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May 19, 2008

RECEIVED

MAY 19 2008

HAND DELIVERED

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

PUBLIC SERVICE COMMISSION

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

Dear Ms. Jeffcoat-Sacco:

During the informal hearing that was held on May 13, 2008, there were several questions asked by the Public Service Commission for further clarification or for supplemental information to be filed. In response to those inquiries, I am submitting this letter and the attached material as identified and explained hereafter. Please provide copies of this letter and the enclosures to the Commissioners and staff as appropriate.

With regard to the pending request for approval of the route between mileposts 168 to 170 involving the Sheyenne River crossing, there was a couple of questions about the concurrence letter from landowner James Peterson and the legal descriptions listed. For Mr. Peterson, the concurrence letter used for verifying his concurrence with the proposed route accurately described the three parcels involved which he owns. Also, even though the letter from Mr. Peterson refers to "we" it is a typo and should only be "I" since he is the only landowner for the three parcels listed. The land agent apparently used the same letter format from the Kevin and Janice Bishop concurrence letter and neglected to revise the pronoun of "we" to "I" for Mr. Peterson.

Additionally, with regard to the approval of the route between mileposts 168 to 170, the Commission inquired about Olga Hansen's consent. Keystone indicated that she concurred as well with the route proposed but has not signed a separate concurrence letter similar to what was done by landowners Bishop and Peterson. The Commission wanted some form of verification of concurrence by landowner Olga Hansen. Accordingly, Keystone is enclosing 8 sets of the two Option Agreements which were entered into by David Tingly as attorney in fact for Ms. Hansen which relate to the proposed route between milepost 168 to 170.



464 PU-06-421 Filed: 5/19/2008 Pages: 12
**Letter re Clarification and Supplemental Information
Response to May 13, 2008 Informal Hearing**

TransCanada Keystone Pipeline, LP

Kelsch Kelsch Ruff & Kranda

May 19, 2008

Page 2

Next, with regard to the Belanus route as included within the request for the five landowner pending route refinements, there was a question about the existence of a residential structure within 500 feet. Eight sets of the signed waiver for the residence that is located within 500 feet at the south end of the refined route for Belanus will be filed subsequently with the Public Service Commission.

Finally, I am also enclosing with regard to the proposed Tree and Shrub Sampling Plan, eight sets of the revised Plan that incorporates the various changes that were requested during the prior hearing regarding the sampling process.

I am also enclosing an original and seven copies of the Affidavit of Service. If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Todd D. Kranda". The signature is written in a cursive style with a large initial "T".

Todd D. Kranda

TK:ls

Encs

c: TransCanada Keystone
Attorney William Binek
Attorney Jana Linderman
John and Janie Capp

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

TRANSCANADA KEYSTONE PIPELINE, LP) CASE NO. PU-06-421
30-INCH CRUDE OIL PIPELINE/CAVALIER TO)
SARGENT COUNTIES SITING APPLICATION)

AFFIDAVIT OF SERVICE

STATE OF NORTH DAKOTA)
) ss.
COUNTY OF MORTON)

LORI SPENCER, being first duly sworn, on oath, deposes and says: That she is a citizen of the United States, over the age of eighteen and not a party to the above-entitled action.

That on the 19 day of May, 2008, this affiant deposited in the United States Post Office at Mandan, North Dakota, a true and correct copy of the following document(s) in the above captioned action:

Letter to PSC dated May 19, 2008
Olga Hansen Option Agreements (2)
Tree and Shrub Sampling Plan (revised)

That a copy of the above document(s) was securely enclosed in an envelope with postage duly prepaid, and addressed as follows:

WILLIAM BINEK
ATTORNEY AT LAW
PUBLIC SERVICE COMMISSION
600 E BOULEVARD, DEPT 408
BISMARCK ND 58505-0480

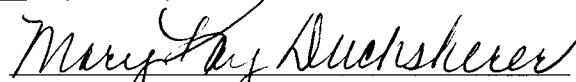
JOHN & JANIE CAPP
12466 60TH ST NE
LANKIN ND 58250

JANA LINDERMAN
ATTORNEY AT LAW
100 FIRST STREET SW
CEDAR RAPIDS IA 52404

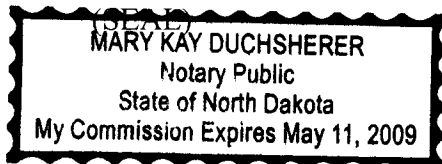


LORI SPENCER

Subscribed and sworn to before me this 19 day of May, 2008.



Notary Public, State of North Dakota



OPTION AGREEMENT
(Option Easement Interest)

THIS OPTION AGREEMENT ("**Agreement**") is made by and between David Tingly Attorney in Fact for Olga J.M. Hanson (collectively, "**Seller**") and **TRANSCANADA KEYSTONE PIPELINE, LP**, a Delaware limited partnership, or its assigns ("**Purchaser**").

Seller desires to grant to Purchaser an option to purchase a pipeline easement (as defined below). NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1 **Property.** Subject to the terms and conditions of this Agreement, Seller does hereby grant an option to Purchaser to purchase a pipeline easement over and across the real property described on Exhibit A attached hereto (the "**Property**").

2 **Option Price.** The purchase price ("**Purchase Price**") for the Agreement is \$ 5000.00 and shall be paid as follows: (a) \$ 500.00 shall be paid upon the execution of this Agreement and (b) \$ 4500.00 shall be paid upon Purchaser's election to exercise the Option.

3. **Exercise of Option.** Purchaser shall have the right to exercise its option ("**Option**") at anytime from and after the date of this Agreement through June, 2008, by paying the entire Purchase Price to Seller.

4. **Deliveries.** Attached hereto as Exhibit B is a Right of Way Easement conveying to Purchaser an easement over the Property (the "**Closing Documents**"). Upon Purchaser's election to exercise the Option and the payment of the entire Purchase Price to Seller, Purchaser may record the Closing Documents in the county within which the Property is located and take full possession of the Property as allowed under the Closing Documents.

5. **Remedies.** Purchaser shall have the right to seek specific performance if Seller defaults under the terms of this Agreement.

6 **Commissions.** Seller and Purchaser represent and warrant to each other that they have not engaged the services of any real estate broker or real estate agent in connection with this transaction, and each Party agrees to indemnify and hold the other harmless from any and all claims suffered as a result of a breach of said warranty. This Section shall survive the closing or termination of this Agreement.

7 **Execution in Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Agreement. To facilitate execution of this Agreement, the parties may execute and exchange by facsimile counterparts of the signature pages.

8 **Date of this Agreement.** The date of this Agreement shall be the date that this Agreement is last executed by either Seller or Purchaser.

IN WITNESS WHEREOF, Seller has executed this Agreement on the 16th day of April, 2008.

SELLER:

David Tingley POA for Olga Jm Hanson
Printed Name

David Tingley
Signature

Address: 12910 52nd St SE
Edenria, ND 58027

Telefax: _____

PURCHASER:

TRANSCANADA KEYSTONE PIPELINE, LP,
by its agent, **TC OIL PIPELINE OPERATIONS**
INC.

By: _____
Name: _____
Title _____

By: _____
Name: _____
Title _____

Address: _____

Telefax: _____

EXHIBIT A

(Property Description)

SE4 S11-T136N-R58W

OPTION AGREEMENT
(Option Easement Interest)

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IN WITNESS WHEREOF, Seller has executed this Agreement on the 16th day of April, 2008.

SELLER:

David Tingley POA for Olga Smithson
Printed Name

David Tingley
Signature

Address:
12910 52 St SE
Edmonton, ND 58027

Telefax: _____

PURCHASER:

TRANSCANADA KEYSTONE PIPELINE, LP,
by its agent, **TC OIL PIPELINE OPERATIONS**
INC.

By: _____
Name: _____
Title _____

By: _____
Name: _____
Title _____

Address:

Telefax: _____

EXHIBIT A

(Property Description)

S2SW4 S1-T136NR58W



TransCanada

In business to deliver

KEYSTONE PIPELINE PROJECT

North Dakota

Tree and Shrub Sampling Methodology for Native Growth Areas

Revised May 2008

Tree/Shrub Inventory – Native Growth Areas

The Keystone Project will pass through approximately 214 miles of North Dakota. Evaluation of the route indicates that the project ROW will impact approximately 46 acres of trees (windbreak/shelterbelts, woodlots, riparian areas) spread out over about 180 different locations.

The North Dakota Public Service Commission's Order and Tree and Shrub Mitigation Specification directs the project to inventory all trees and shrubs located in windbreaks and shelterbelts. In compliance with this condition, Keystone will record the numbers and species of trees and shrubs in windbreaks and shelterbelts.

In addition, the Specification requires the project to either inventory native growth (forested) areas by direct count or to develop a sampling plan to determine the number of trees and shrubs that will be removed in native growth areas. The Project may elect to inventory the woodlots by direct counting. Alternatively, this Plan defines a sampling methodology to determine tree and shrub numbers in native growth areas. This Plan would be filed with the Commission for approval prior to the implementation of this sampling methodology.

Field Sampling Method

The inventory methodology would include a review of the aerial photographs along the project route to identify random plot sampling locations in native growth areas. Native growth (forested) areas occur in approximately 66 locations along the project route in North Dakota. In order to ensure that the sampling method properly represents the woody vegetation population, twenty of these locations (30 percent) would be selected for field sampling, based on the availability of landowner permission.

As part of this sampling methodology, the woodland sample sites would be stratified by county to ensure spatial variability is represented. In addition, Keystone would inspect each woodland site after the aerial photography review to classify the woodland communities by woodland type and by the dominance of vegetation in general height classifications (e.g., tall trees, tall shrubs, low shrubs, etc.). Following this classification, a stratified random sampling procedure would be used to ensure sample sites were proportional to the acreage of each woodland type.

For each field sampling location, Keystone civil survey teams would stake the edge of the project construction ROW. Biological survey teams would then establish two sample plots within the ROW limits (20 ft x 50 ft) and would clearly mark these plots with rope or flagging. The biological survey teams would record the approximate location of the sample plot, as well as the number and species of trees (>1" dbh), tall shrubs and short shrubs located within the plot boundaries.

The tree and shrub count data from the sample plots would be provided to the project team to determine the numbers of trees and shrubs the project would remove from all areas of the project.

Tree/Shrub Estimating Procedure

The project would determine the total area of anticipated construction clearing through forested areas by utilizing the project's high-resolution aerial photography overlain with the project workspace boundaries. The boundaries of the forested areas would be marked in the GIS system and a measurement of the area of disturbance through each native growth areas would be obtained. Data gathered on the ground from the tree/shrub plot samples would be extrapolated on an area-basis to establish the numbers of trees and shrubs cleared during construction of the project. For example, if 7 trees were counted in 1000 square foot sample area, the number of trees cleared on one acre of woodland would be projected to be 305 trees ($43,560 \text{ square feet in an acre} / 1000 \text{ square feet (sample area)} = 43.56 \times 7 \text{ (trees counted in 1000 sq ft sample area)} = 304.92 \text{ estimated trees per acre}$).

Conducting transects or sample plots and extrapolating the data to determine vegetation estimates over much larger areas is a common estimating tool for forest inventory and vegetation analyses. The methodology described above is designed to provide an accurate determination of tree and shrub numbers in native growth areas that will be cleared by the Keystone Project in North Dakota. If the area of trees and shrubs actually cleared differs from the area originally calculated, an updated estimate of trees and shrubs would be determined at the end of the project. The numbers of trees and shrubs identified by this inventory method would be used to determine the species and quantity of trees and shrubs to be replaced.