

Keystone SD Pipeline Liaison Quarterly Report Third Quarter 2008 July 01, through September 30, 2008

General Liaison Activity

In the third quarter of 2008, beginning July 1st and continuing through September 30th, Sarah Metcalf the Keystone Public Liaison Officer, continued work with landowners, concerned parties and South Dakota agencies. Construction of the Keystone Pipeline entered the state part way through the quarter and will continue into the fourth quarter of the year. Construction activities began in South Dakota on August 5th 2008 when the clearing crew crossed the northern border of South Dakota and will continue into the fourth quarter of the year. This was the first active construction to enter the state although prior to that date there were pre-construction activities such as one-call locates, civil and environmental surveys taking place in the state. Michels Pipeline Co., the contractor for spread 2A, relocated their field office for the project to Aberdeen beginning in the second half of September and completing the relocation from Valley City by October 1st.

Contacts to the liaison office were occurring at a slow rate at the beginning of the quarter but did pick up as active construction began in the state. There were 84 calls, 11 meetings with concerned parties, 2 meetings with press agencies regarding pipeline construction and 7 letters and email to the liaison officer involving 17 landowners and 4 tenants, 13 agencies and 7 contacts with interested groups, individuals or companies. Of all the contacts around 19 were individual complaints or issues from affected landowners. There were 11 general inquiries about the pipeline, and 11 contacts related to regulatory agencies and permitting. Other contacts consisted of 8 requests for jobs, offers for housing, or offers to supply goods and services to the contractor, 7 contacts with various media outlets and 6 requests from landowners primarily regarding crop removal. The remaining contacts were follow up calls and meeting that related to one of these proceeding categories.

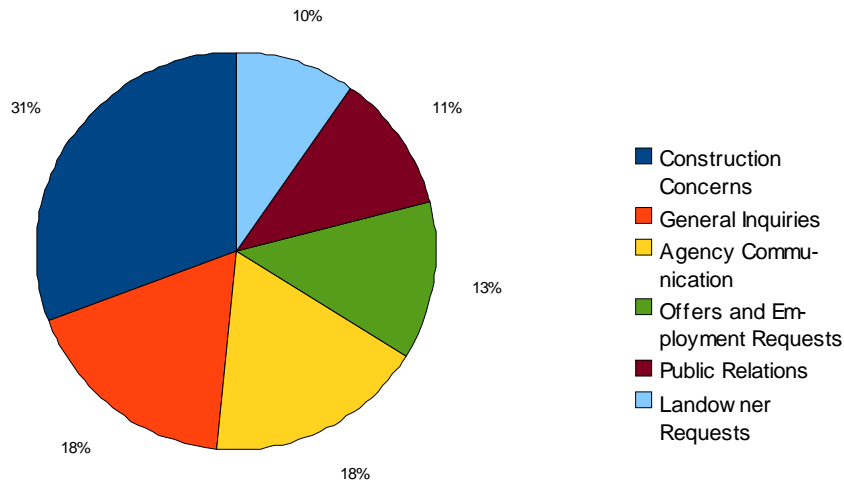
Issue Tracking

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

1. Construction Issues and Concerns 31%
2. General Inquires 18%
3. Permit and Agency Communications 18%.
4. Offers to the Contractor/Inquiries to Employment Possibilities 13%,
5. Public Relations and Press Events 11%

6. Landowner Requests to Access Crops 10%

Illustration 1: Issue Tracking Chart



General Project Inquires

General inquires in the third quarter were comprised primarily of landowners and affected persons who were interested in knowing the time line of construction. They were interested in knowing when construction would enter the state and at what intervals they could expect the various crews to cross their affected properties. There were several calls from people inquiring about job openings with the contractor or about providing housing, services and supplies to the contractor. Local communities were interested in providing housing to the worker and various goods and services for the project. Calls have come in from companies that would like to supply rentals, straw bales and hauling services to the project. The names and numbers of these people were referred to Patrick Heath ,a Project Coordinator for Michels Pipeline Co.

Construction Concerns

There have been several concerns from landowners related to the construction work in South Dakota the issues received by the liaison office have been addressed and are as follows:

1. The primary concerns have been related to local roads and haul routes. The majority of calls

were for dust control, grading of roads or requests for speed control signs. The contractor has placed signs where requested and has sent graders, water and gravel trucks to areas that have been identified as problems to local residents.

2. The quality of fences built during the clearing phase has been next big area of concern for some landowners. Some of the temporary fencing and gates were not strung tight enough and had to be re-built to prevent cattle from escaping. Initially these fences were built by the clearing crew which was a third party contractor. Michels has sent a crew out to inspect and rebuild problem fences.

3. A few calls related to the easement and damage compensation, the liaison office relayed information to these persons and notified the Land Office of the individuals concerns.

4. Reclamation and topsoil stripping was another area of concern for landowners, the liaison office explained the benefits and drawbacks of the various topsoil methods and made recommendations based on the individual property.

5. Questions regarding the procedures used in reclamation were also addressed, in one case a landscape company was asked to consult on reclamation of native grassland.

6. There were also complaints about driving safety and speeding by the contractor as well as the placement of construction safety signs on local roadways. The contractor holds weekly safety meetings and reinforced company policy for safe courteous driving. The safety signs on the specified roads were inspected and one sign creating a “pinch point” restricting the movement of large equipment was moved to alleviate the problem area.

Overall there have been no major issues that could not be addressed and, in most cases, Keystone addressed the problem soon after it was brought to their attention. The contractor is working to maintain the quality of local roads as much as possible and has a maintenance plan in effect to keep up on the roads as they are traveled for construction. They will also continue to reinforce personal and public safety with all staff members.

Agency Communications

During the third quarter there have been several meetings with regulatory agencies and concerned government agencies. The liaison has met with City officials in Aberdeen and Yankton regarding contractor yards and construction activities that affect the city. There have also been several correspondences with staff and commissioners of the PUC, regarding concerned parties and regulatory issues. There have been no major issues or concerns raised by affected agencies. Other concerns have been addressed quickly by Keystone and actions taken were reported back to the originating agency and all parties involved.

Landowner Requests

The majority of requests from landowners and/or tenants involved the clearing of crops at the onset of construction. Although Keystone purchased crops from the landowners and tenants, Keystone has allowed these parties access across the right of way (ROW) ahead of the clearing crew to remove crops in order to salvage for silage or feed. Landowners were given notice when construction entered South Dakota and when feasible they were allowed to clear crops ahead of the construction crew. There were also a few requests from locals to purchase material from the pipeline such as broken timbers and sections of flume pipe when they are no longer in use. These requests were addressed on a case by case basis, however, most of the materials will be reused by the company. Overall the contractor has been very accommodating to landowner requests when it did not hinder the construction process.

Public Relations and Media

Media contacts this quarter concerned interviews and access to the ROW and construction areas in order to cover the construction progress in the state. Most inquiries and meetings addressed the progress of the pipeline construction and information about the contractor moving into the state. There was one contact concerning the liaison officer's duties and one public notice and news stories in local papers regarding hunting and public safety as it related to the pipeline project. Overall, public perception and stories regarding the pipeline have been positive. One hindrance to media coverage is that all persons who wish to enter the construction area must attend a visitors training for safety and environmental requirements. All visitors must have personal protection equipment most of which can be provided by Keystone although steel toe boots must be provided by the individual.

Open Issues from the Second Quarter

There were four open issues from the second quarter and their status is as follows:

1. Regarding the cathodic protection inquiry about a radio tower near Yankton, SD. The final plan for cathodic protection on that spread has not been completed, when that information becomes available it will be checked to avoid any interference with the radio tower.
2. The Crow Creek Drainage ditch crossing concerns were closed at a meeting taking place on the first of October.
3. Mid-Dakota Rural water concerns were addressed in the third quarter and they have gotten all the information needed to lower their waterlines.
4. A meeting was conducted with Gene Tisher and his construction agreement was finalized. His concerns about reclamation and compensation for his tree rows were resolved.

Open Issues for the Fourth Quarter

There are three open issues going into the fourth quarter of 2008.

1. Keystone held a meeting with the Crow Creek drainage association and their concerns were addressed and the issue closed on the first of October.
2. A Tour with representatives from the Governor's office, the PUC and the SD Department of Natural Resources, this tour will be conducted on Thursday October 9th.
3. The only issue that is remaining open from a construction perspective regards the Anderson property. There are several items on this tract that will be followed into the fourth quarter. First Mr. Anderson will need access across the ROW into his cropland in the beginning of the first quarter. The remaining issues relate to reclamation of this tract. Parkview Nursery will provide an exact seed match of the native grasses on Anderson's property and will re-seed the grassland area following topsoil replacement. The property will also be closely monitored to ensure that no leafy spurge was introduced to the property during the construction activities, if any weeds appear they will be immediately controlled.

Summary

This quarter the number of concerns and issues increased but most issues were promptly addressed by the contractor. Michels has acted as quickly as possible to respond to complaints about temporary fences, dust control and roads that need maintenance. They hold weekly safety meetings to

ensure the safety of their workers as well as local residents affected by the construction. Properties where landowners have concerns with reclamation and long term effects of construction will be monitored and the construction and reclamation process is discussed with these parties. Overall there have been a wide variety of comments that came into the liaison office. Some are complaints but many of the calls and meetings reflect that locals are impressed with the scope of the project and are reassured by the safety and monitoring that takes place along with the construction. There have been several suggestions recently that a video of the process might help future landowners understand how pipeline construction will affect their land and would put many of their concerns to rest. Construction has been hampered by wet weather and will continue into the fourth quarter. Keystone is concerned that continued wet weather may preclude completion of the cleanup and final restoration in 2008 for Spread 2A. Should the cleanup and restoration be delayed, any open ROW will be buttoned up using procedures to maintain the integrity of the right of way over the winter. Additionally, impacted landowners would be compensated for construction damages for another year.