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August 28, 2007

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Sandra Roth
Landowner Relations
TransCanada Pipelines Limited
Keystone Pipeline Project
110 3rd Street SW, # 104
Huron, SD 57350

Phone (605) 352-1375

John Hunt
Land Manager
TransCanada Keystone Pipeline, L.P.
7509 NW Tiffany Springs Parkway
Northpointe Circle II, Suite 200
Kansas City, MO 65153

Phone 1-866-717-7473

Re: Tract Number ML-SD-MR-0519.0000 - TransCanada-Keystone Crude Oil Pipeline

Dear Ms. Roth and Mr. Hunt,

This is response to the letter you sent us dated August 24, 2007 (copy attached). We assume that TransCanada has sent the same letter to the other 660 landowners whose property you propose to cross in South Dakota. We have several questions we'd like TransCanada to answer and respond to in writing before August 31, 2007.

1. The first paragraph of your letter includes the following statement..
"While regulatory reviews proceed, Keystone continues to make preparations for construction...Keystone intends to initiate pipeline construction in South Dakota in May, 2008".

Question: WHY is TransCanada threatening landowners with condemnation and eminent domain when your permit application has not yet been approved by the SD Public Utilities Commission as required by state law and federal law. The hearings are being held in December, 2007. According PUC Chairman Dusty Johnson in a news story, the permit application may not be approved until as late as April 27, 2008.

WHY is TransCanada threatening landowners with condemnation and eminent domain when the Environmental Impact Statement (EIS) required by United States federal law is still in the draft review stage and won't be completed until at least 30 to 60 days after September 30, 2007, the deadline for presenting comments to the US State Department? Under what legal authority does TransCanada claim to have the right to threaten South Dakota landowners and taxpayers with eminent domain and condemnation? Please cite the state or federal statute. Your boss Robert Jones, VP and your attorneys know that TransCanada doesn't have eminent domain authority and you shouldn't be sending out threatening letters. We consider this action by TransCanada a violation of the civil rights of every landowner and U.S. citizen you sent the letter to.

2. Paragraphs two and three of your letter include the following statements...

*"As detailed below, this letter presents Keystone's **Final Offer** for the purchase of an easement*

across property you own or in which you have an interest..” “We have previously expressed to you our interest in acquiring this easement.
Section 14, Township 125 North, Range 59 West, 5th PM”.

Question: How can TransCanada claim you are making a Final Offer when there have been no formal meetings and no “previous offers” as you claim. TransCanada has not negotiation in good faith, as required by South Dakota law and federal law. The only contact TransCanada land agents have had with us was on or about May 7, 2007 when your land agent stopped by our farm unannounced without an appointment and expected us to sign your easement after having seen it only for first time with barely a chance to read it. Your agent refused to leave a copy so we could take it to our attorney for review and discuss it with our family who are involved in our farming operation. The second contact was on Saturday, August 11, 2007 when your land agent stopped by, again unannounced and without an appointment, while we were hosting friends and relatives as part of Raymond’s 70th birthday. Our daughter who lives in Texas, whom we hadn’t seen for months, was visiting when your agent barged in and ruined this family gathering. We believe that TransCanada has failed to negotiate in good faith with us and other landowners and are now threatening and harassing us with this letter because we have dared to questioned the project, have objected to the project at PUC meetings and are part of an organization that is challenging the Keystone Project, all of which is our right as U.S. citizens. By doing this, TransCanada and you as their agent are violating our civil rights. We have rights. No foreign oil company from a foreign country can take private property from U.S. citizens without due process. We would suggest that you Canadians try reading the U.S. Constitution, the Bill of Rights and the book “1776” written by David McCullough.

3. Paragraph four of your letter states the following... “As our **Final Offer**, Keystone offers to pay you \$7,812 for the permanent easement on 3.1 acres and \$4,914 for the temporary construction easement on 3.9 acres, for a total of \$12,726.”

Question: WHY do you think your onetime payment offer of \$12,726 is fair value for the perpetual use and disruption of our farm property? The permanent easement you are asking for will be blight on the land for ever. Assuming the pipeline is operational for 50 years, as your engineer Mr. Grey said at the public meetings, then what TransCanada considers their “Final Offer” figures out to little more than \$36 per acre. Cash rent in this area currently runs around \$100 per acre and goes up every year. Why should we accept less because you want to use the land for a crude oil pipeline and claim the right of condemnation? An oil pipeline should be willing and able to pay as much or more for the use of property than the local cash rent market pays.

TransCanada’s Final Offer	Per Acre
Permanent Easement \$7,812: 3.1 acres = \$2,520 acre / 50 years = \$50.40 / yr	
Temporary Easement \$4,914: 3.9 acres = \$1,250 acre / 50 years = \$25.20 / yr	
Per Acre / Average \$12,726: 7.0 acres = \$1,818 acre / 50 years = \$36.36 / yr	

Local Cash Rent Value (see spreadsheet attached)

<u>Years</u>	<u>Cash Rent 50 yrs</u>	<u>Acres</u>	<u>Avg.Per Acre/Per Year</u>
50	\$145,544	7.0	\$415.80/yr.

When the value of the 7 acres of land is taken in to consideration over the entire life of the easement (50 years) based on cash rent and assuming a 5% annual increase, the value is more like \$145,544, which means your \$12,726 offer is short by \$133,818. We have used the 7 acres in our calculations because we believe the strip of easement land will continue to be disrupted long after construction of the pipeline is completed, due to on-going leak repairs, inspection and

maintenance.

4. Your letter states... *"Keystone negotiates in good faith for all land rights and pays fair value for those rights. We believe this offer provides payment that is just and reasonable, and adequately compensates you for Keystone's use of the land."*

Question: We disagree and challenge that statement. While it is not our counter offer, the local cash rent value information above is an example of how the value might be calculated which would be fairer to the landowner. Our point is there are alternatives for figuring value that TransCanada has not considered and has not been will to discuss with landowners. You have one way of doing it and the attitude of your land agents has been it's your way or its condemnation. That is not negotiating in good faith. You treat your proposed use of our farm land as though there is no long term negative potential impacts the pipeline will have on the land. Yet, you know full well that because the oil in the pipeline will be kept at 80 degrees so the oil will flow, the ground temperature in the easement area will be warmer than normal and be dried out so that nothing will grow over the area of the pipeline except weeds, making the land useless to the farmer and weed infested liability. Where is the compensation for crop loss each year because of this oil temperature issue?

TransCanada claims that they are compensating for the use of the land (which we dispute), but what about the added risk that a crude oil pipeline brings to the land and ground water when the pipeline is operated at a pressure of up to 1,700 psi? TransCanada's own risk consultant, DNV states in their "Frequency Volume Study" field with the SD PUC, that your computer SCADA system can't detect leaks of less than 1.5%, which at 590,000 barrels of oil per day on this pipeline could result in a oil leak of as much as be 371,700 gallons per day.

The same DNV report states that small leak of less than 1.5% may go unnoticed or undetected for up to 90 days. Thirty days at 371,700 gallons per day would create an 11,151,000 gallon spill and 90 days would create a 33,453,000 gallon spill. That would be comparable to 1,394 to 4,181 tanker trucks dumping hauling 8,000 gallons of oil dumping their load on a farm field.

The fact is, TransCanada's oil pipeline adds a huge risk to the land and ground water that doesn't currently exist and TransCanada's "final offer" includes no compensation to the landowner for this added risk nor does your easement offer protection, assurances, bond or insurance to coverage a spill that would damage our productive farm land and our quality groundwater supply which we rely on in our rural community.

5. Your letter states...*"Our offer will remain in effect until August 31, 2007. Should you reject or fail to respond to this offer by August 31, 2007, Keystone will conclude that we are unable to come to agreement on a voluntary negotiated easement for this project. We will then commence preparations for a condemnation action to acquire the easement under the laws of the State of South Dakota."*

Question: The arrogance of that statement is incredible. A foreign oil company (TransCanada) from a foreign country (Canada) who has never paid a dime of tax to the State of South Dakota presumes to use the eminent domain laws of South Dakota to condemn private property owned by South Dakota taxpayers and citizens. You issue a threat like that, when you know full well that TransCanada currently does not have a permit to build this pipeline in South Dakota and may never have one, and currently doesn't have common carrier status to claim the right of eminent domain. The Keystone Pipeline will provide no direct benefit to the citizens of South Dakota. Any taxes that are collected will be needed to offset the damages and risk to ground water, land, the environment and public safety.

6. Your letter states....*"In more than 50 years of building and operating our 36,500 mile pipeline system, TransCanada has used eminent domain very sparingly."*

Question: By that statement you imply that TransCanada has a good record of landowner relations, when in reality the record shows that is not the case. First of all, how many of the 36,500 miles of pipeline carry crude oil? Few if any. TransCanada pipelines primarily move natural gas which, in the event of a leak or pipe failure, vents to the atmosphere and contributes to global warming but doesn't leave the same damage to the soil and ground water as oil sands crude oil. The landowner group in Canada, CAPLA, has sent us document which show years of abuse by TransCanada and other oil pipelines on landowners crossed by their pipelines in Canada. Your record of landowner relations is far from stellar. TransCanada and its public relations firms may claim it is, but landowners in Canada, Oregon and other places tell us otherwise.

7. Your letter states....*"A condemnation action can be avoided if we can reach an agreement on this matter."*

Question: How do you expect to reach an agreement by sending out letters claiming a Final Offer and threatening condemnation? We believe, that the sole purpose of TransCanada's August 24, 2007 letter is to intimidate and threaten landowners with the hope that some will sign for fear of a long protracted legal fight. The fact is most landowners will fare better in a local court before a jury of their peers than they will at the hands of TransCanada and your land agents.

We are currently in middle of the busy farming season, working 6 to 6-1/2 days a week, putting up hay to feed our cattle this winter and we will soon be harvesting beans and corn.

As you well know, we also need to prepare and present testimony to the U.S. State Department on the EIS which is due September 31, 2007 and to prepare our testimony for the PUC hearings which will be held in December, 2007.

We would be available to schedule a meeting with TransCanada to discuss your offer and to try to negotiate an acceptable agreement some time after April 27, 2008, after the EIS has been completed and the South Dakota Public Utilities Commission has completed hearings on TransCanada's permit application and has made a decision.

That will be our legal position if TransCanada attempts to bring premature condemnation or legal action against our property and other landowners.

Until that time, we don't wish to be bothered by TransCanada and your land agents. Further contact will be considered harassment and we file a formal complaint with our County State's Attorney and the South Dakota Attorney General's Office. If TransCanada land agents come on our property we will consider it trespassing and we will file a complaint with the local Sheriff's Office and ask that they be arrested and removed from the property.

Sincerely,

Raymond Anderson
Lillian Anderson

Raymond and Lillian Anderson
12189 - 415th Ave
Langford, SD 57454-5815

Cc:

Robert Jones, VP
TransCanada Pipelines Limited
450 - 1 Street SW
Calgary, Alberta, Canada T2P 5H1

Larry Long
Attorney General
Capitol Building
500 East Capitol Ave.
Pierre, South Dakota 57501-5070

John Smith, Chief Counsel
South Dakota Public Utilities Commission
Capitol Building
500 East Capitol Ave.
Pierre, South Dakota 57501-5070



TransCanada PipeLines Limited

August 24, 2007

Via Certified Mail

Raymond G. Anderson
12189 415th Avenue
Langford, SD 57454-5815

Re: Tract Number ML-SD-MR-0519.0000

Dear Mr. Anderson,

TransCanada Keystone Pipeline, L.P. ("Keystone"), a subsidiary of TransCanada, has filed an application with the South Dakota Public Utilities Commission for permission to construct a crude oil pipeline in the state of South Dakota. While regulatory reviews proceed, Keystone continues to make preparations for construction. In order to meet the need for delivery of crude oil to refineries starting in the fourth quarter of 2009, Keystone intends to initiate pipeline construction in South Dakota in May, 2008.

As detailed below, this letter presents Keystone's **Final Offer** for the purchase of an easement across property you own or in which you have an interest (identified below) for the construction of the Keystone crude oil pipeline. We look forward to your response and to the successful completion of negotiations for this easement.

We have previously expressed to you our interest in acquiring this easement. The property ownership is listed as Raymond G. Anderson. The easement located in portions of Section 14, Township 125 North, Range 59 West, 5th P.M., described as Parcel 16.59.14.1000 in that certain deed dated 10/7/1969 recorded as Document Number 10856, of Official Records of Marshall County, South Dakota.

As our **Final Offer**, Keystone offers to pay you \$7,812.00 for the permanent easement on 3.1 acres and \$4,914.00 for the temporary construction easement on 3.9 acres, for a total of \$12,726.00.

Keystone negotiates in good faith for all land rights and pays fair value for those rights. We believe this offer provides payment that is just and reasonable, and adequately compensates you for Keystone's use of the land.

Our offer will remain in effect until August 31, 2007. If this offer is acceptable, please have two of the copies of the enclosed easement executed by the person or persons authorized to enter into such agreements by August 31, 2007 in the presence of a Notary Public, and return them to me in the enclosed postage paid envelope. Immediately after receipt of the properly signed and notarized easements, we will deliver to you a check in the agreed upon amount.

Should you reject or fail to respond to this offer by August 31, 2007, Keystone will conclude that we are unable to come to agreement on a voluntarily negotiated easement for this project. We will then commence preparations for a condemnation action to acquire the easements under the laws of the State of South Dakota.

In more than 50 years of building and operating our 36,500 mile pipeline system, TransCanada has used eminent domain very sparingly. We are committed to extending that positive record. Our preference is to reach an amiable arrangement with respect to acquiring an easement for the Keystone pipeline. A condemnation action can be avoided if we can reach an agreement on this matter. We hope you will find this offer acceptable. If you have any questions about this offer, please contact either myself at 1-800-562-8931 or alternatively, John Hunt, Land Manager, TransCanada Keystone Pipeline, L.P. at 403-920-7383.

Sincerely,



Sandra Roth
Landowner Relations Supervisor,
TransCanada Pipeline
Keystone Pipeline Project

