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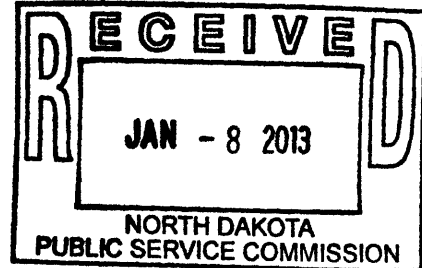
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January 7, 2013



DARRELL NITSCHKE
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 Mr. Nitschke:

Enclosed for filing is an original and seven copies of the Keystone Pipeline Tree Mitigation 2012 Project Status Update. This is being filed electronically as well.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me.

Sincerely,



Todd D. Kranda

TK:lh
Enc

c: TransCanada Keystone



768 PU-06-421 Filed: 1/8/2013 Pages: 9
Tree mitigation 2012 project status update

TransCanada Keystone Pipeline, LP

Todd Kranda, KelschKelschRuff&Kranda



NORTH DAKOTA FOREST SERVICE

"To care for, protect and improve forest and natural resources to enhance the quality of life for present and future generations."

December 1, 2012

Steve Craycroft
Environmental Compliance Manager
Keystone Pipeline Project
2700 South Post Oak Boulevard
Suite 400, Galleria Tower 1
Houston, TX 77056

Dear Mr. Craycroft,

Attached is a 2012 Annual Project Summary for the North Dakota Mitigation Tree Planting Partnership Program between the North Dakota Forest Service and TransCanada Keystone Pipeline LP. The document describes the status of the approved program to replace 69,152 trees and shrubs to comply with the North Dakota Public Service Commission mitigation requirements. An additional 15,709 trees and shrubs will be planted to offset unanticipated mortality for an overall project total of 84,861 trees and shrubs. This three-year program is being financed through an award from TransCanada Keystone Pipeline LP to the North Dakota Forest Service. The project ending date is December 31, 2013.

The program was initiated by the North Dakota Forest Service on October 1, 2010, following the receipt of the tree planting mitigation payment. An advance payment of \$608,512 was deposited in the Trees For North Dakota Trust Fund on September 3, 2010.

Excellent progress has been made in the implementation of the Mitigation Tree Planting Partnership Program in cooperation with local soil conservation districts, eligible landowners and private tree planting vendors. A total of 72,681 conservation trees have been planted on 121 sites and 441 family forest trees have been established in twelve communities. Thank you for the opportunity to assist TransCanada Keystone Pipeline LP with its mitigation tree planting obligations set forth by the North Dakota Public Service Commission. Please do not hesitate to contact our office if you need further assistance or information.

Sincerely,

Larry A. Kotchman
State Forester

Keystone Pipeline Tree Mitigation 2012 Project Status Update



Prepared for:
Steven Craycroft
Environmental Compliance Manager
Keystone Pipeline Project
2700 South Post Oak Boulevard
Suite 400, Galleria Tower 1
Houston, TX 77056



Larry Kotchman, State Forester
NDSU- North Dakota Forest Service
307 First Street East
Bottineau ND 58318

December 1, 2012

Overview

Mitigation criteria established by the Public Service Commission (PSC) ensures that trees and shrubs lost or destroyed during construction projects are replaced at a 2:1 ratio. For unique situations, a 5:1 ratio is mandated. A minimum of 75% of these replacement trees and shrubs must be living at the end of three growing seasons in order to meet the mitigation requirements. As a result of the Keystone Pipeline Project (Case # PU-06-421), 69,152 trees and shrubs must be planted to satisfy the mitigation requirements for this project. Additional trees and shrubs will be planted to offset unanticipated mortality.

Landowners impacted by the project have been offered a choice of having replacement trees and shrubs planted on the landowner's property or planted elsewhere at alternative locations. The remaining trees and shrubs will be planted at alternative locations off the right-of-way and provide an opportunity to work with tree planting entities, public and private landowners and communities statewide.

The North Dakota Forest Service (NDFS) will coordinate with the local soil conservation districts to plant/replace trees and shrubs on landowners properties where requested. The trees and shrubs targeted for planting at alternative locations will also be administered by the NDFS. These conservation tree planting opportunities are targeted at the entire State of North Dakota through local soil conservation districts (SCDs). Willing landowners, with appropriate conservation tree plantings, will be encouraged to participate by working directly with soil conservation district employees. Grant funds will be made available for a variety of conservation tree planting projects that are not eligible for other forms of cost-share. These projects will be developed using the standard CONS-4 planting plan by a resource professional, based on soils, topography, land-form and landowner's goals using Natural Resources Conservation Service (NRCS) practice specifications.

Community tree planting opportunities are available statewide through community "Family Forest" projects. Among the many possible eligible community projects are memorials; beautification; recreational area protection and park plantings; arboretums; outdoor classrooms; community windbreaks; and living snow fences on public land. Eligible practices include, but are not limited to, living snow fences, windbreaks, wildlife plantings, riparian restoration and buffers, and vegetative fuelbreaks.

2012 Update

Excellent progress has been made in the implementation of the mitigation plan. The number of conservation trees planted in 2011 and 2012 totals 72,681. Community trees planted in 2011 and 2012 total 441. Detailed planting information can be found in tables in Appendix A attached. Several additional plantings are planned for 2013, bringing the mitigation project to a close. The following table describes the activities to be undertaken and the status of each as of December 1, 2012.

Activity	Status December 2012
<p>North Dakota Forest Service (NDFS) develops tree planting summary sheet for Soil Conservation Districts (SCDs) outlining Mitigation Tree Planting Partnership to procedures.</p> <p>Update Community Family Forestry (CFF) materials.</p> <p>Develop Application Materials.</p>	Completed.
<p>Contact county SCD offices to explain the Mitigation Tree Planting Partnership framework.</p> <p>Application materials are made available.</p>	Completed.
<p>NDFS provides contact information for impacted landowners and tree/shrub needs to vendors.</p>	Completed.
<p>Prepare a tree/shrub spreadsheet to track accomplishments and survival by county, landowner and site.</p>	Completed.
<p>Vendors meet with landowner to design tree planting.</p> <p>Communities work with NDFS to develop projects.</p>	Ongoing.
<p>Plans are reviewed by NDFS. NDFS develops award letters and agreements. Agreements are signed with landowners and communities.</p>	<p>29,764 Conservation Trees were planted on 64 sites in 2012.</p> <p>418 Community Family Forestry Trees were planted on 10 sites in 2012.</p> <p>42,917 Conservation Trees were planted on 57 sites in 2011.</p> <p>23 Community Family Forestry Trees were planted on 2 sites in 2011.</p>
<p>Class I & III Cultural Resource Surveys are completed by qualified contractor.</p>	Ongoing.
<p>Sites are prepared for tree planting by mechanical or chemical means. Trees are ordered from nurseries. Trees are delivered from nurseries and stored in coolers. Site is inspected and staked for planting. Trees are planted. Fabric weed barrier or mulch is installed.</p>	April-November 2011, 2012, 2013.
<p>Invoice sent to NDFS. Reimbursements made through NDSU Business Office.</p>	Ongoing.
<p>Landowner and communities maintain projects as per agreement.</p>	Ten year agreements initiated in 2011, 2012, 2013.

Appendix A- Planting Information

2012-Conservation Trees					
<u>County</u>	<u>Quarter</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Trees Planted</u>
Barnes	NW	22	142	58	8
Barnes	SW	8	142	57	108
Barnes	SW & NW	20 & 29	138	57	110
Barnes	SE	3	140	58	164
Barnes	NE	5	140	57	185
Barnes	SW	5	139	57	215
Barnes	SW	6	137	57	353
Barnes	NE	23	141	61	419
Barnes	NW	24	140	61	446
Barnes	NE	4	143	57	473
Barnes	SE	4	143	57	754
Barnes	SW	3	143	57	872
Benson	SE	25	151	68	615
Benson	SW & NW	30	155	69	1,217
Bottineau	SW	31	162	74	63
Bottineau	SE	18	160	77	222
Bottineau	SE	21	160	81	305
Bottineau	NE	13	162	76	377
Bottineau	SE	1	162	78	400
Bottineau	NE	14	162	75	416
Bottineau	SW	31	162	76	495
Bottineau	NE	2	162	76	1,079
Cavalier	SW	28	161	61	134
Cavalier	NW/SW	13	159	57	228
Cavalier	NE/SE	17/20	161	61	478
Cavalier	NESE	19	161	60	575
Cavalier	NE	36	162	57	659
Dickey	SW	3	131	59	222
Griggs	NE	15	148	60	993
Griggs	NE	20	146	59	1,015
Griggs	NW	10	147	58	1,458
Griggs	NW	28	144	59	1,813
Pembina	SE	32	164	55	39
Pembina	NW	19	159	56	64
Pembina	NW	2	160	56	106
Pembina	SW	2	163	55	145
Pembina	SE & NE	3 & 10	162	55	175
Pembina	NE	9	163	56	183
Pembina	NW	8	162	56	186
Pembina	NE	33	163	54	188

Pembina	NW	10	162	53	198
Pembina	NW	32	159	56	275
Pembina	SE & SE/SW	1 & 6	163	52 & 53	310
Pembina	SE	21	163	51	430
Pembina	SW	4	162	56	430
Pembina	NW-NE	7	162	55	2,103
Ransom	NE	27	135	58	126
Sargent	S	17	132	58	200
Sargent	SE	1	131	55	340
Sargent	SE	14	132	55	343
Sargent	SE	10	130	55	683
Sargent	SE	26	129	58	703
Stutsman	NW	8	137	63	765
Stutsman	NE	31	142	62	1,608
Walsh	SW	4	155	56	78
Walsh	SE	30	157	56	95
Walsh	NW	24	157	56	120
Walsh	NE	9	157	56	155
Walsh	NE	3	155	59	200
Walsh	NW	15	158	56	378
Walsh	NE	35	156	57	412
Walsh	NW	34	158	57	569
Walsh	SE/SW	25/30	158	57	632
Walsh	SW	24	155	57	654
2012 TOTAL					29,764

2012-Community Family Forest Trees		
<u>Community</u>	<u>Trees Planted</u>	
Hope	16	
Lincoln	9	
Mooreton	10	
New Rockford	20	
Sibley	7	
Wahpeton	23	
Sykeston	8	
Flasher	7	
Granville	13	
McVille	305	
2012 TOTAL		418

2011- Conservation Trees

<u>County</u>	<u>Quarter</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Trees Planted</u>
Barnes	SE	25	140	58	400
Burleigh	SW	24	137	77	450
Burleigh		18	140	80	870
Burleigh		13	137	78	2,205
Burleigh		5	137	78	1,600
Burleigh	SW	32	140	79	745
Burleigh		29	142	80	948
Burleigh	W	13	142	80	603
Burleigh	S	21/22	142	75	415
Burleigh	E	28	139	78	1,210
Burleigh	SW	22	143	75	1,465
Cavalier	N	36	159	58	3,626
Cavalier		12	161	57	1,296
Cavalier		24	163	57	1,020
Cavalier	SE	4	163	57	882
Grant	SW	14	134	90	305
Grant	NW	18	133	83	1,432
Grant		1	135	85	1,381
Grant	W	5	133	90	463
Kidder		32	139	72	900
McKenzie		3	150	101	1,138
McLean	SE	11	143	80	187
McLean	NW	22	147	81	1225
McLean	SW	19	144	81	227
McLean	NE	26	146	84	231
McLean	NW	8	150	81	309
McLean	SW	19	144	81	360
McLean	NE	21	149	79	363
McLean		15	144	82	522
McLean	SE,SW	32/33	146	84	520
McLean	S	15	143	81	466
McLean	SW	11	147	80	503
McLean		22	143	74	1,000
McLean	SW	23	145	82	527
McLean	SE	17	146	84	1,552
Mercer	SW	4	144	86	695
Mercer	SE	31	144	87	271
Pembina	SE	6	162	51	643
Ramsey	SE	8	153	64	944
Ransom	SE	2	136	58	409
Ransom		26	136	58	120
Sioux	SE	31	129	88	595

Sioux	SE	19	129	88	1,075
Sioux	SE	8	133	79	1,160
Stutsman	NE	34	139	62	2,445
Walsh		3	155	59	267
Walsh	SW	30	156	51	349
Walsh	SW	34	158	57	160
Walsh		9	158	56	350
Walsh	W2SW4	18/6	158	56	115
Walsh	NE4SE4	11	156	57	310
Walsh	SE	30	158	56	128
Walsh		6/7	158	56	26
Walsh	NE4	14	155	57	349
Walsh	N2NE4	25	157	57	81
Walsh		25	157	57	88
Walsh		25	157	57	991
2011 TOTAL					42,917

2011-Community Family Forest Trees

<u>Community</u>	<u>Trees Planted</u>	
McVile	9	
LaMoure	14	
2011 TOTAL		23