


Kelsch Kelsch Ruff & Kranda

C.F. Kelsch
1890-1987

Attorneys at Law
Mandan, North Dakota

William C. Kelsch
Retired

THOMAS F. KELSCH
ARLEN M. RUFF, P.C.
THOMAS D. KELSCH, P.C.
TODD D. KRANDA, P.C.*
WILLIAM J. DELMORE
DANIEL NAGLE

 MERITAS LAW FIRMS WORLDWIDE

103 Collins Avenue
P.O. Box 1266
Mandan, ND 58554-7266
Phone (701) 663-9818
1-888-663-9818
Fax (701) 663-9810
Website www.kelschlaw.com

*Also Licensed in Minnesota

June 28, 2007

MS ILLONA A JEFFCOAT-SACCO
EXECUTIVE SECRETARY
PUBLIC SERVICE COMMISSION
600 EAST BOULEVARD, DEPT 408
BISMARCK ND 58505-0480

Re: TransCanada - Keystone Pipeline Project
Case No: PU-06-421
Our File No. 11815

Dear Ms. Jeffcoat-Sacco:

I have previously forwarded various information regarding the landowner contacts that have occurred in reference to the TransCanada Keystone Pipeline, LP pending Applications for the Certificate of Corridor Compatibility and Route Permit.

I have received a copy of the Questions and Answers about the Keystone Oil Pipeline publication, a copy of which is enclosed. The Q & A document was being forwarded this week to the landowners who are located along the proposed pipeline route as an additional update about the project.

Please share the enclosure with Patrick Fahn. I previously indicated to him that I would continue to send in the type of direct contact material that has been and is forwarded to the landowners along the proposed pipeline route such as this latest publication.

If you, Mr. Fahn or anyone else have any questions, please feel free to contact me.

Sincerely,

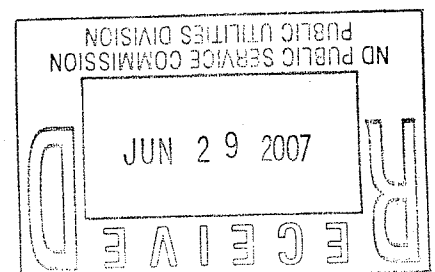


Todd D. Kranda

TK:ls

Encs

c: TransCanada Keystone





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Questions & Answers about the Proposed Keystone Oil Pipeline

With right-of-way acquisition progressing in several states, we are hearing questions about different aspects of the Keystone Oil Pipeline. Answering questions you may have is important to us. It is part of our commitment to communicate openly and to treat landowners respectfully. The questions inside are some that you may be interested in. If you have other questions, please let us know.



TransCanada
In business to deliver

Questions and Answers about the Proposed Keystone Oil Pipeline



As a landowner, how does Keystone's easement document provide me with liability protection?

The easement document provides liability protection for the landowner where Keystone indemnifies and holds harmless the landowner from any loss, damages, claims or actions resulting from Keystone's use of the easement, except to the extent such loss, damages, claims or action results from negligence or wilful misconduct of the landowner or its agents.

Some have expressed confusion over language which provides similar indemnification protection for Keystone from problems on the easement area. This language does not weaken the protection provided to landowners. Essentially, the two statements together mean that if Keystone causes a problem, we pay. If the landowner causes a problem he/she is responsible.

Others have had questions regarding the language where the landowner releases Keystone from any actions, lawsuits or claims in connection with the agreement. This language prevents the landowner from renegeing on the agreement after signing. The liability protection discussed above is not affected by this language.

If there are any particular terms in the easement that are unclear, please ask your land agent for an explanation. Landowners may also want to consult an attorney if they still have questions about the easement.

If a spill occurs, who is responsible for clean up?

In the unlikely event of a leak or rupture, Keystone is responsible for cleanup and for addressing damages caused. As with any utility facility, if the problem were purposefully caused by another person or were the result of negligence, issues of third-party liability would be addressed through appropriate legal channels.

Is Keystone responsible for damages caused by construction and for restoration?

Yes, the easement document clearly states that Keystone is responsible for such damages (in numbered section six of the document). Keystone is not responsible for damages that are caused by negligence, recklessness, or wilful misconduct by the landowner or someone acting on the landowner's behalf. Keystone is responsible for damage caused to local roads, in accordance with the requirements of the state, county, township or other local unit of government.

Why doesn't TransCanada sign the easement document? Is TransCanada bound by the agreement?

The easement states that Keystone is bound by the document by accepting any of the benefits of the easement. Both Keystone and the landowner are named as parties to the agreement and the agreement is filed as a binding document in the records of the respective county. As owner of the land subject to the easement, the landowner's signature is required as acknowledgement of receipt of payment.

Some landowners have expressed displeasure with the Keystone land agents. What should I do if I am not treated in the manner I expect or they do not provide the information I request?

Keystone's commitment and policy is to treat landowners with fairness and respect. If any landowner feels that he or she has been treated in a manner that does not live up to this commitment, please contact Ms. Sandra Roth, Landowner Relations Supervisor, TransCanada toll free at 1-800-562-8931 so that we can investigate and take action to address any shortcomings.

How will Keystone minimize the chance of leak or rupture of the pipeline?

Keystone will employ industry-leading best practices in the design, fabrication, construction, testing and operation of the pipeline. Keystone will meet or exceed the requirements of U.S. Department of Transportation's Office of Pipeline Safety (OPS), which oversees and regulates pipeline systems throughout the design, construction, maintenance and operational phase. Specific items include:

- Keystone will implement a formal quality control program at the pipe fabrication plant during pipe fabrication and at the pipe coating facility during coating application.
- Keystone will utilize a fusion-bonded epoxy coating, in conjunction with an active cathodic protection system, to prevent external corrosion of the steel pipe.
- Each weld made during pipeline construction will be examined utilizing radiographic (x-ray) or ultrasonic technology to ensure integrity. Prior to operation, the pipe will be hydrostatically tested to 125 percent of the maximum operating pressure, in accordance with federal regulations.
- Keystone will conduct periodic internal cleaning inspections to mitigate internal corrosion.
- Keystone will use high-resolution in-line inspection tools ("smart pigs") that can detect internal and external corrosion defects. If any defects are found, Keystone will conduct subsequent investigations and repairs to ensure the safe operation of the pipeline.
- Federal safety regulations require two feet six inches of cover above the top of the pipe. Keystone will be buried with a minimum of four feet of cover, except in response to site-specific conditions such as consolidated rock in which Keystone will be buried with at least three feet of cover. To further help minimize the chance of excavation damage to the pipe, Keystone will utilize an integrated public awareness and damage prevention program which includes:
 - Participation in the One Call system for each state.

- Regularly providing pipeline safety information to landowners, public officials, local emergency responders, and members of the public.
- Installing pipeline signs and markers along the right-of-way at road crossings and other locations such as fence lines, water crossings, etc. to alert the public that a pipeline is in the vicinity. The signs will identify Keystone as the owner of the pipeline and will provide a toll-free emergency telephone number.
- Periodic inspections and aerial patrols of the pipeline right-of-way will help Keystone to promptly address any issues which could affect the integrity of the pipeline. If the patrol observes a condition that could affect the pipeline's integrity, a field technician will be dispatched to investigate and take appropriate action.
- Keystone will be operated from an Operations Control Center that provides 24-hour pipeline monitoring 365 days a year to ensure the pipeline is running safely and efficiently. The control center includes an operational control system, a leak detection system, and a satellite communication network.

With measures such as those above, pipelines like Keystone move crude oil and other liquid petroleum products more safely, effectively and economically than any other method. Each year, billions of gallons of petroleum are safely transported thousands of miles through pipelines from production fields to refineries and then on to major users and distribution centers throughout the country.

How would Keystone respond to a spill or leak?

In the unlikely event of a leak, Keystone will initiate its Emergency Response Plan to minimize any effects to the environment. This comprehensive plan is required to be available prior to pipeline operation. The plan will meet all federal safety standards.

Keystone's Operations Control Center will respond to any leak immediately by shutting down and isolating the pipeline through remotely controlled valves. In addition, pipeline personnel will immediately be dispatched to the scene by the Operations Control Center.

Local emergency responders will initially secure the scene and ensure the safety and security of the public as they do with any other local incident. Keystone's Integrated Public Awareness Program will provide local emergency responders with the training necessary to ensure their preparedness for responding to such events.

Keystone will utilize a combination of company personnel and contract resources in executing its response plan. The location of these resources will be determined once detailed engineering design has been completed and as Keystone completes its Emergency Response Plan. These arrangements will be in place before the pipeline begins operations.

What is the likelihood of fire if the pipeline fails?

The types of crude oil that may be transported by Keystone vary in physical characteristics from a thick, molasses-like consistency to a substance that is about like motor oil. While it is possible for crude oil to burn, the likelihood of a fire is very low.

Why not choose a route within the right-of-way along I-29?

While a route along the interstate may sound attractive, there are three primary reasons why an I-29 route does not make sense for Keystone:

1. Construction of a major oil pipeline in an interstate corridor has the potential to introduce highway and worker safety risks;
2. The route would be longer, increasing impacts and costs; and,
3. Because of safety and practical considerations with building within the interstate corridor, paralleling the interstate would likely simply trade out one group of potentially affected landowners for another (larger) one.

Early in the conceptual stage of its pipeline project, Keystone considered a route that would have been partially located along I-29 in South Dakota. At the time, Keystone anticipated meeting needs for oil delivery in Illinois and northern Missouri. From South Dakota, the route would have gone southeast through Iowa to Missouri and on to Illinois.

Even then, the I-29 corridor route was rejected for several reasons:

- While small facilities such as fiber optic lines can be effectively accommodated within an interstate highway right-of-way, the construction and presence of a pipeline could present a significant impediment to highway maintenance and expansion.
- The construction of a large diameter pipeline within a highway right-of-way is a process that involves hundreds of workers and many pieces of heavy equipment. This type of activity represents a safety concern for workers and highway users.
- If a pipeline is routed along an interstate highway, large deviations can be required at interchanges. These deviations tend to be complicated since interchanges tend to be located at communities and other developments.
- Trying to accommodate those factors can necessitate additional deviations, which can affect even more landowners. Typically this type of routing results in the project being set a distance back from the interstate to minimize repeated deviations. This option, therefore, would likely continue to impact private landowners.

Since the initial proposal, the Keystone Pipeline route has been adjusted to meet the need for oil delivery to Cushing, Oklahoma. The change moved the route farther away from the interstate highway corridor and introduced a need to cross the Missouri River. The proposed crossing at Yankton was selected because it is located in a relatively stable section of the River and because it is collocated with two existing pipeline crossings and is near a highway bridge. The river crossing at Yankton further complicates the idea of routing along the interstate. The proposed route reaches the Missouri River crossing location in the most direct way.



Contact Information



Pipeline projects are large, complex undertakings which may raise concerns and questions with potentially impacted landowners. Keystone is committed to open communication and cooperative discussions with landowners. We will be happy to provide you with additional information on any concern or respond to questions you might have. We look forward to working with you.

If you have questions about the proposed easement document or concerns about features of your property please talk with your land agent or contact the project toll free at: 877-880-4881. You can also write to us at keystone@transcanada.com or by U.S. Mail at:

Keystone Oil Pipeline Project
7509 NW Tiffany Springs Parkway
Northpointe Circle II, Suite 200
Kansas City, Missouri 64153