

**KXL Pipeline
South Dakota PUC
Liaison Annual Report
2015**

January 01, through December 31, 2015

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1. General Liaison Activity

The proposed Keystone KXL project is anticipated to begin following approval by the US Department of State (US-DOS) and issuance of a Presidential Permit. On November 6th, 2015 the President denied the application for the project, however TransCanada remains committed to the project and retains the right to seek approval of the project sometime in the future. The pipeline is 36 inches in diameter and will extend 875 miles from the Canadian–U.S. border, to Steele City, Nebraska. The route in South Dakota, will include three or four construction spreads and cover approximately 311 miles of right-of-way (ROW) with 301 landowners. The route crosses Harding, Butte, Perkins, Meade, Pennington, Haakon, Jones, Lyman, and Tripp Counties. In addition, facilities in South Dakota include seven pump stations to be located in Harding, Meade, Haakon, Jones, and Tripp Counties. Construction schedule will be finalized and is planned to commence following the US-DOS approval of the project.

The South Dakota Public Utility Commission issued the Notice of Entry- Amended Final Decision and Order on June 29, 2010. These construction conditions ordered Keystone to appoint a Liaison Officer for the KXL project. In 2010 the Commission approved Sarah Metcalf to be the Liaison Officer for the Keystone KXL Project. By statute, if the project does not commence within four years, the company must certify that it still meets the permit conditions. SDCL § 49-41B-27. The four year mark occurred in June of 2014 and the company proceeded to certify that it continues to meet the permit conditions issued in the 2010 permit. The hearings considering the certification of the project took place throughout 2015 and into the first quarter of 2016. No construction activities will take place in the state until the SD-PUC Commission approves the certification that the project meets the conditions set forth by the SD-PUC and a Presidential Permit issued by the US-DOS. Keystone XL representatives will continue to work in the state to keep landowners, as well as state and local stakeholders advised as the permit process and project progresses.

2. Issue Tracking

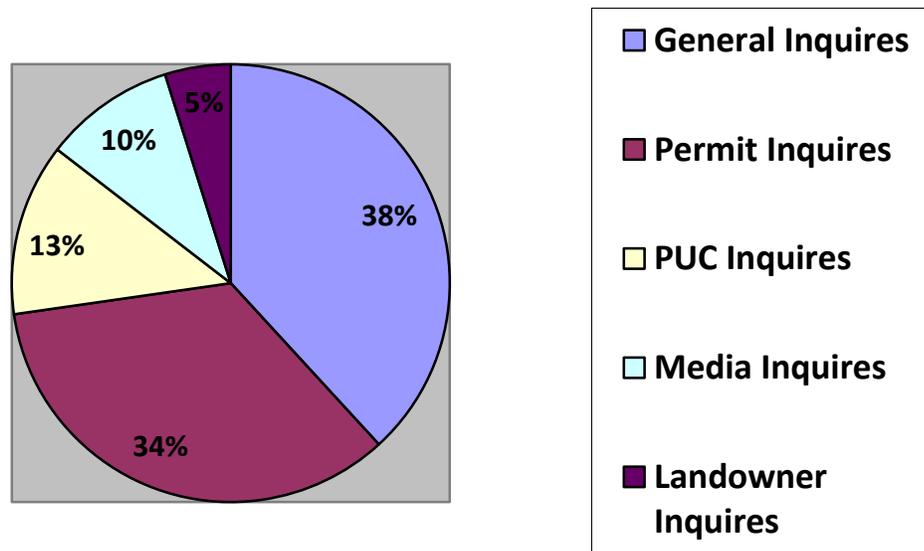
Over the course of 2015 there were approximately 192 contacts made to the liaison office. Of those contacts, 27 were regarding the first phase of the Keystone Project, which has already been constructed and marked its 5th year in operation this year. Construction of the Keystone Pipeline in eastern South Dakota was completed in 2009 and the transition to operations and maintenance activities took place over the course of 2012. Ongoing maintenance and related reclamation issues will continue through the life of the pipeline and oversight of these operations is conducted by Keystone Operations and Integrity Management personnel. All issues reported to the liaison relating to the original line were referred to Keystone Pipeline Operations, which has local offices in Brookings, SD and Omaha, NE. The nature of calls related to the existing Keystone pipeline were typically regarding below ground farming or construction activities near the pipeline ROW and were directed to #811 for utility locates. Questions related to ongoing pipeline operation and maintenance activities, such as weed control, ongoing reclamation efforts and monitoring flights, and were directed to the Keystone Pipeline Operations Offices or the local land agents.

On the KXL project there were approximately 165 contacts and 6 meeting with land owners, agencies and other interested parties over the course of the year. There were 4 contacts directed to the liaison via the PUC, however no major issues were reported to the liaison. Again this year the majority of contacts made were from parties interested in general information about, or the permitting status of, the project. The number of contacts were highest during permit hearings in the state, as well as being clustered around media reports regarding the project.

There were few contacts made this year by parties interested in employment or offering services and sales to the project. The majority of calls and emails were referred to KXL personnel working on the project or to the TransCanada- KXL project, or SD-PUC website for more information and details. Roads were of very little concern this year although there were a number of questions raised at open house meetings that related to the clean-up and restoration of roads on the first Keystone line. The liaison has contacted all counties along the project again this year, to ensure that no new questions or concerns have arisen that have not been addressed by the company. No counties or townships have requested a meeting with the Liaison this year, however they have been provided with contact information for the liaison should they have any inquiries or require assistance.

The types of issues encountered during the year of 2015 can be broken into the following categories:

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| a) General Project and Construction Inquires | 38% |
| b) Permit Inquiries | 34% |
| c) PUC Inquires | 13% |
| d) Media Inquiries | 10% |
| e) Landowner Inquires/Concerns | 5% |



3. General Project and Construction Inquires

General inquiries regarding the project again dominated the contacts to the liaison this year. Landowners, tenants and local officials, such as road groups have had most of their questions and concerns addressed over the course of the scoping and permitting process. The majority of inquiries were related to the companies anticipated plan following the denial of the Presidential Permit or were related to issues brought up by intervenors during the State hearings. The majority of the calls received regarding general project information were from parties not directly affected by the project, and came from various state residents, as well as some out of state parties interested in the permit status in South Dakota. Inquiries were also made regarding potential economic effects of the project, for the state and local communities. Several were related to the liaison perspective and experience on the original Keystone project, specifically regarding road repairs, as well as construction and reclamation outcome. Much of this information was provided by the liaison office to consumers, while other contacts were referred to various parties within the KXL project team or to the TransCanada Keystone website and newsletters.

4. Permit Inquiries

There were a total of 15 hearings held over the course of 2015, which the liaison attended either in person or via the online link on the PUC website. There was no need for the liaison to formally address the commission during these hearings. The number of calls peaked in July and August and were related to the permitting process and concerns that were brought up by the

intervening parties during the various hearings. Many were interested in information on how the permit process worked and how the state process related to the national permit process. Others were interested in how to go about voicing their opinions on the project to the various agencies involved. Many calls were also related to the national permit and how the denial by the President would affect the process in South Dakota. The majority of calls to the liaison were related directly to the SD-PUC certification process and hearings. The liaison provided information to callers and also directed them to the company and PUC websites, where detailed information on the project and certification process could be found. A few calls related to the Nebraska permit process and were directed to project personnel working on specific portions of the project.

The liaison again contacted affected counties in the state and worked with KXL permitting specialists to ensure that agencies in South Dakota had all of their questions addressed and had current contact information. Again, this year, none of the affected counties or townships requested a meeting with the liaison. However some information was requested at open house meetings regarding the reclamation and settlement process for roads on the first phase of Keystone construction.

County and highway officials in Harding, Butte, Perkins, Meade, Pennington, Haakon, Jones, Lyman, and Tripp Counties, were contacted again but there were no major concerns brought up. Most road groups were waiting for the primary permit process to be finalized before addressing any concerns within their specific areas. KXL permit specialists have remained active in meeting with counties and townships to address any concerns related to permits and road conditions. Other meetings and open house events were held throughout the year with the liaison and other Keystone representatives to share information on the status of the project and permit process.

There were no direct contacts made to the liaison office by county or road agencies this year. The liaison will continue to be available to permitting agencies, county officials and the various road groups throughout the permit process, as well as through construction and reclamation once the project moves forward.

5. PUC Inquires

Several parties were directed to the liaison through the SD-PUC this year in order to provide information on various aspects of the project and to address concerns raised by intervening parties during the hearing process. There were a number of calls related to consumer inquiries to the SD-PUC and requesting project updates. The liaison was also contacted by SD-PUC staff members regarding media inquiries, which typically related to the project status or on going hearings, the majority of these were referred to the company for direct comment.

There were four calls from the SD-PUC that required the liaison to follow up with the interested parties, these were related to the primary hearing in July and August. Some state residents had requested more detailed information on topics brought up during the hearing process. The liaison spoke with these parties to provide the requested information and in some cases referred

them to the KXL, SD-PUC and US-DOS websites, where extensive information on the project is publicly available.

There are no major issues being tracked by the SD-PUC or liaison going into 2016, other than the final hearing to re-certify the project will be held on January 5th, 2016.

6. Media Inquires

Media coverage of the project has increased in 2015, although this was only slightly reflected in calls to the liaison by various media sources. The majority of media coverage was related to the national permit and Presidential denial of the project, other media stories were related to the South Dakota hearings. None of the calls were specific the liaison role in the state or activities related to that role. The liaison relayed the majority of calls to the appropriate parties within the company or the SD-PUC to be addressed directly.

7. Land Owner Inquires

There were only a few landowner inquires to the liaison this year. The majority of landowner contacts to the liaison were related to inquiries on the permit process or project status, both in state and nationally. There were no concerns over easements or damage compensation this year. One site visit took place in 2015, in order to document landowner concerns and preconstruction conditions of a native grassland areas proposed to be crossed by the project. The landowner wanted a point of reference to ensure that reclamation is completed properly following construction and to work out possible mitigation efforts prior to land disturbance. The area was photographed and surveyed by the liaison, these photos, as well as the landowners concerns were forwarded to the company. The liaison will continue to be available to the SD-PUC, landowners and other affected parties throughout the permit process, as well as the proposed project construction and reclamation phases. The liaison anticipates that contacts from landowners and agencies will increase when the permitting process is finalized and construction activities commence.

8. Summary

The number of calls to the liaison office increased in 2015 as compared to 2014, and the majority of calls were related to the permit process and the 15 hearings that took place at the SD-PUC this year. There were again no major issues reported to the liaison over the course of the year. Contacts made that were not related to the permit process were related to general information or the status of the project on the state and federal levels. Keystone XL officials will remain available to provide information and to assist affected parties as the project moves forward. The majority of parties that have contacted the liaison are awaiting the final decisions in the permit process.

The Liaison Officer will be available throughout the permitting process and will remain in the state during the construction of the KXL Pipeline once it is fully permitted. The liaison will be available to landowners and other affected parties in the state of South Dakota, through construction of the pipeline and for a period of three years post-construction, or as ordered by the SD-PUC in the construction conditions. The liaison will assist landowners, tenants, agencies and other interested parties with any questions, concerns or issues that might arise during or after project. Formal quarterly reporting on this project will begin when construction activities commence, following US-DOS approval of the project and issuance of the Presidential Permit, as well as the completion of the SD-PUC certification process in January of 2016.