equipment foundations in the substation is 50% complete, with completion scheduled for August.

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 are being 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.

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 program components are progressing on a parallel path.

The Emergency Response Plan (ERP) was filed with the US Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) and approved by PHMSA on January 22, 2009. The ERP was filed with the SD PUC on February 12, 2009. Emergency response equipment has been procured, and training plans and public official visitation programs have commenced and are ongoing.

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 liquids 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

Date of Contact	Agency / Individual	Purpose of Consultation	Results of Consultation	Follow-up Required
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 Splitsstoesser	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 Splitsstoesser	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	
12/2/08	DENR/ GFP/ PUC Brian Walsh John Kirk Doug Backlund Leslie Peterson Lynn Beck Albert Spangler Stacy Splittstoesser	Update and overview 2009 construction and current status of permits	Hydrostatic testing permits only good for 1 year and entire hydrostatic testing permit applications were resubmitted for renewal (water use and discharge) in January of 2009.	
1/06/09	SD DENR Genny McMath	Called to discuss the renewal process for the SD temporary use permits.	Ms. McMath confirmed that it was okay to renew the permits via email.	
3/05/09	SDGFP Eileen Dowd Stukel	Email confirming that the osprey hack site at Paddlewheel State Park will not be used this year.	Received confirmation on 3-05-09	None
3/13/09	SD DENR Genny McMath	Email and Mail Delivery	All hydrostatic testing water use permits for 2009 construction approved and received.	
3/24/09	SD DENR Genny McMath	Email and Mail Delivery	All hydrostatic testing temporary discharge permits for 2009 construction received.	
7/2/09	SD DENR Genny McMath	Phone Correspondence	Requested an increase of 1MM gallons to the existing water use permit for Amsden Dam.	
7/6/09	SD DENR Genny McMath	Email Delivery	Received revised water use permit for Amsden Dam authorizing additional 1MM gallons.	

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.	Keystone has obtained the applicable permits as discussed in this report. All permits currently issued to Keystone have been filed with the Commission. Federal, state and local highway and road encroachment permits received in the second quarter of 2009 have been filed with the SD PUC.
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>government entities 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 was completed in Spring 2008.</p> <p>Landowners were notified a second time in the mailing of the January 2009 version of <i>Keystone Connections</i>. A letter will be sent to public officials in July 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>Quarterly Reports have been submitted:</p> <ul style="list-style-type: none"> - July 31, 2008 (Q2 2008) - October 31, 2008 (Q3 2008) - January 30, 2009 (Q4 2008) - May 1, 2009 (Q1 2009) - July 31, 2009 (Q2 2009)

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.	Quarterly Public Liaison Reports have been submitted: - August 1, 2008 (Q2 2008) - October 31, 2008 (Q3 2008) - February 2, 2009 (Q4 2008) - May 1, 2009 (Q1 2009) - July 31, 2009 (Q2 2009)
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.	Completed by correspondence to agencies. Notification to agencies will be repeated by correspondence in July 2009.
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.	Completed on May 9, 2008 for 2008 pipeline construction. Completed on July 11, 2008 for pump stations. PUC Staff have confirmed that a pre-construction conference is not required for 2009 construction; construction issues will be handled on a case-by-case basis in 2009.
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 on April 16, 2009 for 2009 construction. Weekly updates are posted to website for PUC and public access. This posting will be continued for 2009 construction.
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	Completed for all landowners with voluntary land acquisition for 2008 construction.

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	<p>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 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.</p>	<p>This is ongoing for all landowners for 2009 construction. As of June 30, 2009, 417 construction agreements have been signed, 2 are pending, and 17 have been refused by the landowner.</p> <p>Regarding slope breakers and cleanup requirements: these structures are being installed during construction activities and are ongoing, including monitoring of compliance during construction.</p>
16	<p>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.</p>	<p>Ongoing, including monitoring of compliance during construction.</p>
17	<p>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.</p>	<p>No herbicides have been used in South Dakota during this reporting period.</p>
18	<p>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.</p>	<p>Ongoing, including monitoring of compliance during construction.</p>
19	<p>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.</p>	<p>Ongoing, including monitoring of compliance during construction.</p>
20	<p>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.</p>	<p>Ongoing, including monitoring of compliance during construction.</p>
21	<p>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.</p>	<p>Compensation is complete for 2008 construction. For 2009 construction, 66 land owners are affected. As of June 30, 2009, compensation has been paid to 65 landowners, leaving 1 left to meet with.</p> <p>Environmental inspectors inspected the clearing of trees from the work area during construction.</p>
22	<p>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.</p>	<p>Ongoing, including monitoring of compliance during construction.</p>
23	<p>Unless a wetland is actively cultivated or rotated cropland, extra</p>	<p>Ongoing, including monitoring of</p>

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	work areas shall be located at least 50 feet away from wetland boundaries except where site-specific conditions render a 50-foot setback infeasible.	compliance during construction.
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.	Re-vegetation clearing is underway for Spread 2A in South Dakota. Vegetation clearing is underway for Spread 3B and Spread 4B in South Dakota. Vegetation clearing was limited between the extra work area and the wetlands. Extra workspace 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 began again with the start of construction in May 2009. 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 has been granted permission.
31	Keystone shall follow all of Staff's recommendations regarding road	A Bond of \$3 million is in place for

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	<p>protection and bonding. Such recommendations include:</p> <ul style="list-style-type: none"> 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 residents and the general public. 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. 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. 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>2008 construction. A bond for \$12 million, dated March 1, 2009, has been issued and filed with the SD PUC for 2009 construction.</p> <p>Contractor Michels has designated a land man to coordinate with local officials and to resolve local road issues as they occur in Spread 3B.</p> <p>Contractor Price Gregory has designated a land man to coordinate with local officials and to resolve local road issues as they occur in Spread 4B.</p> <p>A letter was sent to local government entities in 2008 advising them of the existence and the amount of the bond filed with SD PUC. A second letter will be sent in July 2009.</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> <ul style="list-style-type: none"> 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. 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 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. d. Keystone shall notify affected residents in advance of any scheduled disruption of utilities and limit the duration of such disruption. e. Keystone shall repair any damage to property that results from construction activities. f. Keystone shall restore all areas disturbed by construction to at least their preconstruction condition. 	<p>Ongoing, including monitoring of compliance during construction.</p>
33	<p>Keystone shall coordinate project activities with the South Dakota State Fair Administration to make best use of fair resources for</p>	<p>There are still no concerns for the 2009 State Fair as it is expected</p>

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	traditional users as well as construction workers.	that the contractor will operate out of Aberdeen and Mitchell. The Liaison contacted fair officials in June 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 some weather conditions requiring suspension of construction under this condition in 2009.
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.	Roads maintenance began again with the start of construction. Final reclamation and repair of roadways will take place following the completion of construction of the pipeline. Keystone holds a weekly teleconference to address any new and existing road issues during construction. Keystone representatives are in the process of working with affected counties and townships to address damages and the costs of final repairs.
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 for the winter of 2008/9. If a winterization plan is needed for the winter of 2009/10, a plan will be prepared and provided 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.	Keystone continues to coordinate construction work with PHMSA's Kansas City Regional Office. PHMSA has resumed audits of pipeline construction and as of July 6, 2009, they have conducted 8 audits on 2009 construction.
40	Keystone shall require compliance by its shippers with its crude oil specifications in order to minimize the potential for internal corrosion	No action required at this time.
41	Keystone's obligation for reclamation and maintenance of the right-of-way shall continue throughout the life of the pipeline.	No action required at this time.
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	These factors are currently being taken into consideration in the on-going review and assessment of

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	<p>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.</p>	<p>Keystone's Emergency Response Plan and the development of Keystone's Integrity Management Plan. Keystone has coordinated with state agencies, such as the SD DENR, to assist in the identification of areas that qualify as High Consequence Areas under 49 CFR 195.</p>
43	<p>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.</p>	<p>Keystone identified areas of shallow groundwater in northern Marshall County that have been designated as hydrologically sensitive areas due to their connection with the Middle James Aquifer several miles to the east of the Keystone centerline. Keystone has identified this hydrologically sensitive area into its Emergency Response Plan and will incorporate the information into the Integrity Management Plan as it is developed.</p>
44	<p>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.</p>	<p>The Keystone Emergency Response Plan was approved by PHMSA on January 22, 2009.</p> <p>Keystone ERP was filed with the SD PUC on February 12, 2009.</p> <p>Keystone is developing its Integrity Management Plan.</p>
45	<p>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-way.</p>	<p>No action required at this time.</p>
46	<p>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.</p>	<p>No action required at this time.</p>

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
47	<p>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.</p>	<p>No action required at this time.</p>
48	<p>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.</p>	<p>No action required at this time.</p>
49	<p>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.</p>	<p>Completed for 2008. No requests from any landowners at this time.</p> <p>Publication has been completed for 2009. There was one request from a landowner. Upon further review, the water line was located more than 500 feet from the pipeline.</p>
50	<p>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</p>	<p>Ongoing, including monitoring of compliance during the work.</p>

NO.	CONDITION	STATUS OF OTHER MEASURES REQUIRED BY CONDITIONS
	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.	
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. Unanticipated losses are typically addressed 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.	No action required at this time.
55	Any damage that occurs as a result of soil disturbance on a persons' property shall be paid for by Keystone.	Compensation for damages is ongoing and will likely continue through final cleanup.
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.	No action required 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.	No action required at this time.