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THE PUBLIC UTILITIES COMMISSION

**SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

OF THE STATE OF SOUTH DAKOTA

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IN THE MATTER OF THE APPLICATION OF  
TRANSCANADA KEYSTONE PIPELINE, LP FOR A  
PERMIT UNDER THE SOUTH DAKOTA ENERGY  
CONVERSION AND TRANSMISSION FACILITY ACT  
TO CONSTRUCT THE KEYSTONE PIPELINE PROJECT

HP07-001

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Transcript of Proceedings  
Britton, South Dakota  
June 27, 2007

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BEFORE THE PUBLIC UTILITIES COMMISSION,  
DUSTIN JOHNSON, CHAIRMAN  
GARY HANSON, VICE CHAIRMAN  
STEVE KOLBECK, COMMISSIONER

**ORIGINAL**

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PRESENT FOR TRANSCANADA  
Robert Jones  
Michael Koski  
L.A. "Buster" Gray  
Heidi Tillquist  
Meera Kothari  
Sandra Roth  
Scott Ellis  
Brian Thomas  
Nicole Aitken

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TRANSCRIPT OF PROCEEDINGS, held in the above-entitled  
Matter, at the Britton Arena, Britton, South Dakota, on the  
27th day of June 2007, commencing at 12 o'clock p.m.

1           CHAIRMAN JOHNSON: We will now begin the public input  
2 hearing for HP07-001, and that's the docket that deals with the  
3 application by TransCanada for a permit under the South Dakota  
4 Energy Conversion and Transmission Facility Act to construct the  
5 Keystone Pipeline project.

6           The date is I believe June 27 and the time is a little  
7 bit after noon and we are here in Britton, South Dakota.

8           Now the purpose of this hearing is really two-fold.  
9 First it is to provide the public some additional information  
10 about this project, and that's the burden of the Applicant today  
11 to tell you a little bit more. And hopefully their presentation  
12 will answer some of the questions you've got, and it will  
13 probably also likely raise other questions in your mind which  
14 you will get an opportunity to get answered a little bit later.

15           The second purpose is really for you all to ask  
16 questions of the Applicant or also to make comments, mention  
17 concerns, mention support of the project, or whatever you like  
18 and mention that to the Commissioners so we can make sure your  
19 thoughts are a part of our process as we move forward.

20           A copy of the application is on file with the  
21 Marshall, Day, Clark, Beadle, Kingsbury, Miner, Hanson, McCook,  
22 Hutchinson, and Yankton County Auditors, and any of you can also  
23 go access our website which has a lot of information, hundreds  
24 of pages of the application, at [www.puc.sd.gov](http://www.puc.sd.gov). And if you want  
25 to know exactly how to navigate that site so you can get to the

1 information, grab any one of us, and we'd be happy to make sure  
2 you get there.

3 Now the parties to the proceeding at this time are the  
4 Applicant, the Commission, and numerous other interested persons  
5 who have requested and been granted party status. Under  
6 South Dakota Law each municipality, county, and governmental  
7 agency in the area where the facility is proposed to be  
8 constructed or any interested person or entity may be granted  
9 party status in this proceeding by making written application to  
10 the Commission on or before July 10, which I believe is about  
11 two weeks from now.

12 Some people will have questions about what is party  
13 status. Well, let me back up a little bit and say what I  
14 suspect most of you here want to do is get your questions  
15 answered or make comments on the record so that they're things  
16 we can consider as part of this process.

17 If that's what you want to do, you don't need to do  
18 anything special. At any point during this process, not just  
19 today and not just this month, but at any point really almost up  
20 until the time we render our decision, if you'll send us a  
21 letter or an e-mail, we'll make sure that that gets entered into  
22 the record. That will be something we'll use to consider this  
23 application.

24 Now some people, they want to do more legally than  
25 just have their voice heard. Maybe they want to introduce

1 evidence, maybe they want to cross-examine witnesses, maybe they  
2 want to issue discovery requests, maybe they want to be able to  
3 raise objections at a very formal part of the process we may  
4 have coming later.

5           If that's the case, if you really want to be a player  
6 in the courtroom type of proceeding, then you may want to become  
7 an intervenor. And that is just called requesting party status.  
8 We do have forms here in case you want to do that. We have had,  
9 I would guess, upwards of 140 people apply for party status  
10 already. Some of them may not want to be in that deep. If  
11 you're one of those people, just let us know, and we'll have a  
12 conversation about whether you want to be an interested person  
13 or you want to have a more formal legal role in the proceedings  
14 to come.

15           For the permit to be approved, the Applicant must show  
16 that the proposed pipeline will comply with all applicable laws  
17 and rules, that the pipeline will not pose a threat of serious  
18 injury to the environment or to the social and economic  
19 condition of the inhabitants or expected inhabitants of the  
20 siting area. Additionally, the pipeline will not substantially  
21 impair the health, safety, or welfare of the inhabitants, and  
22 that the pipeline will not unduly interfere with the ordinary  
23 development of the region with due consideration having been  
24 given to the governing bodies in this area.

25           Based on these factors, this Commission will decide

1 whether the permit for the project shall be granted, denied, or  
2 granted upon such terms, conditions, or modifications of the  
3 construction, operation, or maintenance of the facilities as the  
4 Commission finds appropriate.

5 We're going to start today by having the Applicant  
6 make a presentation. And we've asked that they keep it to  
7 45 minutes to provide some information to all of us.

8 Following that presentation, we're going to take  
9 comments from any interested persons, and we do want to  
10 encourage landowners and other interested people here today to  
11 present your views. And as I mentioned, you can also submit  
12 your views in writing.

13 With that, I'll pause to see if my colleagues have  
14 noticed anything I have forgotten.

15 And if there's nothing else preliminarily, we will  
16 look to Mr. Brett Koenecke who serves as an attorney  
17 representing TransCanada in this matter.

18 Mr. Koenecke, go ahead.

19 MR. KOENECKE: Thank you, Commissioner. My name is  
20 Brett Koenecke. I'm a lawyer from Pierre, and I represent  
21 TransCanada in this proceeding. As Commissioner Johnson said,  
22 we'll have a presentation of about 45 minutes during which the  
23 three gentlemen to my right will try to present information  
24 which is designed to explain to you a lot more in detail about  
25 the project than I myself can do. And I'll look forward with

1 each of you guys holding it to the time limit, and I'll be doing  
2 my best to give you yours cues.

3 This is Robert Jones to my right. He's the vice  
4 president of TransCanada responsible for the Keystone project.  
5 Mike Koski is an engineer from Florida, and his overall project  
6 responsibilities is as a consultant on the project. And to his  
7 right is Buster Gray, an engineer from Kansas City and also  
8 Houston, Texas, and he has specific responsibility with design  
9 and construction.

10 Seated behind them are several people with specific  
11 areas of technical expertise, and we are going to try to band  
12 together as a team to do our best to answer any and all  
13 questions that you might have about any facet or phase of the  
14 project. We look forward to engaging with you in the dialogue  
15 here this afternoon. And with that, I'll turn it over to  
16 Robert Jones.

17 Thank you for coming.

18 CHAIRMAN JOHNSON: Let's do a quick mic check. Raise  
19 your hand if you can't hear me. Did anybody have any problem  
20 hearing Mr. Koenecke? A little bit. Maybe if we can just get  
21 that wireless mic. If we can make sure that wireless mic stays  
22 close to the mouth, that would be really great.

23 MR. JONES: Can everybody hear me? Oh, yeah. I can  
24 hear me. Is it too loud? Is this better if I hold it down  
25 here? I don't want to sound like I'm shouting in the thing.

1 They took the podium away so I'm going to have to carry my notes  
2 with me. Maybe. Just hold on a little bit.

3 How's that? Can everybody still see the screen and  
4 I'll keep my notes here? Okay. Well, thank you very much for  
5 coming. It is a gorgeous day, and it's a pleasure to be here.  
6 I just enjoyed the drive this morning. It was just a gorgeous  
7 morning.

8 The objective of this presentation for me is to inform  
9 you that TransCanada leads the industry in the design,  
10 construction, and operation of oil pipelines and of pipelines of  
11 all kinds. And what I'm hoping that we can do today is answer  
12 your concerns and answer your questions to be as responsive as  
13 possible.

14 First I'd like to just briefly tell you a little bit  
15 about TransCanada. We are a leading energy infrastructure  
16 company, and we have about \$24 billion worth of assets  
17 throughout North America. And we've been in operation for over  
18 50 years.

19 TransCanada is not an oil company. We don't own the  
20 oil, and we are not an oil company of any kind.

21 UNIDENTIFIED SPEAKER: Hold the mic a little closer to  
22 your mouth.

23 MR. JONES: Certainly. I'm trying to get this  
24 correctly here. Thank you for that.

25 Keystone is a utility and we will be providing a

1 public service and we will be providing that service in the  
2 public interest.

3 TransCanada has over 36,500 miles of pipelines in  
4 North America. And associated with these pipelines, we have  
5 relationships with over 40,000 landowners. Most of those  
6 pipelines, the majority of those pipelines, are operated here in  
7 the United States.

8 We have offices throughout the United States. We have  
9 offices in Oregon, Illinois. Buster's located in Kansas City.  
10 We have an office in Nebraska. Houston is our U.S. head office.  
11 We have offices throughout the U.S. northeast; Michigan,  
12 Massachusetts, Connecticut, and New York.

13 So why Keystone? Why is there a crude oil pipeline  
14 planned to be built in South Dakota? The reason there's  
15 Keystone is because in Canada there's over 175 billion barrels  
16 of proven oil reserves and potentially up to 300 billion barrels  
17 of oil reserves in northern Alberta.

18 This is the second largest oil reserve in the world,  
19 as you can see by this graph. The number one country for oil  
20 reserves is Saudi Arabia, and five of the top six countries with  
21 oil reserves are in the Middle East. Following that is  
22 Venezuela. Canada is today the largest exporter of oil to the  
23 United States. Approximately 2 million barrels of oil every  
24 single day is pipelined into the United States.

25 The next following Canada would be Saudi Arabia,

1 Venezuela, and Mexico. And they all export approximately  
2 1 million barrels each -- Saudi Arabia slightly more than a  
3 million barrels.

4 The U.S. economy every single day consumes 20 million  
5 barrels of oil. And the U.S. production is declining at a rate  
6 of about 5 percent. So Keystone is the conduit to the  
7 connector's very reliable offshore source of crude from a  
8 country that has very similar laws and rules and values to this  
9 country. And it's going to connect this very, very secure  
10 reserve into refineries in the Midwest. And these refineries,  
11 whether they be in Illinois or Oklahoma, which are close to the  
12 refineries in South Dakota, provide the materials that we'll use  
13 every day.

14 For example, we need gasoline for our cars. We need  
15 diesel for our trucks, fertilizers, aviation fuel and, of  
16 course, asphalt for the road. These are all products that come  
17 out of the refineries that we use every day here in  
18 South Dakota.

19 One point I forgot to mention was the production in  
20 Alberta. I said that there's 2 million barrels of oil every day  
21 that's pipelined into the United States from Canada. The oil  
22 production is forecasted to go to 3 million barrels by the year  
23 2015, so that provides us the opportunity to move this  
24 additional production into the U.S.

25 Commercial support. TransCanada received commercial

1 support for the Keystone project when we had an open season. We  
2 went out into the marketplace, and we requested long-term  
3 contracts. And energy companies signed binding contracts. The  
4 average term of those contracts was 18 years, and the volume was  
5 340,000 barrels. So with the initial capacity of 435,000  
6 barrels, 340,000 barrels of that capacity is signed up with  
7 long-term contracts, most over 18 years, and that is to supply  
8 the refineries, as I said, in Illinois and in the future in  
9 Oklahoma.

10 Again, TransCanada doesn't own the oil. I've been  
11 using the analogy that we are the trucker. We don't find the  
12 oil. We don't sell the oil. And we don't own the oil. We ship  
13 the oil. We're very much like a trucking company.

14 You may have heard recently an announcement about a  
15 potential refinery. I want to assure you that Keystone has  
16 nothing to do with that refinery. That's a potential  
17 announcement, and Keystone has binding contracts to supply other  
18 refineries in the U.S., ones that are already in existence.

19 Like any good Canadian, this pipeline is shaped like a  
20 hockey stick. The first part of the pipeline is the blade. It  
21 is conversion of 500 miles of existing natural gas pipeline. So  
22 this existing natural gas pipeline is going to be converted for  
23 service, and that's why we start at Winnipeg. The shaft of the  
24 hockey stick would then be a direct shot to Cushing. And this  
25 is the 1,082 miles that will be constructed in the

1 United States. And the diameter of the pipeline is 30 inches.  
2 And the pressure, the maximum operating pressure of this  
3 pipeline, is 1,440 psi.

4 In order to move the oil, we need to use  
5 electrical-driven pumps. And those pumps are spaced every  
6 50 miles along the right of way.

7 Keystone will be regulated and reviewed by a number of  
8 federal and state agencies. And in order to construct this  
9 pipeline, we need to get a presidential permit because we cross  
10 the international border. The agency in Washington to issue the  
11 presidential permit is the Department of State. As part of  
12 their process, under the National Environmental Policy Act they  
13 need to issue an environmental impact statement. And they are  
14 the lead agency to prepare that environmental impact statement.

15 This project will also be reviewed by the Corps of  
16 Engineers, Fish and Wildlife Service, and the Department of  
17 Transportation in Washington and the offices throughout the  
18 United States.

19 In South Dakota, the Energy Conservation and  
20 Transmission Facilities Act authorize the siting and  
21 construction of this project is why we're here today and that's  
22 why the Commission is here and that's why this hearing is  
23 commenced today.

24 Other South Dakota agencies that have a role in  
25 reviewing this project are the Department of Environment and

1 Natural Resources and also the Department of State Historic  
2 Preservation Offices.

3 We've been working on regulatory approvals for almost  
4 two years, and we're hoping to have all our permits in place so  
5 we can start construction in the spring of 2008 so the pipeline  
6 can be constructed and built by the fourth quarter of 2009.

7 The benefits to South Dakota. So during construction,  
8 we're going to construct approximately \$300 million worth of  
9 assets in this state. And those construction workers are going  
10 to need to have food and lodging as they go down the pipeline.  
11 There will also be four pump stations so there will be a number  
12 of workers that will be working at a site for over two years.

13 The contractors will need to use local businesses to  
14 get services such as parts and equipment, supplies of sand and  
15 gravel and aggregate. And those are just examples. But the  
16 main long-term economic benefit will be the taxes that Keystone  
17 will pay. And those taxes are based on the value of the asset.

18 We estimate Keystone in its first year will pay  
19 \$6.5 million to counties and school districts along the right of  
20 way. In addition to those property taxes, we're also going to  
21 pay sales and contractor's excise tax. Again, that goes  
22 directly to the State.

23 There will also be some permanent jobs and temporary  
24 jobs. The permanent jobs to operate four pump stations, these  
25 remote stations, are two journeymen electricians and a

1 journeyman pipeliner, but we also need 50 to 60 contract staff  
2 to assist in the operation and maintenance and for emergency  
3 response.

4 Now I'm going to ask Mr. Mike Koski to talk to you  
5 about route selection and environmental impact.

6 MR. KOSKI: Thank you, Robert. I'd like to thank  
7 everybody for coming out today. Thank the Commission and  
8 Commission staff. I'm just going to give a quick summary of  
9 route selection and environmental impact assessment that's gone  
10 on for the project. The project as proposed in South Dakota  
11 involves approximately 220 miles of 30-inch pipeline, four pump  
12 stations, and 15 mainline valves.

13 The route selection process that was used to arrive at  
14 that project route that I just showed you involves a number of  
15 iterations and steps that are summarized here. I'll go through  
16 these. The first step is to identify the project objectives,  
17 what it is you want the project to accomplish. And in this  
18 case, it is to take crude oil in northern Alberta and move it to  
19 refineries in the U.S. Initial market deliveries for the  
20 project involved deliveries in Missouri and Illinois, and that  
21 later evolved to include deliveries in Illinois and Oklahoma,  
22 drop and delivery points in Missouri.

23 Based on those objectives -- one other important  
24 aspect of this particular project which is unique is an  
25 objective involving maximizing the use of an existing gas

1 pipeline in Canada, converting it to oil to reduce the overall  
2 length of the project.

3           Once the objectives are identified, we establish  
4 control points. Obviously the start of the project is a control  
5 point. Where it has to go is a control point. And there's  
6 other locations in the middle such as major river crossings that  
7 largely fix where we go.

8           Based on these control points we connect the dots and  
9 begin a series of studies. We gather maps, aerial photography,  
10 environmental data, and we establish the constraints and  
11 opportunities. Now constraints are areas that we want to avoid  
12 or minimize such as national parks or extensive wet areas, areas  
13 of poor soils. And opportunities tend to be existing linear  
14 facilities that we'd like to follow.

15           The preferred utilities that we follow are pipelines  
16 or power lines. There's a number -- quite a few pipelines in  
17 South Dakota already, but unfortunately none of them go in the  
18 direction that we need to go. We do collocate in a few places  
19 where we can such as, most notably, Yankton at the Missouri  
20 River crossing.

21           Based on these concerns and opportunities, we  
22 established a series of alternatives, and then a group of  
23 engineers, environmental resources, biologists, and construction  
24 experts reviewed these alternatives and established a preferred  
25 option. We then take that option, and we conduct open houses.

1 We solicited the public's input on these alternatives. We  
2 gather more data through that, and we also canvas the federal  
3 and state agencies to gather even more data. And we take all  
4 that information and circle back through the process to continue  
5 to refine it, and this has occurred over the course of  
6 approximately two years of construction.

7 Now we've certainly heard suggestions lately that we  
8 should be looking at I-29 as a possible feature. And at first  
9 thought this seems to make a lot of sense. It is going north  
10 and south generally, and we're going north and south generally.  
11 It doesn't go exactly where we need to go, but we did look at  
12 it.

13 There's basically two ways I-29 could be utilized. It  
14 could either be within the right of way or adjacent to it.  
15 Problems with being within the right of way are we encounter  
16 frequent interchanges and overpasses which we must go around,  
17 and this increases -- this puts the line back on private land  
18 and increases the land to the right. Also, highway departments  
19 don't want us in there both in North Dakota and South Dakota.  
20 That is not something that's consistent with highway department  
21 policy. I think it serves as an impediment (Inaudible)  
22 activities and extension activities and construction certainly  
23 poses a safety risk to motorists and to our own construction  
24 workers.

25 Now routing adjacent to I-29 alleviates those problems

1 except for one big one, and that is you still have all the towns  
2 and cities that are located along the Interstate. You have all  
3 the interchanges and overpasses still which we must go around.  
4 And that overall increases the length and the impact of the  
5 project.

6 Now this was -- this item, actually we considered this  
7 option, and it was considered very early in the process when we  
8 were going to delivery points in Missouri and Illinois. But as  
9 I mentioned, as the project objectives evolve, dropping Missouri  
10 and adding Illinois -- or involving just Illinois and Oklahoma.  
11 That then forced the project to go further south before it would  
12 head east so we could access Oklahoma. That necessitated a  
13 crossing of the Missouri River.

14 Now the Missouri River is a fairly large river. You  
15 can't cross it everywhere. We did an extensive study of that  
16 river and landed on Yankton, South Dakota as the preferred  
17 crossing location. And that crossing is adjacent to two  
18 existing pipeline crossings as well as a highway bridge, and the  
19 river is relatively narrow at that point and restrained. It's  
20 not moving around laterally like many other parts of the river.

21 So all of these would be utilizing the existing  
22 pipeline in Canada. We have a crossing point approximately  
23 35 miles east -- or west of I-29. The crossing at Yankton puts  
24 us about 30 miles west of I-29. So the whole project is west of  
25 I-29, and it's awkward to come back to it because you have to

1 then deviate away from it again.

2           Now the environmental review for the project, as  
3 Robert mentioned we are going through a NEPA review led by the  
4 Department of State. That is the lead federal agency. There  
5 are multiple other federal agencies involved. And we have  
6 submitted an extensive application involving detailed  
7 environmental information, both desktop information and  
8 extensive field surveys.

9           Many of you have likely granted permission for our  
10 troops to come through and gather environmental data which we've  
11 done over the course of the last year. And all of that  
12 information has also been filed in support of our South Dakota  
13 PUC application which includes impact assessments of all the  
14 major environmental resources.

15           Now a key part of our application is what we call the  
16 construction mitigation or reclamation plan. And this plan is  
17 something that we've put together that has all of our  
18 commitments for all types of features that we cross. This has  
19 been a combination of permit conditions that we have used on  
20 previous projects that have been given to us by agencies on  
21 previous projects, and it involves all the procedures and  
22 specifications for crossing farmland, for crossing rivers, for  
23 crossing wetland, and for reclaiming the areas we have crossed.  
24 It also includes extensive information and guidelines for our  
25 postconstruction monitoring to make sure that when we put it

1 back, it gets put back the way it needs to be.

2 Now that has formed a large part of our applications  
3 and it will be amended to all of our approvals and it will be  
4 commitments that Keystone must follow during construction.

5 With that, I'll pass this on to Buster Gray. He's  
6 going to talk about the land acquisition process and  
7 construction.

8 MR. GRAY: Good afternoon. Certainly I was here in  
9 the area about four to six weeks ago, I believe. I recognize a  
10 number of faces certainly from that meeting. So hopefully  
11 you'll find some of this not completely redundant from the  
12 previous meeting.

13 But as we've discussed and I know the slides are hard  
14 to see, but we're seeking to acquire a 110-foot construction  
15 right of way typically. That's compromised of a 50-foot  
16 permanent easement and a 60-foot construction work space or  
17 temporary easement as we call it sometimes.

18 Additionally, when we cross roads, rivers, streams,  
19 topographical features that we need to dig bigger holes that we  
20 need additional space to store spoil on, you'll be talking about  
21 additional work space as well, which is temporary use.

22 We started our negotiations on right of way about two  
23 months ago. You may or may not have been contacted in those two  
24 months. If you have not been, here within the next four to six  
25 weeks everyone should be contacted, and we will be negotiating

1 for our easement.

2 The compensation package that the company is putting  
3 forward is to pay fair market value for the permanent easement.  
4 It's to pay 50 percent of fair market value for the work space  
5 or temporary easement, and it is to pay 100 percent of crop loss  
6 for the year of construction. And when I say crop loss, that is  
7 100 percent of the yield for the acreage for the particular crop  
8 that's being taken off.

9 We will pay a 75 percent crop loss for the year  
10 following construction, what we call the second year, and then  
11 we will pay a 50 percent crop loss for the third year.

12 The diminishing damage payment, it's our belief after  
13 a third year that -- that your land will return to its former  
14 productivity by that period of time. But if it does not for  
15 whatever reason, the damages and responsibilities of crop loss  
16 stay with the pipeline company until such time as we can restore  
17 it to its former productivity.

18 The key point that I would make and would like you to  
19 consider in the fair market offer is we are offering that for  
20 the permanent easement as if we are buying the land fee. But  
21 we're taking the easement. We return the land to you for its  
22 production of farming or grazing with some limited rights about  
23 our ability to build structures or other things which is stated  
24 in the easement.

25 The other thing on the slide, and I know these numbers

1 should be in the literature, our South Dakota land supervisor is  
2 Tim Slorbi. Our office is located in Huron, South Dakota.  
3 Should you have some issues with an agent or things, you're  
4 welcome to contact Mr. Slorbi. Denny Needham is my land manager  
5 in Kansas City. There's a number on the literature for him as  
6 well. If you're not satisfied at that level, certainly contact  
7 Mr. Needham.

8           Also here, and I'll ask Sandy if she'll hold her hand  
9 up, from TransCanada, our TransCanada land representative is  
10 here. Should you have any issues relative to the conduct of our  
11 agents, if you feel like you're being strong-armed, if you just  
12 think you're not being dealt with fairly or with respect, you're  
13 welcome to contact these folks, and we will investigate and try  
14 and resolve the issue.

15           Secondly, I think as I mentioned at the other meeting,  
16 you're welcome to contact myself also.

17           This graphic represents a pipeline or construction  
18 spread of how we construct the pipeline project, and, again, I  
19 know the difficulty of the slide in viewing. But if you start  
20 at this end where we start our surveying and clearing  
21 operations, as you wind around the picture of the various crews  
22 and get back to what we call the lowering in, the backfilling  
23 and cleanup and the testing, it's essentially an assembly line  
24 by which crews move down the right of way. We start at one end  
25 and go to the other. And these crews work one behind the other

1 much like an assembly line of an automobile plant, other than in  
2 our instance the product stays stationary and the people move,  
3 where the automobile plant the people stay stationary and the  
4 cars go by.

5 This particular construction spread, this example,  
6 typically from this end to that end I would estimate about 50 to  
7 60 miles. It's certainly weather dependant. The crews will  
8 move at a pace of about one and a quarter to one and a half  
9 miles per day. Landowners are -- we believe we will impact your  
10 land about 8 to 12 weeks. And this construction crew or  
11 contractor and all is made up of about 350 to 450 workers.

12 The next series of slides is just some selected  
13 photographs of that assembly line. And certainly in the  
14 Midwest, one of the things that we're most concerned about is  
15 restoration of the land to its former use, be it agricultural or  
16 grazing. Topsoil removal is one of those mitigation methods  
17 that's utilized where we remove the topsoil to perform our work  
18 and we return it at the completion of construction.

19 These slides represent we will stockpile pipe along  
20 the pipeline route. I would guess at somewhere around 30- to  
21 40-mile intervals. Pipe will be hauled from those pipe yards to  
22 the right of ways and put along the right of way. We call that  
23 stringing in our business. And the pipeline will have to be  
24 bent for horizontal turns or topography. We literally have to  
25 bend the pipe to fit the topography of the earth. And that's

1 done with hydraulic machines.

2           The trenching operation is done by two methods. The  
3 large wheel trencher that's shown I guess on your left or a  
4 backhoe type trench which most folks are familiar with. And  
5 contractors have the options of those methods, but I believe the  
6 southern part of the state will probably be dug with the wheel  
7 trenches where in this area north, this appears to be wetter,  
8 will probably be dug with backhoes.

9           The next operation joining the pipe, we use both  
10 methods of a manual or a stick electrode welding, or we use  
11 automatic welding which is welding with machines. And those two  
12 technologies that are utilized are inspected either by  
13 radiographic or x-ray inspection or with ultrasonic inspection  
14 to ensure the quality of the welds.

15           Once the pipe's welded together, the field joint or  
16 the area of the weld, that comes back to the right of way  
17 without a coating on the pipe. Which we apply. We either spray  
18 apply or brush apply the coating to the joint. But prior to the  
19 pipe being lowered into the trench, we have a device called a  
20 holiday or a jeep which is run along the pipe. If there is a  
21 nick or damage in the coating, it will make a sound and it  
22 sounds like a Jeep sound. That place will be repaired prior to  
23 the product being picked up and lowered and put in the trench.

24           The next operation is backfill and what we call  
25 padding. If we have material that's very rocky or angular or

1 granular material, we will run some machines that will select  
2 fines to put around the pipe prior to putting the other material  
3 back in. The key item here is unless it's something very  
4 unique, the material that comes out of the trench is the  
5 material that goes back in.

6 I talked about the topsoil replacement. And I think  
7 this slide just -- with the topsoil off, bring it back to the  
8 best of our ability to the depths and the contours that existed  
9 prior to construction.

10 Foreign utility or other utility crossings. Anytime  
11 we build a linear project that's 1,000 miles long, you could  
12 literally cross hundreds of utilities, be it water lines, other  
13 pipelines, electric utilities. Not just public utilities but  
14 private as well. Your water lines, your electric lines. And we  
15 have to go through an extensive effort to locate those, work  
16 with the existing owners of those to cross them.

17 We typically cross beneath them because of the depth  
18 of cover we desire, most utilities, existing utilities, we  
19 cannot get over and maintain the cover. So literally we will go  
20 underneath most utilities.

21 The separation requirement in our codes is 12 inches.  
22 And a lot of folks with your frost depths here and the depths  
23 and things you say, well, that's a big hole. It is a big hole.  
24 But we do typically cross beneath.

25 Road crossings. I want to say certainly all paved

1 roads, all well-maintained gravel or surface roads, well  
2 travelled are bored. In the Dakotas, and I've done a little bit  
3 of work in North Dakota in my career, there are a lot of what I  
4 call two-track roads that are really not maintained. We might  
5 ask you to open-cut those. But again, it's your authority for  
6 managing your roads. You have a lot of authority being taken to  
7 us about the methods by which we cross your roads.

8 The pipeline's filled with water once it's complete.  
9 The water is taken -- permitted from rivers or streams to fill  
10 it with water. The pipeline is tested at 125 percent of its  
11 maximum operating pressure, and these records are required to be  
12 maintained for the life of the pipeline.

13 Upon completion, we also run a device called a caliper  
14 pig. It's simply a geometry tool that will run through the  
15 pipeline to determine if there's been any damage to the pipe  
16 during our transportation or construction of the pipeline, be it  
17 a dent or a buckle that might have occurred. If a defect is  
18 determined, it will be removed by the pipeline service.

19 The next three slides are just to emphasize mitigation  
20 techniques for returning the land. The top left-hand corner  
21 represents compaction. One of the issues we deal with is  
22 with our heavy equipment compacting the land and relieving that  
23 compaction after we construct. And we use ripping tools and  
24 subsoiling tools much like you utilize to do that. We take a  
25 measurement on the right of way and measurement off the right of

1 way of compaction to ensure that we return the right of way to  
2 the compaction level of the adjacent fields.

3 Rock picking. Up in the Midwest where the glacial  
4 till is probable, we will remove either by mechanical pickers or  
5 hand picking the rock to a density and size comparable or better  
6 than the adjacent field on the right of way.

7 And then beyond that, of course, there is getting a  
8 ground cover back, be it winter rye or something so with heavy  
9 rains and erosion the sooner we can get something growing back,  
10 the less likely we are for erosion.

11 This last slide is just a before-and-after photograph  
12 of construction and then after, and hopefully you can see it.  
13 The main purpose of this slide is we're not here to tell you we  
14 can put the land back exactly like it was prior to construction.  
15 It's literally impossible. We will put it back to the best of  
16 our ability, and we will put it back to its form and use and  
17 productivity. And we're confident through experience in  
18 building pipelines over the years that we can do that.

19 With that.

20 MR. JONES: Thanks, Buster. How are we on time?  
21 Keystone is subject to federal regulations and national codes.  
22 A few of these codes are shown here on this slide. These  
23 regulations are intended to protect the public and the  
24 environment and the landowner and to prevent pipeline failures.

25 TransCanada leads the industry in best practices.

1 Some of our design safety features are listed here. One of the  
2 most important ones is depth of cover. To prevent any  
3 mechanical damage to the pipeline, code is that the pipeline,  
4 top of the pipeline, is to be 30 inches below the surface. Our  
5 best practice is to make that cover 48 inches. So we  
6 significantly exceed code there.

7 Keystone also uses a high-strength steel. We use  
8 steels that again follow the national code and standards.

9 One of the greatest advances in technology over the  
10 last few years has been the coating. This coating that we're  
11 going to use TransCanada has used exclusively since 1980, is a  
12 fusion-bond epoxy or FBE coating. How this coating works is  
13 that when the pipe comes out of the mill, it is sandblasted to a  
14 pure white finish. And then it is heated, and an epoxy is  
15 sprayed on that heated clean pipe until it fuses with the steel.  
16 This creates a very, very strong external coating.

17 In case we have after construction an anomaly with the  
18 use of the holiday protector, there is cathodic protection which  
19 is a redundant protection system. It's a low-voltage current  
20 that's applied to the steel and that provides a cathodic  
21 protection system.

22 The other thing we do is install marker signs and  
23 marker tape. And we do that in the area of crossings. So if we  
24 are crossing a highway where there is a higher than normal  
25 chance of somebody excavating around the pipeline, there is

1 marker signs along the pipeline -- you may see them as you drive  
2 by or cross the pipeline. They're along the side of the road.  
3 And we will also put marking tape down.

4 The other design feature that TransCanada has is  
5 isolation valves. These isolation valves in the state of  
6 Dakota, there's 15 of them. They're remotely controlled and  
7 that is to minimize any discharge in the unlikely event of a  
8 spill.

9 TransCanada over its 50 years of operation has  
10 developed a quality control and a quality assurance program that  
11 begins in the mill. It begins with the fabrication of the steel  
12 into the fabrication of the pipe, the delivery of the pipe to  
13 the site, and then Buster went through all the other quality  
14 control and quality assurance programs that occur during  
15 construction. And that carries through into operations as well.

16 One key feature I want to highlight is hydro testing.  
17 Buster mentioned that the pipeline will be hydro tested to  
18 1.25 times its pressure. That test is done with water, and it's  
19 only done one time. And that is to ensure that any potential  
20 anomaly or defect is discovered prior to operation.

21 We have a computerized control center. It's called a  
22 SCADA center. It's 24 hours a day, 365 days a year. It has  
23 redundant systems. And we have a full operational backup  
24 control center as well.

25 The scan time for the communication system is between

1 6 to 8 seconds, and we will get a full run of the data from that  
2 period and that also has backup systems as well. We also have a  
3 state-of-the-art dedicated leak-detection system, and that leak  
4 detection system measures all the volumes at all the different  
5 locations throughout the system and measures the volume of the  
6 (Inaudible) line and balances it within the amount of oil at the  
7 delivery points.

8 Pipeline maintenance. Again, TransCanada's a leader  
9 in pipeline maintenance and research. One of the greatest  
10 advances we've had over the years in computerized technology is  
11 in-line inspection. Sometimes we refer to these as smart pigs.  
12 These are tools that we put into the pipeline. They have  
13 computers and sensors on them that can measure the wall  
14 thickness. So during the years as we operate this pipeline, we  
15 are going to run the first one within three years and then we're  
16 going to run the subsequent one five years later and that is the  
17 code here in the United States.

18 With the data that we get from these tools, if we find  
19 anything that is below what we call a RPR level, a  
20 rupture-pressure-ratio level, we will lower the pressure in the  
21 line. We will then go to excavate, stop the line, determine or  
22 confirm there is an anomaly and cut that open before the  
23 pipeline's ever put back into service.

24 The other thing we need to do is a public awareness  
25 program to make sure the public is aware of where the pipeline

1 is and the landowner is aware because, as you know, landowners  
2 do change over time. And we will be part of the South Dakota  
3 One-Call program.

4 Oil spill response. In the unlikely event of an oil  
5 spill, Keystone will be preparing a detailed oil spill response  
6 plan to the Pipeline and Hazardous Materials Safety  
7 Administration. They're the office that regulates oil spill  
8 response. We'll do this prior to commencement of operation.  
9 The spill response will include cleanup equipment that will  
10 deploy at prepositioned locations. And the locations will be  
11 determined by a spill analysis that is based on the  
12 worst-possible case.

13 Again, in the unlikely event that there is a leak,  
14 TransCanada is responsible for the cleanup. And that cleanup or  
15 remediation of that area will be done in coordination with the  
16 federal legislators and the State Department of Energy and  
17 Natural Resources. That's the State of South Dakota.

18 Keystone has worked hard to be a good neighbor in all  
19 the communities that we have a presence. We do this by  
20 respecting and considering the health and well-being and safety  
21 of our employees, our contractors, our landowners, our  
22 communities, and the environment. We look forward to being a  
23 part of the community here in South Dakota.

24 We have a number of ways you can communicate to us.  
25 We have a website, we have a 1-800 number, and Buster mentioned

1 the other numbers you can contact to get ahold of us.

2 So thank you very much, and Commissioner.

3 CHAIRMAN JOHNSON: Thanks very much, Mr. Jones. In  
4 the first couple of meetings after TransCanada had the  
5 presentation, the Commissioners had an opportunity to ask some  
6 questions. And so -- and this I should note for those of you  
7 who don't know, this is our fourth public meeting on this docket  
8 this week, so we really have been out attempting to get feedback  
9 from people as well as get additional information from  
10 TransCanada.

11 At this time the Commissioners aren't going to ask any  
12 questions right now. We really want to get to your comments and  
13 questions. That doesn't mean we won't ask some questions later  
14 on. I should mention this process is not a particularly short  
15 one. We're really at the beginning. There's going to be lots  
16 and lots of opportunity for evidence to be introduced in more  
17 formal proceedings, for witnesses to come in and be sworn and  
18 provide testimony under oath. That's really not what we're  
19 doing today. This is less formal, more of an opportunity to get  
20 public comment.

21 Ms. Van Bockern, are you going to be working the mic?  
22 Ms. Van Bockern is an attorney with the Public Utilities  
23 Commission. And if somebody wants to raise their hand, she'll  
24 make sure you get the mic.

25 We do have some questions and ground rules so we can

1 make sure we hear from as many people as possible. The first is  
2 we would ask that those people who have relatively short  
3 comments, maybe two or three questions or short comments, they  
4 go first. That way if people have other things to do today,  
5 they can get their questions answered and then go. And the  
6 people who have longer presentations or information, if we could  
7 save that until the end of this meeting, I think that would be  
8 helpful.

9           Secondly, we do have a court reporter, and as a result  
10 I would ask if you speak loudly and clearly. If you get going  
11 too fast, she may ask you to stop and back up. And we would  
12 also ask that you mention your name and your place of residence  
13 when you first begin speaking so we can get that for the record.

14           Because these meetings have had a tendency to last a  
15 number of hours, we would just ask that you try to avoid too  
16 many repetitive questions. If the question's been asked before  
17 or a comment's been made before, if you need to clarify the  
18 answer, go ahead. We want to make sure you get the information  
19 you need, but try to avoid too much repetition.

20           In the past when we've had these meetings on other  
21 siting cases, sometimes we've had people that they show up and  
22 they want to read an article into the record or maybe a  
23 particularly long letter. And, you know, people might show up  
24 with a two-page newspaper article and they think it might just  
25 take a couple of minutes for them to read it. And it really

1 takes a lot longer than you think it's going to. And it's not  
2 really of any use to anybody because after the first, you know,  
3 45 seconds of reading, everybody kind of quits listening to you  
4 and anybody who wants that information to be read has to go into  
5 the transcript and kind of look around for it.

6 I think it's a lot more useful for everybody that if  
7 you've got an article or something long and written to read,  
8 give that to us. We will make sure it gets up on the website.  
9 It will be a part of the official record of this, and anybody  
10 who wants to get access to that information can get it in a way  
11 that's very user-friendly.

12 Now if you do introduce that information into the  
13 record, we're fine if you take a minute to sort of explain an  
14 outline of it so that we kind of know what you're introducing.

15 Similarly, if you have any maps or diagrams or  
16 anything else, if you get those to us either today or in the  
17 future, we'll make sure we get those entered into the record.

18 And, finally, and this has gone very well, at the  
19 beginning we'd ask people not to make the same presentations at  
20 each of the four meetings because again, we want to keep this  
21 efficient. We want to hear from as many of you as possible.  
22 And that really has not been much of a problem, so we thank  
23 everybody for their cooperation there.

24 We do have a sign-up sheet that's been circulated. If  
25 you haven't had an opportunity to sign in yet, we would really

1 ask that you do that. Maybe just raise your hand and grab a  
2 staff member, and we can make sure you get the sign-up sheet.

3 All right. What have I forgotten? Yeah, because we  
4 do have a court reporter, and she can't type for four hours  
5 straight or three hours straight, we will periodically take  
6 short breaks so that she can get the rest she needs.

7 They also serve us another really nice purpose, and  
8 that is sometimes you all will have questions that are kind of  
9 unique to your situation. It's not the kind of thing that  
10 everybody needs to hear about, but you want to ask TransCanada a  
11 specific question. These short breaks do allow for that, as  
12 well as for any interaction you need with Commission staff or  
13 one another. Anything else I've forgotten?

14 All right. With that, just raise your hand and  
15 Ms. Van Bockern will get that microphone out to you, and we'll  
16 start with relatively short comments or questions.

17 Yeah. Over here. Thanks.

18 MR. CLARK MOECKLY: My name is Clark Moeckly. I live  
19 6 and a half miles west of here, and the pipeline goes through  
20 some of my property. Welcome, Buster. It was May 10 when you  
21 were here the last time, Buster. The second time I've heard the  
22 presentation. We've heard the slick presentation today. I'll  
23 give you a little more of the reality of the whole situation.

24 Talked to Gary Hanson briefly before this.

25 You guys are in a difficult position, and I hope you

1 realize the task that's in front of you. Twenty years from now  
2 if the Keystone Pipeline project is mentioned, part of it's your  
3 responsibility if it's going to be mentioned in an unfavorable  
4 situation if there's a humongous spill or whatever. Do your  
5 duty, protect us all. Get the bond inputs. Dusty, if you were  
6 Governor, you'd just as soon have all the protections in place.  
7 You've got the power now to get those protections in place.

8 My concern, on 4-26 of '07 a majority of the  
9 landowners that are in Marshall County met at Sunset Colony. We  
10 came up with a list of 25 questions. We presented those  
11 questions to Denny Needham, and Denny's title is land  
12 acquisition type -- anyway. Denny said that they would respond  
13 to those 25 questions. Those questions were not engineering  
14 type questions. Those were questions by uneducated people as  
15 far as how a pipeline operates. Those 25 questions again,  
16 Buster referred to those questions at the May 10 meeting. He  
17 started answering some of them, the meeting got long, the  
18 comment was we will respond in writing to those questions.  
19 Fine.

20 May 17 -- May 25 now, and this is a month after our  
21 first meeting, I called Jeff Rauh again to find out the response  
22 to these questions. They're on my desk. I'm working on them.  
23 Somebody will sign off on this, respond to you.

24 If it takes them two months to respond to 25 questions  
25 from some landowners, and they still want something from me,

1 they want an easement, they want a signed easement, how  
2 responsive are they going to be once they have that easement?  
3 How responsive are they going to be to the state once the PUC  
4 gives them the right?

5 Get the safeguards in place now, folks. It's  
6 important. Once you give them the right to construct this  
7 pipeline, then I believe they will have eminent domain powers  
8 somewhat -- that takes our rights away.

9 You three guys have a great deal to do with taking our  
10 rights away. You take those rights away, please protect us. Do  
11 your duty. Thank you.

12 CHAIRMAN JOHNSON: Thanks very much for your comments.  
13 Other questions or comments? Go ahead and raise your hand, and  
14 we'll get you a microphone.

15 MR. MAX BURGER: My name is Max Burger and I live west  
16 of Britton and it goes over my land. My question is to solve  
17 all of our problems, why not put a state tax? The state's  
18 getting 6 and a half million dollars, the county's getting it,  
19 the landowner's getting nothing for his piece of property. So  
20 why not put it on state land and solve all of our problems?  
21 Thank you.

22 CHAIRMAN JOHNSON: Thank you. Does the Applicant have  
23 any response?

24 MR. KOSKI: As I tried to explain in the presentation,  
25 I believe you're referring to the Interstate 29 right of way.

1 That's the only continuous piece of state land I'm aware of that  
2 you'd be suggesting. And as I tried to explain during the  
3 presentation, I hope I'm saying the same thing, the -- following  
4 I-29 within the right of way is very difficult and certainly  
5 something that is hard for us to do. There's not enough room  
6 for us to maneuver in a way that we like to build pipelines. It  
7 is also something that the South Dakota Department of  
8 Transportation doesn't want us to do.

9 They don't allow pipelines in their reasons for  
10 interstates or freeways. They certainly would allow it on a  
11 state road but not -- potentially allow it on a state road, but  
12 not on an Interstate.

13 CHAIRMAN JOHNSON: Thanks, Mr. Koski. Right over  
14 there on the middle of the bleachers.

15 MR. NORBERT TOWNSEND: My name is Norbert Townsend  
16 (phonetic). I live in Parker (phonetic) Township, Section 128,  
17 59 and I've lived there since 1941. My farm has been in the  
18 family for 135 to 40 years. And my biggest question is why  
19 can't we put that pipeline down at least 5 to 5 and a half feet  
20 deep?

21 Now I'll tell you why. We have been farming out there  
22 for many years. It's gone -- my son does the farming now. I'm  
23 still in the operation. And we have gone across the fields, and  
24 we hit -- I call them suction holes which happen once in awhile  
25 when you get a lot of wet weather. And we drop tractors in over

1 5 feet. Now what happens if that should happen right over the  
2 pipeline? We've got a problem. The pipeline company's got a  
3 problem, and how are they going to get the tractor out?

4 We've had to take the backhoe and dig them out just  
5 because you go along and hit one of those sinkholes. You might  
6 hit it with one wheel, you might hit it with two, and the other  
7 one might be on dry ground. And with these big tractors, boy,  
8 they get really deep when you've got tires as high as I am.  
9 That's my biggest concern as far as if the pipeline is  
10 constructed.

11 And another problem I have is their easements. I am  
12 not feeling they're treating us fairly on the compensation on  
13 the property that they're using to construct this pipe. They  
14 say half price. Well, they're damaging our land a lot worse  
15 there than they actually are on the pipeline. I feel we should  
16 have full price of the value of the land straight across.  
17 Because they're really using our property for little or nothing  
18 when you sit down and figure the land price.

19 Thank you very much, and I hope you folks can get your  
20 job done with good speed, and we wish you luck. Thank you.

21 MR. GRAY: Regarding the depth of the cover and the  
22 issue you raise relative to the farm equipment and the depth is  
23 that in our industry in our standards actually, and whether it's  
24 right or wrong but actually our industry standard is 30 inches,  
25 2 foot 6 inches of cover. We are, or our code and regulations,

1 our industry standard has been 3 feet of cover. And because of  
2 the agricultural areas we're crossing and with the bigger  
3 tractors and equipment we see, the company has elected to  
4 construct the pipeline with 4 feet of cover.

5 The pipe -- there are several hundred thousand miles  
6 of existing pipelines in the United States throughout the  
7 Midwest as well as the south that cross agricultural areas.  
8 These pipelines have existed, most of them, in 3 feet of cover.  
9 Some of them 75 years going on 100 years.

10 And the only comment that I can make -- I certainly  
11 recognize 5- and 10-inch rains. We make a special effort to  
12 compact the trench line back to a compaction so that farm  
13 equipment and the use of that's not subject to I guess being  
14 soft or being sunk doesn't occur. It certainly has occurred.

15 Is there recorded incidents of significant instances  
16 of farm equipment getting down in the pipe and, one, just  
17 getting stuck or getting to the pipe but certainly with damaging  
18 or rupturing a line relative to that type of instance, there's  
19 hardly no recorded data relative to that. So certainly 4 feet  
20 of cover I believe is a long track record that we have  
21 successfully operated at that depth.

22 Regarding the comment on valuing the work space, and  
23 we would use that for a period of -- I'd indicate 8 to 12 weeks  
24 during the construction season. We will make efforts to restore  
25 that to its original production just like the remaining right of

1 way. But the comment being is that the damage -- if the damage  
2 is there, if it stays two years, three years, four years, the  
3 company is liable to compensate you for those damages.

4 The -- so I guess where I would go with this is that  
5 certainly the compensation levels for the use of that space is  
6 what we believe 50 percent of the fair market value of the land,  
7 we feel very strongly that that is fair compensation for the use  
8 of that land with the protection of the damage if it should come  
9 later.

10 MR. TOWNSEND: I would like to follow your question,  
11 Buster. I've talked to you before so you know where I'm coming  
12 from. I think you'll find a lot of your farmers in here will  
13 tell you that with rain that if we get -- with these big tires  
14 on these big tractors, it ain't hard to drop four feet in the  
15 dirt. And I think that they should use some real consideration  
16 of going through some of this prime farmland, that they get that  
17 thing down deeper. Because you know as well as I know if we  
18 have a problem, there's going to be an awful lawsuit between you  
19 guys and us guys, and when it's all said and done ain't nobody  
20 going to come out ahead. And I feel that this is wrong going  
21 through this prime farmland that we can get them places.

22 And it might not happen, but like I say, two years ago  
23 my son was driving across one of our fields. He was on top of a  
24 hill. He dropped a four-wheel-drive tractor in and we had to  
25 get a backhoe to get out and it took two four-wheel-drive

1 tractors. And when we got it out, we measured up the hole, and  
2 we was a little over 7 feet by the time we got done.

3 Well, if the pipeline happens to be in the process,  
4 where do we go from there? Are you going to come and get the  
5 tractor out? I think you're wrong in your thinking. Thank you.

6 MR. JIM BUSH: Good afternoon. Jim Bush, B-U-S-H.  
7 Thank you, Commissioners and staff and TransCanada for holding  
8 this meeting here in Britton to make it easier for landowners to  
9 be heard. I think it would be naive on the part of the  
10 landowner not to at least register their concern at a meeting  
11 like this about potential discern, which is a nice term for a  
12 leak.

13 This pipeline is scheduled to cross some land that was  
14 homesteaded by my great-grandfather. Does that give us any more  
15 right than a person who just bought land a year ago? Probably  
16 not.

17 But I think we have a long-term investment in this  
18 land, and I think for future generations we need to be concerned  
19 about that. We are all taking a gamble. I think in the  
20 literature that's been provided to us and the illustrations  
21 presented in slides by TransCanada, they're more or less saying  
22 that there is -- there's going to be a leak sometime somewhere.

23 So we're all taking a gamble where that's going to  
24 happen. They have a formula for the fair market value of what  
25 they're asking for as far as easements. I happen to -- I have a

1 formula too. And that formula will have a factor considering  
2 the gamble that we must take. So with that, I think that's my  
3 concern.

4 The question I have is we hear a lot about the plus  
5 side of the 6 and a half million dollars of tax revenue. Who  
6 does get that? We hear the state. Does Marshall County --  
7 actually without any pump station in the county, does  
8 Marshall County really benefit any more than Minnehaha or  
9 Pennington?

10 Thank you.

11 CHAIRMAN JOHNSON: Good question. Thanks.

12 Mr. Koenecke.

13 MR. KOENECKE: Thank you, Commissioner. I'm glad to  
14 respond to the tax question. The project will pay sales and use  
15 taxes and the contractor's excise tax to the state during  
16 construction. In the areas where the pipeline will cross  
17 through a city I think there will be sales and use tax due  
18 there, but that won't be the case for the majority of the  
19 pipeline. Those are one-time tax expenditures.

20 On an ongoing basis, the pipeline, according to  
21 current state law, like the other pipelines in South Dakota will  
22 be centrally assessed. According to state law, on July 5 every  
23 year the State Department of Revenue will assess the value of  
24 the entire pipeline from one border to the other, chop that up  
25 according to how much of the pipeline is in each respective

1 county, and transmit those values out to counties for  
2 applications at their mill levies. And that tax revenue then  
3 goes to the school districts and counties and townships as is  
4 commonly done.

5 In the counties in which the pump stations exist, as I  
6 read state law, the pump stations will be individually assessed  
7 in each county as typical industrial property and those revenues  
8 will go depending on where the pump stations are to the county  
9 and townships and to the school districts in the county in each  
10 case. And that will certainly be done with the other pipeline  
11 in South Dakota. That's currently state law.

12 MR. PAUL SYMENS: I'm Paul Symens. I'm by Amherst.  
13 We do not have any land that this is going to go over. But a  
14 couple of questions on the taxes. You've given a figure on the  
15 taxes that it's approximately 6.5 million on property tax. Is  
16 that according to the Department of Revenue figures? Is that  
17 your figure?

18 And then another question on the taxes. South Dakota  
19 State has given tax credits back to large projects in  
20 South Dakota, both sales tax and contractor's excise tax, and  
21 I'm wondering if this would qualify for any of those.

22 MR. KOENECKE: Thanks, Senator. I'm trying to  
23 remember the order of your questions. As to the refunds of the  
24 sales and contractor's excise taxes, I have not achieved a level  
25 of comfort with where we're at on that, and I haven't dialogued

1 with the Revenue Department as to whether they think this  
2 project fits. I'd say it's a possibility that that would be the  
3 case.

4 If you remind me what your first question is, I'll try  
5 and do a better job answering that.

6 MR. SYMENS: Where did you come up with the figure on  
7 the centrally-assessed valuation and what that would be?

8 MR. KOENECKE: On the centrally-assessed valuation,  
9 what we've done is taken a thumbnail sketch on what we think  
10 that value will be based on the construction value of the  
11 property. We're talking about around \$300 million in  
12 expenditures to put a facility through South Dakota, so we've  
13 applied what we think is a mill levy or taxing percentage in a  
14 general fashion up and down the line.

15 As you know, those are changed from year to year, and  
16 it would be really hard for me to project and tell you what  
17 they're going to be when the county Commissioners in those  
18 counties don't know what they're going to be. It really is a  
19 thumbnail sketch, but that's what we've budgeted. That's what  
20 we're looking at. Appreciate the question. I'm glad you asked.

21 MR. SYMENS: Again on that centrally-assessed portion,  
22 that's going to be a state decision, not a county decision.  
23 It's centrally assessed. The county Commissioners don't really  
24 have a lot of say about it as the assessors assess the values  
25 and the budgets are put together, but the centrally assessed is

1 totally decided at the state level, not the counties.

2 MR. KOENECKE: To respond to that, certainly the state  
3 is going to set that value in the way they're currently doing  
4 for pipelines. It would be my off-the-cuff advice certainly the  
5 county would intervene under the Administrative Procedures Act  
6 and try to affect and impact that process according to their  
7 ability to do so. But to say that there would be no say, I'm  
8 not sure you said that. But I think there is some say in that  
9 process in my understanding of what state law. It will be  
10 centrally assessed, and that's the process that's ongoing for  
11 other projects.

12 MR. DOUG HUPKE: My name is Doug Hupke. I live in  
13 Langford, South Dakota. I have a question on the tax and also  
14 how they relate to school districts. School districts in  
15 South Dakota receive a per-pupil amount. A portion of that is  
16 made up of local taxes, property taxes, and a portion of that  
17 comes from state aid. Would this tax on this pipeline go  
18 through the State of South Dakota school funding formula? Or is  
19 it outside of that? Because if it's inside that school funding  
20 formula, local schools will not receive any more taxes. We're  
21 just going to receive our same per-pupil amount.

22 MR. KOENECKE: I appreciate your question on that. I  
23 confess to spending a fair amount of time at the Capitol during  
24 the winter. Thankfully, you don't have to discuss with people  
25 the manner in which we talk about educational funding on a

1 routine basis. I couldn't say with any specificity what the  
2 answer to that is, but I will be glad to discuss it with you  
3 further during a break. I want to get an answer to you that's  
4 satisfactory. I apologize, I do not know the answer to your  
5 question, but I'd love to find out and make sure you're taken  
6 care of in that regard.

7 MR. HUPKE: And that 6 and a half million, that  
8 includes the sales and use tax during construction? That's not  
9 what we're talking about after the building process; is that  
10 correct?

11 MR. KOENECKE: Sales and use tax during construction,  
12 if you spend using the rough figure of 300 million, state sales  
13 and use tax is 4 percent so that would be roughly \$12 million  
14 there. Contractor's excise tax is 2 percent additional on top.  
15 So that would be another 6 million. You come up with an  
16 \$18 million figure as far as taxes paid in.

17 As Senator Symens indicated, there's a possibility  
18 that some of that will be refunded under current state law.  
19 That's been a state policy that's been put in place in the last  
20 few years for large projects of differing natures. Agricultural  
21 production facilities qualify for that and the large power  
22 plant, Big Stone, that's indicated that that's going to be under  
23 that as well. And frankly as we sit here, we don't know where  
24 the pipeline is going to fall into that tax rebate system.  
25 That's current law, and we'll have to have that discussion with

1 the state Revenue Department. The property tax figure, looking  
2 at that construction value up and down is worth the 6 some  
3 million dollars.

4 CHAIRMAN JOHNSON: We've got somebody up in the  
5 corner.

6 MR. CLAYTON HALVERSON: Hi. I'm Clayton Halverson  
7 from Veblen and I'm in the state legislature and I'd like to  
8 help Mr. Hupke if I could.

9 The portion of the revenue from taxes that would come  
10 from the pipeline falls under what's called "other revenues."  
11 To give you an example, over on I-29 there's a weigh station.  
12 Any trucks that go through that are over weighed are fined.  
13 That fine stays in the school district. Much as like the gas  
14 pipeline that goes through the county school district.  
15 Virtually funds the whole county school budget. I don't think  
16 the county receives any state aid at this time.

17 The gas pipeline that -- I don't know how much of the  
18 taxes would be generated here, but everything that's in the  
19 Britton School District would stay in Britton. It wouldn't have  
20 to go out to Pierre first and then back out. That's my  
21 understanding.

22 MS. SHEILA BLOMSTER: Well, I have a story to share,  
23 first of all. How I got involved in this, my mother owns land  
24 in Day County, and it's her only livelihood. And we got a phone  
25 call one day on my cell phone, and I answered and he thought he

1 was talking to my mother. And I said, No, this is her daughter.  
2 Well, how did I get here? I says, I don't know, but somewhere  
3 along the line you got my cell phone number and you thought you  
4 were getting her but you were getting me. And I am her power of  
5 attorney, and I take care of all of her affairs because she's in  
6 an assisted-living center in Aberdeen, South Dakota.

7 He says, I'd like to meet with her. And I said, Well,  
8 we can arrange that. What do you have in mind? I'm on my way  
9 back up from Yankton, South Dakota. I just visited an absentee  
10 landowner there to have him sign an easement and I'm on my way  
11 to Aberdeen and I would like to meet with you. I said, Okay. I  
12 will alert her, and I will meet with you and her. And so we  
13 did. And he had an easement all prepared with facts and figures  
14 and prices and wanted her to sign it right then and there,  
15 without any prior warning at all.

16 So I said, Well, I said, Gee, I don't know, this is  
17 kind of fast. I said, We'd like to have our attorney look at  
18 it. Would you object to that? And he said, Well, no, not  
19 really. He said, I suppose I could stay overnight here in  
20 Aberdeen and then I could pick it up first thing tomorrow. And  
21 I said, Well, that's kind of short notice. I'm not sure that  
22 he'll be able to review the easement in that period of time. So  
23 I'll let you know -- let me know where you're staying, and I'll  
24 let you know.

25 So I immediately took it up to him about 4 o'clock in

1 the afternoon, and he reviewed it the next morning. And told me  
2 not to sign it.

3 So the young man called me back on my cell phone and  
4 he was staying at a hotel. And I said, Well, I said, we're not  
5 going to sign it right now. I said, He wants to evaluate some  
6 more and then make some revisions or amendments to it. So he  
7 did that. And he was very upset with me because I didn't have  
8 her sign that and get it back to him while he was there. I  
9 said, Well, I'm sorry but this is the way it has to be.

10 So he -- our lawyer made revisions in the places where  
11 he thought there would be better protection for her in the land  
12 in the future, sent it to the Huron office. We finally got a  
13 response saying that they would make no changes in the easement  
14 that they had prepared. And so it just kind of stands there  
15 right now, we're not doing anything.

16 So then I sent a letter to the PUC and told him about  
17 our concerns about this land, about the oil leaks that are  
18 possible. Because it goes down the whole west side of two  
19 quarters of her land. And if there is an oil leak, my husband  
20 and I do our studies on the Internet, believe me. With lots of  
21 pipelines in this country, I've got file folders and pages and  
22 pages of this stuff. It would destroy that land for 100 years  
23 or maybe more if there was an oil leak on this land. Because it  
24 would be very difficult to spot -- even a pinpoint head leak  
25 would take a long time to be discovered, and in the process it

1 would ruin that land for future use.

2           And we're kind of at a standstill right now, trying to  
3 figure out what's the best thing to do. We really don't want it  
4 to go there, period. We're not against the pipeline, but we  
5 would like to have it be where leaks and problems could be  
6 discovered very quickly and attended to quickly.

7           My husband and I live in Edmunds County, and we have  
8 Northern Border Pipeline going through the corner of our land.  
9 In the process of doing this, it messed up the land for months.  
10 And outside of the borders of the area that they had said they  
11 would be working. And that's a 40-inch natural gas pipeline.  
12 And we had like 40 leaks in 31 miles. My husband was working  
13 alongside watching every detail of this whole process. So he  
14 knows what went on.

15           In the beginning, the cooking station that's up west  
16 of our place, there was lots of lights and lots of activity and  
17 lots of maintenance. They would call us and say, Well, we're  
18 going to run the pig through there, clean the pipes and blow it  
19 off and just calling to warn you. And that was fine the first  
20 few years it was there.

21           Now we never hear a thing. Never get a phone call  
22 about cleaning the lines. We've never had any phone calls about  
23 blowing off steam. And so we're very concerned about the  
24 maintenance and upkeep of these things after 10, 20, 30, 40, 50  
25 years.

1           Let's see. What else? I just -- I just want to say  
2 we do not want this on her land. I did not like receiving the  
3 letter that they would not make any changes in the easements to  
4 better protect the landowner. And we're not going to sign it,  
5 that particular easement. That's the bottom line. It's not  
6 right, and we're not being taken care of properly.

7           And if there is something down the road, the way the  
8 easement is printed right now, it leaves us very vulnerable with  
9 not the proper attention to details. A break would be costly.  
10 And there are lots of things that just need to change here, lots  
11 of things that need to be different.

12           And I just want you all to know I know there's  
13 probably some of you that could use the money and probably will  
14 grab it. That's not the case here. And I wouldn't do that  
15 anyway because of the problems that we foresee with this going  
16 over all of these water --

17           The people are dependant on BDM and WEB Water. This  
18 is part of their livelihood. So every precaution has to be  
19 taken. And I don't feel assured that this has been done.

20           Anybody else right around here want to say anything?

21           CHAIRMAN JOHNSON: Before you get started here, maybe  
22 we should speak to the Applicant because I think you raised up a  
23 number of questions and good points, and maybe the Applicant has  
24 some information. Thank you very much.

25           MS. ROTH: Sandra Roth, TransCanada Pipeline out of

1 the Omaha office. I'll try and take most of these, if I can.  
2 First, the concerns over the easement document itself, we have  
3 heard several questions and concerns on our document, the way it  
4 is structured now, specific language and intent. Because of  
5 that, we are in the process of reviewing it and anticipate a  
6 revised document to be available soon. We do believe that the  
7 revised document is going to address most of the concerns that  
8 we've been hearing. So we are working on that right now.

9           With your specific questions on the document that your  
10 attorney reviewed, I would still like to talk to you further on  
11 that. The door is not closed. It is a negotiable document.  
12 There may have been some things in there that legally we cannot  
13 change, but there are certain things in there that we certainly  
14 are open to discussing with you. So please don't take this as  
15 we're not willing to talk any further because we are. So if  
16 either you or your attorney would like to contact us again, we  
17 will go ahead and discuss it with you.

18           I did just want to say one thing on the contacts that  
19 were made with you and your mother by our agent. If you do have  
20 anything else you want to share with me after the meeting, I can  
21 get with our supervisor with the local office of the agent and  
22 address anything that really concerns you because we do not want  
23 to put undue pressure on the landowners. The agents are not  
24 instructed to do that by Keystone. So if they are not acting in  
25 an appropriate manner, would you please come see me? I do want

1 to talk to you about that and then follow up on that.

2 Let's see. Oh, Northern Border, that is an  
3 interesting topic. Northern Border Pipeline took two years to  
4 construct and by the end of the second year is when they did all  
5 the reviews of the x-rays of the wells and, yes, there were many  
6 wells that did not meet their standards. What they did was do a  
7 remediation program then to come back in and repair all of those  
8 suspect wells and then they tested the line, and this was all  
9 done prior to the line being put in service. And since those  
10 tests were done, the line was put in service, Northern Border  
11 Pipeline has not had a leak on that line.

12 As far as the testing, that will go on in the initial  
13 stages because of a -- on a more continuous basis, and that is  
14 because of start-up procedures. And as you go into routine  
15 maintenance, yes, in fact, it is not as strenuous as what we go  
16 through at the very beginning. And if you have any questions or  
17 concerns on Northern Border issues, you can also see me because  
18 I do represent them also in the land department.

19 And we have some more information on that here too  
20 from our technical expert.

21 MS. BLOMSTER: One more question I had that I forgot  
22 to ask. I have been told that the type of oil that's going  
23 through this is going to be very hard on the pipes.

24 MR. THOMAS: Good afternoon. My name is Brian Thomas.  
25 My responsibilities are for the pipeline control center. It

1 will be located in Calgary, Alberta, as well as emergency  
2 response plans and activities associated with the pipeline.

3 I'll just move on to the last question with regards to  
4 the commodity types that Keystone will transport. I can assure  
5 you that they are not, in terms of any erosion capability to the  
6 pipeline, they do not have any of those characteristics.

7 We will have a sampling system and have specifications  
8 that would ensure crude types, the sediment of water content is  
9 limited to .05 percent and there is certainly no potential for  
10 erosion whatsoever to the pipeline with this type of crude.

11 I'd just like to provide a little more information as  
12 well in regards to issues associated with spills. Keystone will  
13 have what I would term a comprehensive system in place to first  
14 of all prevent spills, detect spills, and then mitigate spills  
15 in the unlikely event one were to occur. Mr. Jones spoke about  
16 the various preventions associated with the quality of the coat  
17 and so on that's used during construction. The control center  
18 in Calgary will have a computer-based model leak-detection  
19 system that will be capable of detecting leaks.

20 The thresholds that we have designed would indicate  
21 that we would have the capability of detecting a 2 percent leak  
22 in approximately 102 minutes. We could detect a 5 percent leak  
23 in about 45 minutes and a 15 percent leak in approximately  
24 18 minutes. So you are correct in terms of a small leak is  
25 harder to detect, and it does take more time.

1 I don't want to leave you with the impression, though,  
2 that when we get less than 2 percent that we're unable to detect  
3 it. It's just that with these systems, it's difficult to  
4 predict exactly how long it would take. We will as well have  
5 other systems in place. We'll do a routine line patrol. That  
6 will be done approximately 26 times a year. And it goes on for  
7 three weeks. Certainly there are maintenance folks in the area  
8 and landowners as well that may see or smell a leak, all of  
9 which would be used to detect very small leaks. So we certainly  
10 feel that with the prevention detection and mitigation  
11 philosophy, that we are capable of dealing with any leaks should  
12 they occur.

13 MS. ADELIA WAGNER: I'm Adelia Wagner (phonetic), and  
14 this is going to sound kind of dumb, but I think I heard --  
15 you're planning on going through two quarters of my land and --  
16 three-quarters of ours actually kitty-corner, our best farmland.  
17 And I think I heard someone say the transportation department  
18 does not want them by the highway so they will respect their  
19 wishes. Why don't they respect our wishes? We're nobody?

20 MR. CARROLL WAGNER: Our friendly pipeline was going  
21 to send an engineer out 4 weeks ago, never showed up. And I  
22 said why don't you put it right along the quarter line, not by  
23 the Interstate. Along the quarter line to me would simplify it.  
24 I know it's -- (Inaudible) you pick the highest ground and go  
25 any place you want it and run right over us. That's the

1 program. Thank you.

2 CHAIRMAN JOHNSON: You know, Ms. Van Bockern, maybe we  
3 should just pause for a minute. I wonder if somebody's got to  
4 get to work or has an appointment, let's go ahead and make sure  
5 we take you right away. Let's go ahead and go right there.

6 MS. BETTY JEAN FISHER: My name is Betty Jean Fisher.  
7 I'm a single person, and my whole livelihood comes from the  
8 land. And I feel -- I'm very concerned about this pipeline  
9 because I don't think people understand who do not have land and  
10 who do not live on the land and who do not gain their income  
11 from the land how precious it is to the people who do.

12 And it -- you know, these people are interested in  
13 oil. They can go elsewhere with their oil. They do not need to  
14 come across prime farm ground. Where are we going to go if  
15 something happens to our land? And all of these promises about  
16 fixing and this and that in the future, the future's a long way  
17 off. And we don't know what the future's going to hold. I  
18 think we have to be concerned about the present and about  
19 protecting ourselves at the present time.

20 And as far as these taxes are concerned, I wouldn't  
21 get too excited about the taxes. The taxes don't pay the bills.  
22 The taxes don't pay the light bill and the food bill and the  
23 fuel bill and the rest of the bills. It's our land that pays  
24 the bills. And it needs to be protected at all costs. And  
25 that's the way I feel.

1           So you have on the one hand people who make their  
2 money with oil and on the other hand people who make their money  
3 from the land. And we were here first. Some of us have been  
4 here for a very long time. And I think that we should be  
5 considered first in all of this.

6           Thank you for your time.

7           MS. VAN BOCKERN: Do you want the Applicant to respond  
8 before I continue to pass?

9           CHAIRMAN JOHNSON: We should give the Applicant an  
10 opportunity to answer any questions that came up during that.

11          MR. GRAY: And, I'm sorry, the lady and gentleman that  
12 spoke about the route of the pipeline, I didn't get the name, I  
13 specifically remember you addressing this issue at the meeting  
14 in Aberdeen, and I specifically remember commenting to you that  
15 I will get someone to meet with you to look at the route across  
16 your property.

17          MR. WAGNER: No one showed up.

18          MR. GRAY: If that has not occurred, during one of the  
19 breaks we have a set of maps here and I will visit with you and  
20 Sandy will help me. During one of the breaks we can do that,  
21 we'll visit about your route.

22          One other comment I would make, and we ran into this  
23 last night. I'm used to catty-corner and not kitty-corner. I'm  
24 from down south. But indeed, when we cross a person's land in a  
25 diagonal or angle crossing of it, you have damages and things

1 that are different than a landowner whose property is crossed,  
2 say, north-south direction along his property line. The  
3 compensation should be different, and you should be compensated  
4 for that extra inconvenience.

5 MR. WAGNER: It's sure a lot different working on the  
6 quarter line than it is through the center of the damn field,  
7 I'll tell you that.

8 CHAIRMAN JOHNSON: You know, sir, we really need to  
9 have you use the microphone.

10 MR. WAGNER: Sometimes I think you can hear better in  
11 here without the microphone, it's is echoie.

12 CHAIRMAN JOHNSON: Anytime you do something in an  
13 auditorium or gymnasium, you definitely are going to get some  
14 bad acoustics. We know that, and we apologize. We do want to  
15 make sure that the court reporter can hear you, so let's go  
16 ahead and give you another shot to say what you need to say.  
17 Stand and try the mic this time.

18 MR. WAGNER: I think she heard what I said. I didn't  
19 remember which gal I talked to in Aberdeen. She said, I'll show  
20 you, we'll send an engineer. Didn't show up. We're good,  
21 friendly neighbors, we're letting them steamroll over us the way  
22 it looks to me.

23 CHAIRMAN JOHNSON: I know we've had a couple of  
24 requests for a break from the audience. I want to push through  
25 just a little longer because we really want to be sensitive to

1 people who've got some stuff to do today.

2 Ma'am, we see your hand. Kara, can we make sure she  
3 goes next. Her hand's been up quite a while. And then we'll  
4 come right back over here.

5 You know, we did try to have these meetings in a  
6 number of different locations and times of day because we did  
7 want to hear your responses. Go ahead, ma'am.

8 MS. RHONDA HARDINA: I guess I'm just looking for a  
9 little clarification on the necessity of the pipeline at all.  
10 It seems like there's lots of talk about building the pipeline.  
11 You indicated that you don't own the oil, that you're shipping  
12 it. You're a trucker.

13 My brother-in-law drives semi and he's not going to go  
14 out and buy a brand-new semi because he gets a new contract or  
15 something like that. You indicate you have over 36,000 miles of  
16 existing pipeline. News reports lately have indicated that the  
17 existing refineries in our country are not going to be working  
18 at their capacity during the next 10 years, so I'm curious about  
19 the necessity. If I'm trying to make money and I get a new  
20 contract, I'm going to try to use what I already have rather  
21 than laying out millions of dollars. My name is Rhonda Hardina,  
22 and I live here in Britton.

23 MR. JONES: Thank you for that question. And I think  
24 it's really important that people do understand why we need to  
25 have a pipeline. And it's a number of reasons. Refineries in

1 the United States actually are at operating capacity and you're  
2 probably going to hear as we did last week proposals for new  
3 ones and we know that there's already been announcements for the  
4 existing refineries to expand.

5 The U.S. domestic production is declining at a rate of  
6 5 percent a year. So even if demand stays flat, the supply in  
7 the U.S. is declining every year by 5 percent.

8 The other thing is the U.S. relies tremendously on  
9 foreign offshore sources of oil. The foreign oil is unreliable.  
10 There are countries as we know, we hear in the news every day,  
11 that is challenging to get oil here and are threatening to cut  
12 off the oil to this country.

13 The other problem is weather. A lot of the oil is  
14 sourced offshore, and when we have hurricanes like Katrina and  
15 Rita, that oil can't get to these refineries. So this pipeline  
16 will, A, help replace the declining production, supply that  
17 reliable source in Canada. Obviously Canada is a stable  
18 country. And also in these events of weather like hurricanes in  
19 the Gulf Coast, pipelines are impacted by these weather storms.  
20 So that is the premise for the pipeline.

21 MR. CHRIS HASTINGS: My name is Chris Hastings. I  
22 live 9 miles north, 9 miles west of Britton, Day County.

23 I guess my question today, I would have a statement,  
24 but it's nothing you're not going to hear from everybody else.  
25 My question today is towards TransCanada. I would like you to

1 comment on the changes you are looking at making to the  
2 easement. You come at us and you've told us we want to be a  
3 good neighbor, we want to be a good neighbor. That's fine. I  
4 value a good neighbor. But the easements you come at us with is  
5 nothing that I would expect from a good neighbor. To me, just  
6 reading it was a slap in the face.

7 It did not give the protection to the landowner that I  
8 felt it should give. And any changes that we've requested were  
9 basically denied. And I really have to thank your attorney for  
10 pointing it out to us when he had the map up there that your  
11 pipeline is exactly like a hockey stick the way your easement is  
12 now. The blade applies to the Canada, and the shaft is going to  
13 the United States.

14 MS. ROTH: Well, I'm glad I'm not responsible for that  
15 route that looks like that, my department isn't anyway. Again,  
16 to the easement itself. I do appreciate your concern, and  
17 because we have had so many comments we are -- seriously we are  
18 right now. Every day we've met with the landowners through  
19 these meetings, we've gotten all the comments that have come  
20 from the agents out in the field from the landowners. We're  
21 taking all of those comments and pondering them, looking at the  
22 documents, getting with our legal staff, seeing how we can  
23 revise it to make it a more landowner-friendly document, easier  
24 to read, easier to understand. And we are looking at the  
25 liability issues that have been raised by some people. And we

1 want to make this a document that works for both sides. So as  
2 soon as we get this revised document ready, we will be coming  
3 out with it to talk with folks.

4 MR. MAX BURGER: My name is Max Burger.

5 MS. VAN BOCKERN: Hold on, sir. We actually have  
6 already committed to a speaker over here, and then we'll come  
7 right back over here, sir.

8 MR. RICK HASTINGS: Hi, my name is Rick Hastings and I  
9 live in Britton, South Dakota. I live in Lincoln Township, the  
10 northwest corner of the county. To start with, I'm not much for  
11 the pipeline. My concerns are pretty much the same as you've  
12 heard and will hear. I'm a landowner and a renter of land the  
13 pipeline will cross and run close to.

14 My concern is with leaks and spills. If a leak or  
15 spill occurs, I may be thinking on a very large spill which  
16 could happen that contaminates our groundwater for human and  
17 livestock use. And what would happen if a spill or leak occurs  
18 in the large area affected, the farm would suffer due to the  
19 closeness of our property line to the pipeline. If no crops or  
20 feed could be grown, then the livestock part of the farm would  
21 also suffer.

22 A fair part of our crop ground, including where it  
23 crosses, is considered highly (Inaudible) by the Soil  
24 Conservation Park Service Agency. When this soil is  
25 contaminated to the point that not much will grow, how do I stay

1 in compliance with the rules? If there are damages due to  
2 leaks, from what I have been able to find out is that monetary  
3 damages will be awarded. Hopefully nothing to pipe water,  
4 getting to the aquifer unless it is contaminated.

5 As far as contamination, I would hope the monetary  
6 damages would not be what the land is worth as we do not wish to  
7 sell it. Past generations work hard for this land and future  
8 generations want to keep working the land. How do you put a  
9 value into your own land?

10 As far as the easement contract, I tried to have some  
11 changes made. A couple of changes were made, but as far as what  
12 would happen or what I wanted to happen in the case of a leak or  
13 spill, the effect on the water and soil could not or would not  
14 be written in the contract. I wanted in the case of a leak or  
15 spill at my hand a written document to refer to.

16 And on the revised easement I got back, I think you  
17 said that you're going to make it so that only one pipeline is  
18 put in. In the first part it does say that. But in the second  
19 part under easement where it says -- it said the easement is  
20 granted subject to the following terms. After that point it  
21 refers back to multiple pipelines. And according to -- I  
22 remember from the lawyer, that supersedes anything that was said  
23 prior to it.

24 And I guess my last comment is do not let them  
25 exercise eminent domain. These people deserve the right to

1 refuse the pipeline or the easements or at least have it read  
2 the way they want it to. TransCanada came to us. We didn't go  
3 to them. Thank you.

4 CHAIRMAN JOHNSON: Sir, if it's okay, we'd like a copy  
5 of that so that we make sure we get it entered properly into the  
6 record. That would make sure the court reporter could get it  
7 exactly right.

8 Let's go ahead and have the Applicant respond. Then  
9 let's get a break for our court reporter, a short 10-minute  
10 break. I know the Applicant's going to want an opportunity to  
11 respond to some of those questions. Let's go ahead and do that.

12 MR. GRAY: You know, as far as the description that  
13 we've heard from several landowners today, I will tell you when  
14 I came to this meeting about six weeks ago, you're just  
15 repeating the same things that I heard from you about six weeks  
16 ago. I took those messages back to my office and to TransCanada  
17 and appealed to them that indeed landowners, the feedback to its  
18 complexity, to the fairness of it and the interpretation, and in  
19 the process TransCanada has started to amend that easement. And  
20 it has been amended on one level, and training to land agents  
21 for the implementation of it will be forthcoming over the next  
22 week to 10 days.

23 But I would make this comment to you that indeed,  
24 feedback, whether it's a formal meeting like this or another  
25 one, is the way we get the information to try and adjust it.

1 And I believe we are adjusting, maybe as Mr. Moeckly indicated,  
2 not as rapidly as you would like to see. But I believe we will  
3 see those adjustments, and I think we will reach common ground  
4 that there's a document that you can be comfortable with and  
5 that we can be comfortable with.

6 I would state to you for the single pipeline in your  
7 change, it's certainly my belief that is an error by somebody in  
8 the reprocessing of that document because certainly, as I  
9 indicated at the other meeting, if it is the true desire that  
10 there is only a single line of pipe, that is what the company  
11 will accept. I believe that's just mechanics of the document.  
12 I don't know if there were any other issues that I didn't  
13 address.

14 CHAIRMAN JOHNSON: One issue that was raised that I do  
15 think would be a pretty good question to respond to is if there  
16 is a leak, how is it mitigated. In previous public hearings, I  
17 think you guys have done that, but let's address that even more  
18 fully than you have today.

19 MR. JONES: I'd like to make it perfectly clear that  
20 in the unlikely event that there is a leak, TransCanada Keystone  
21 is responsible to remediate and recover the land. Keystone  
22 would be liable for all the damages caused in that unlikely  
23 event. Now I'd like Mr. Thomas to help you understand how we  
24 remediate and how we react to that.

25 MS. BETTY JEAN FISHER: They can give you money, but

1 they can't replace the land.

2 CHAIRMAN JOHNSON: If people have comments, we want to  
3 hear from you. We're not going to dash out of here without  
4 hearing what people have to say. We want to make sure you get a  
5 mic. We want to make sure it's on the record. We want to make  
6 sure we do this in a way we're all going to know what was said  
7 here down the road. So thanks. Go ahead.

8 MR. THOMAS: To just speak a little bit more about  
9 cleanup activities, again, in the unlikely event of a leak, we  
10 are regulated by PHMSA as well as state agencies --

11 CHAIRMAN JOHNSON: I'm sorry. PHMSA. Why don't you  
12 tell people what that is.

13 MR. THOMAS: Yes. PHMSA is a federal agency. It  
14 stands for the Pipeline and Hazardous Materials Safety  
15 Administration. And they have separate iterations. They're  
16 49 CFR 194. And they basically have a very prescriptive and  
17 detailed regulation with respect to the preparations of  
18 emergency response plans. The intent being that pipeline  
19 companies are required to basically demonstrate to them that you  
20 have the capability of both detecting a spill and then  
21 mitigating it by cleaning it up after.

22 Again, if we go back to in the event of a spill, we  
23 would work with those regulators to ensure that that spill is  
24 cleaned up, so it's certainly a -- your interests are protected  
25 by both the federal and the state regulatory authorities.



1           CHAIRMAN JOHNSON: We're going to go ahead and go with  
2 this gentleman up here. Go ahead, sir. You know, I know the  
3 acoustics in here leave something to be desired. If we could  
4 have people hold the mic a little closer, maybe a couple of  
5 inches closer.

6           MR. ROBERT HASTINGS: My name is Robert Hastings, and  
7 I live northwest of Britton, 10349 417th Avenue, east of Sibley  
8 (phonetic).

9           The first comment I would like to make is the  
10 representatives from TransCanada or Keystone, please quit using  
11 the word "unlikely spill." Anything manmade is going to break.  
12 And I don't think there's a pipeline in this country that does  
13 not leak already. So please do not insult our intelligence by  
14 saying "unlikely."

15           Second, the proposed route is going through known  
16 anthrax burial sites. We've had cases of anthrax here because  
17 of the weather. It will be more dramatic if you rip through  
18 that ground because those spores never died.

19           As a renter of farmland, I have not been contacted. I  
20 have absolutely no idea what the payment schedule is, and in my  
21 case I have alfalfa, which is a crop that's perennial, that's in  
22 production for 10 years. But once it is killed, I cannot go  
23 back and reseed it if a toxin is put in the ground.

24           TransCanada or Keystone, and I'm not sure who owns the  
25 line, who will be the operator of the line. It hasn't been made

1 clear to me. But they might be the greatest partner a person  
2 could ever ask for, but anything that shows a profit is always  
3 for sale. And if they decide to sell this pipeline, how are we  
4 guaranteed that we will be protected by the new owner? All the  
5 words in the world are great, but you do not have a track record  
6 in this area and you are asking me to trust you. Trust is built  
7 over a period of time, not with words.

8 The first paragraph in the easement in my opinion is a  
9 joke. You want us to hold you harmless for any possibility of  
10 bringing this pipeline through our land where God knows anything  
11 could happen. We are not that stupid.

12 I am requesting as a change to your easement it is for  
13 this pipeline, this pipeline only, and it's for the period that  
14 this pipeline is in production or transports oil. Once that use  
15 of the pipeline has ended, the easement is ended as well.

16 My last comment is to the PUC Commission. I thank you  
17 for being here. But I am asking and charging you, protect us as  
18 your predecessors protected us in the past from companies,  
19 corporations, or whatever who have asked to come through, use  
20 our land, and if it's not demonstrated that it's necessary or  
21 that this company can ensure that we are going to be protected,  
22 I am asking you to deny it.

23 Thank you.

24 CHAIRMAN JOHNSON: Thank you very much. Does the  
25 Applicant want to answer any of those questions?

1 MS. TILLQUIST: Thanks. Hopefully I can do a better  
2 job of holding the microphone correctly. Regarding the  
3 likelihood of a spill, when we calculate these things, what  
4 we're looking at is we're using a database that PHMSA has put  
5 together, and it's based on a national database that takes a  
6 whole bunch of different pipes that were constructed in many  
7 different ways, historical data.

8 To kind of put it in perspective, when we talk about  
9 the chance of a spill, it's kind of like your car insurance.  
10 You know, they look at that and they may say in 10 years you're  
11 likely to have two car accidents. That doesn't necessarily mean  
12 you're going to have two accidents, but in a general sense they  
13 can get a perspective for how they adjust their rates. It gives  
14 you an idea of how likely or unlikely a car accident might be.

15 That's exactly what we're trying to do with these  
16 risks. We're trying to give people a sense based on historical  
17 probabilities what could happen. When we talk about how likely  
18 it is, we do say it's unlikely. If you kind of break down the  
19 frequency, we're looking at a spill for a 10-mile section, the  
20 chances of a spill happening in that area would be no more than  
21 once every 900 years. So we do consider that fairly unlikely.  
22 And I would say that Keystone again, just like when you're  
23 driving, Keystone has a zero-spill policy. They do not want a  
24 single spill. They don't expect that.

25 MR. HASTINGS: I'd like to respond if I could, please.

1 Robert Hastings again. That's fine. My insurance company says  
2 my house, I insure it for fire. I hope like heck it doesn't  
3 ever burn down. If this should happen to leak in this area,  
4 you're affecting one of the biggest aquifers in this state. As  
5 my brother stated earlier, I hope you have deep pockets to pay  
6 for the amount of water that we're going to have to truck in for  
7 our livestock and I hope you're willing to pay, like he said,  
8 not the fair market value for the crop but the livelihood that  
9 you just took away from us.

10 MR. JONES: There were a number of questions in there,  
11 and I'm going to try and answer a couple of them and we  
12 hopefully will be able to respond as good as possible.

13 As for the language in the easement, I think we have  
14 indicated that we are revising the easement and hopefully that  
15 will be helpful.

16 The possibility of a leak, I think we've just wanted  
17 to just -- I wanted to just add that with these new design  
18 techniques and technology that's been able to advance, since  
19 1980 with the fusion-bond epoxy coatings, TransCanada has never  
20 had a failure due to corrosion. So we are really advanced in  
21 technology, and there's a good computerized instrumentation.  
22 The smart pig I talked about, again, we are advancing in  
23 reliability of pipelines and see these increasing all the time.

24 You know, we want to be a good neighbor. And one of  
25 the pipelines we have now acquired and operate is Northern

1 Border. And I think it's a very good example of how effective a  
2 pipeline can be in South Dakota.

3 CHAIRMAN JOHNSON: All right.

4 MR. JONES: I'm sorry. There was one other question,  
5 and that is who's TransCanada and who's Keystone. So the  
6 U.S.-registered entity is TransCanada Keystone and TransCanada  
7 is a publicly-traded company. Again, we're a pipeline and power  
8 company. We don't own any oil. We don't refine any oil. Our  
9 job as a utility is to provide pipeline service throughout  
10 North America. So TransCanada Keystone is wholly owned by  
11 TransCanada, and TransCanada is a publicly-traded company.

12 CHAIRMAN JOHNSON: There was also an issue raised with  
13 anthrax, and I don't know if you've researched that or know  
14 anything about it. If you do know anything about it, I think it  
15 would probably be a good opportunity to get some good  
16 information on it.

17 MR. ELLISON: My name is Scott Ellis, and I'm dealing  
18 with a lot of the environmental studies we're doing, and we  
19 would be happy to do some research on the anthrax question and  
20 be happy to talk to the gentleman who raised the issue and get  
21 the specifics about the local situation. Thank you.

22 CHAIRMAN JOHNSON: Thank you. And a gentleman had a  
23 hand up.

24 MS. VAN BOCKERN: Before the break Mr. Chairman, I was  
25 over here.

1           CHAIRMAN JOHNSON: That's right. My fault completely.  
2 My apologies.

3           MR. MAX BURGER: My name is Max Burger again and the  
4 pipeline affects me. I just wonder who really wants this oil  
5 anyway? Does the big oil companies want it, or who wants it?  
6 Why will they not let Keystone cross Government easement land?  
7 I want that question answered. Why can't you cross Government  
8 easement land? I think this is just for the big oil companies  
9 myself.

10           Another one on this easement contract, if I sign this  
11 easement contract why doesn't a Keystone representative sign the  
12 bottom of that contract with me?

13           Thank you.

14           MR. KOENECKE: We appreciate the question again about  
15 the easement document. The easement itself is not the entire  
16 universe of your agreement with TransCanada. There is another  
17 document as well. With respect to TransCanada being bound by  
18 the easement, we think clearly in the law that we're bound to  
19 the terms of the easement by our acceptance and use of it. It  
20 would be nonstandard for the grantee of an easement to sign that  
21 document. It's not commonly done that way. But certainly the  
22 law binds us to the terms of that contract when we accept it  
23 from you.

24           So with respect to the easement, I don't want to give  
25 you legal advice. You need to get that from your own lawyer.

1 But certainly our view is that we're completely and fully bound  
2 when we accept that easement and use it.

3 MR. FRANKLIN OLSON: I'm Franklin Olson. I live  
4 26 miles south of here. I spent 11 years on the rural water  
5 board, BDM rural water board, along with a lot of other guys who  
6 worked super hard for rural water. I'd like to know what you  
7 would do if the BDM Rural Water System got contaminated with  
8 your crude oil, how would you keep this whole country moving?

9 This affects everybody in this room other than what's  
10 up here. Everybody in this room I'm sure would be affected by  
11 BDM Rural Water. And I'd like to know how you're going to get  
12 water to us if this gets contaminated. Pret' near every colony  
13 or person lives off BDM Rural Water. You tell me how.

14 MR. THOMAS: I guess the case you mentioned is we'd --  
15 would be very unusual. Again, if I go back to, you know, the  
16 prevention, detection, and mitigation activities that  
17 TransCanada has available, to significantly contaminate an  
18 aquifer is extremely unlikely. We are going to, with our  
19 systems, be able to detect leaks such that really in the event  
20 that you described, you know, large-scale contamination of an  
21 aquifer just won't occur.

22 MR. OLSON: You didn't answer my question. How would  
23 you get water to everybody on BDM Rural Water? That's the  
24 question I asked.

25 MR. THOMAS: I guess it's TransCanada's responsibility

1 and commitment to ensure that provision is made. You know, I  
2 can't describe to you exactly how that would be done at the  
3 moment. It would be done in coordination with, as I mentioned  
4 before, federal authorities, state authorities, and we would  
5 work together with the residents to ensure that your water  
6 supply was provided in some fashion.

7 MR. OLSON: You still never answered my question.  
8 There's got to be water in that line immediately, not 10 days  
9 from now or a month from now. There's got to be water  
10 immediately. That's why we put generators in. That's why we  
11 did everything, so if electricity goes out we got water now, not  
12 a month from now or 10 days from now. Cattle can't go that long  
13 without water. I don't like to go very long without water  
14 either. So you tell me how. That's the question that I asked.

15 MR. THOMAS: And I understand your concern. You know,  
16 again, I can't describe exactly how it would work. You know, we  
17 would look to experts such as yourself to obtain input and  
18 provide us assistance.

19 MR. OLSON: If you can't answer the question, probably  
20 better get a different place to put the pipeline.

21 CHAIRMAN JOHNSON: Okay. Just a couple of things.  
22 It's important -- hold on. Everybody's getting an opportunity  
23 to make their voice heard, but it's very difficult for the court  
24 reporter to take down what's being said if two people are  
25 talking at the same time. So I'm just going to ask that you not

1 interrupt one another and that they -- you know, you're asking  
2 for some specific information. You're right, they haven't given  
3 it to you yet.

4 If they can't get it to you today, it's going to need  
5 to be part of this process on a go-forward basis. Not every  
6 question that's being asked today is going to be answered right  
7 now, but they're good things to bring up and they're going to be  
8 in the record.

9 MR. OLSON: As serious as that question is, I think  
10 they should have an answer for it today.

11 MR. GRAY: Sir, in the event something has occurred  
12 instantaneous as you've described, there's emergency procedures  
13 to transport water by trucks. You would bring trucks in to  
14 municipal water supplies to bring it.

15 I think the point that we're having the most  
16 difficulty with is the event you described is not possible to  
17 happen. There's no recorded instance of a pipeline failure that  
18 has contaminated aquifers for hundreds of square miles. There  
19 are instances of leaks by which maybe two landowners or three  
20 landowners have been affected, and transportation of water by  
21 trucks is very practical and feasible for that. But there is no  
22 recorded instances of failure that has contaminated square miles  
23 of aquifers from a pipeline.

24 You have 540 miles of refined product, that is  
25 gasoline and diesel pipelines in South Dakota. They have been

1 here since the 1960s, I believe. You do not have contaminated  
2 aquifers from those pipelines. They've been here 40 years. So  
3 our difficulty, and I'm not trying to be argumentative, but I  
4 understand you're asking us to take a hypothetical situation  
5 that we don't believe there's any possibility could occur.

6 CHAIRMAN JOHNSON: All right. I know we've got a hand  
7 here. Go here and -- you know what's going on out there. I'll  
8 try not to micromanage it. Sorry.

9 MR. GENE CASSELS: I'm Gene Cassels, and I'm from -- I  
10 have land I farm in the township. And I just wonder about this  
11 eminent domain. Has that been addressed? We don't want guys  
12 giving up their land to get sued on top of it.

13 Now another thing I've often wondered why, why didn't  
14 you guys go across Canada and then come down into Chicago and  
15 then you wouldn't have this problem like you're having here  
16 today. And is there some reason you can't go that way?

17 MR. KOENECKE: With respect -- we didn't catch your  
18 last name over here. With respect to the eminent domain  
19 question, eminent domain or condemnation authority has been a  
20 resident in the laws of every state and jurisdiction that I'm  
21 aware of going back for a long time, and it has to do with the  
22 provision of public goods and public uses across people's  
23 private property.

24 It's not something that this company would relish  
25 doing. They're striving as hard as they can -- certainly the

1 people in front of you have heard a number of complaints about  
2 the easement document and eminent domain, and we're working on  
3 those issues as we go through this process.

4 But eminent domain is certainly something that's  
5 afforded to us under the current state law. The pipeline  
6 company does have that right, and I don't want to mislead you to  
7 the fact or make you think that that's not the case. And I also  
8 don't want you to be misled, it's not dependant on what the  
9 Public Utilities Commission has to do or say in this project. A  
10 pipeline company under current state law is afforded the right  
11 of eminent domain and the public policy reasons behind that have  
12 to do with the provision of public goods and the public use of  
13 which this pipeline certainly will be.

14 With respect to the second question, I'd like to go on  
15 to someone more qualified than me.

16 MR. KOSKI: Yes. With respect to routing across  
17 Canada to get to Chicago, this project is not going to Chicago.  
18 It has firm transportation to Woodward, Illinois which is  
19 western Illinois near St. Louis, and it's also intended to go to  
20 Cushing, Oklahoma. So running across Canada doesn't give you a  
21 route option to get to either of those places or what's more  
22 importantly to get to both of those places.

23 This route was selected based on a combination of  
24 factors that I described earlier being the use of an existing  
25 gas line in Canada, and then also those target points of

1 Cushing, Oklahoma and Wood River, Illinois. And just the  
2 geometry of that suggests coming down through the Dakotas  
3 through Nebraska and then heading east through Missouri and into  
4 Illinois, and at the same time continuing down into Oklahoma.

5 MR. JONES: I just wanted to add a couple more points,  
6 and that is really, you know, what the value is here in  
7 South Dakota. The refineries that this pipeline will serve will  
8 produce products that we need here in South Dakota. So when you  
9 look at gasoline for the cars and diesel for the trucks and  
10 asphalt for the roads, those supplies that we need here in  
11 South Dakota come from the refineries this pipeline's going to  
12 supply.

13 MR. CASSELS: Another thing I want to bring up, do you  
14 in the long-term, do you have -- are you going to run another  
15 pipeline beside that one?

16 MR. JONES: If I understand your question, the  
17 question was is there a potential in the future that we would  
18 run a second line? The answer to that one is very complex and  
19 very difficult for me to answer.

20 If I looked at the big picture, the global world, and  
21 how the world is changing, I do believe that additional  
22 pipelines will be built from Alberta into the United States. I  
23 suggest to you that they could go to various different markets.  
24 I could -- you know, again, we're looking into the future, a  
25 vision, and if you had a big-picture look at things, I suggest

1 to you that with the huge reserves in Alberta that there will be  
2 incentive for the energy policies of the United States and  
3 Canada to try and connect the marketplace --

4 The largest marketplace for hydrocarbons in the world  
5 is the United States. And there's huge reserves in Canada. So  
6 I can see pipelines going across North America to serve  
7 California. There already is a pipeline today that serves  
8 through the Wyoming to Denver, Salt Lake area, and there's  
9 pipelines today, enormous pipelines that serve into the Chicago  
10 area.

11 In the future, I can see a need for these pipelines to  
12 reach the Gulf Coast to Mexico in the Texas area and Louisiana.  
13 So, I mean, again, I'm looking out into the future. Whether or  
14 not there's going to be another one and TransCanada Keystone has  
15 the opportunity to expand is purely speculative. But I wanted  
16 to give you the vision of the business and appreciation for it.

17 MR. CASSELS: Okay. If you do that, are you going to  
18 come back again alongside that same pipeline and take more land  
19 from the farmer?

20 MR. JONES: Again, this is a really speculative  
21 question and especially seeing I -- you know, we certainly are  
22 here today to try and get that. But the process if we were to  
23 be successful commercially, and there were stakeholders that  
24 thought that this was a good idea and there was commercial  
25 underpinning and a need here in the United States for us to do

1 that, this utility, be it TransCanada Keystone, would have to  
2 apply again, would have to do all the environmental studies  
3 again. We'd have to go through the process again with regards  
4 to a second pipeline.

5 So we would require a working space again and we --  
6 obviously if that ever occurred, we'd have to pay all the same  
7 damages again.

8 MS. PHYLLIS FISHER: My name is Phyllis Fisher. We  
9 live in Weston Township, and we are lucky enough to have three  
10 quarters that they would like to go through. One of them is --  
11 the line would go within about 200 feet of our home. No way.  
12 We don't think this would be a good idea. With all the  
13 unknowns, they try to tell us, oh, there's no danger, there's no  
14 danger, but never say never. You know better than that.

15 Also the aquifer, many of the other items that have  
16 been brought up, they say we'll get you water. Where will you  
17 get water if it's all contaminated? Other wells will be  
18 contaminated. We'll get you soil. You just don't go out and  
19 buy soil. It will also go through shelter belts. It will go  
20 through the middle of the quarters. One of the quarters has  
21 been in the family for three years and I'm sure those people  
22 would come up out of the grave if they knew somebody was going  
23 to do that.

24 There's just so many, many things that we just do not  
25 care about. We have been harassed. I talked to a lady over

1 there about what had gone on. I won't repeat any more of it.  
2 They've gone to the neighbors and said we have signed. No way.  
3 I hope that you will take into consideration the landowners,  
4 anybody else that is involved in this, and treat us fair.

5 COMMISSIONER KOLBECK: Just a second, Kara. I have a  
6 question to -- someone had asked me on the phone, and this is  
7 what some of the comments that were made at the former meetings  
8 that may help too. But if Buster could please explain the  
9 difference between an easement and the construction agreement.  
10 Sometimes that helps a little bit with your concerns and how  
11 maybe an avenue to get them resolved or adequated.

12 MR. GRAY: (Inaudible). This permanent easement is an  
13 actual taking of a righting in the land, and it's a right for a  
14 pipeline or another utility to exist. And it's something that's  
15 recorded at the courthouse, and it stays with the title and with  
16 the land. In our case, we've asked for it in perpetuity.

17 And a temporary work space or a temporary easement,  
18 you've heard me use that word and maybe that's confusing to  
19 folks, is it is truly the temporary use of space to construct  
20 for our equipment to be able to place spoil and dirt, and it's  
21 more, like I say, likely a single-time use where it reverts back  
22 after that contract or that payment for the use of it. And it  
23 does not go with the title to the land. It is not recorded in  
24 the courthouse for the longevity as I guess an encumbrance upon  
25 the property.

1           Oh, also if some of you folks have seen, there's also  
2 another instrument potentially you've seen called construction  
3 restriction binding agreement. And that agreement has various  
4 things on it about your property and things that you can  
5 specify. We've been asked many times why we don't put certain  
6 construction requirements in our easement document like the  
7 depth of it and other aspects that you feel very strongly about  
8 and would like to see it in that easement agreement.

9           The company -- the company's approach to this has been  
10 this construction restriction binding agreement. And I can give  
11 some examples to that like topsoil stripping, there's a  
12 particular method, whether it's a trench line or trench and  
13 spoil or spoil right of way, you can specify certain things to  
14 be done. Cattle, if you want some particular things done  
15 relative to how we construct around your cattle, or deferment  
16 for grazing so that the grass comes back, those are things that  
17 can be put in the construction binding agreement. And that's  
18 particularly what it's for. That comes back during my process  
19 to my construction contractor.

20           This agreement also could be used -- I've used the  
21 example of someone has got serious health concerns and there  
22 needs to be a road kept open to a particular home. Then those  
23 types of things are specified, we will keep it open. And when  
24 we do need to put the pipe in, we will have an alternate access.

25           But it is not in the easement agreement. We would ask

1 that you understand that for a pipeline project as much as  
2 things are unique to the land, we don't want to have 4,000  
3 different easement agreements. We would prefer to have one  
4 easement agreement. This binding construction restriction  
5 agreement is a contract that we're bound to to comply with those  
6 requirements. And I believe that's a family of documents.

7 COMMISSIONER KOLBECK: Yes. And that was -- you, at  
8 one of the meetings, you had specifically mentioned trees. And  
9 she had specifically mentioned a shelter belt and replacing  
10 trees, items like that can be put on that agreement.

11 MR. GRAY: That's correct. Specificity to  
12 restoration, anything relative to restoration of trees or  
13 planting of trees, those types of things, that's the very place  
14 we would like to see those requirements put.

15 MR. THOMAS LANDRUTH: Hi, Thomas Landruth. It's my  
16 understanding that this project's going to be a \$2 billion  
17 project. Would TransCanada be willing to put up 1 percent of  
18 that for a cash bond to cover any litigation, then we can  
19 circumvent if there are any spills or any problems with water or  
20 land? Would you be willing to do that?

21 MR. JONES: TransCanada is responsible for the cleanup  
22 and TransCanada has -- under the permit will be -- have to  
23 comply with state and federal laws. And so there is no question  
24 about whether or not a bond will be required in order for us to  
25 do that. We have to do that by law. And TransCanada is a

1 significantly publicly-traded company. And so our shareholders  
2 are going to hold us accountable as our landowners are going to  
3 hold us accountable to clean that up.

4 Bonds in this case, we do post bonds for construction.  
5 So the state has a requirement for bonds during construction  
6 with regards to any damage we have crossing and going through  
7 bridges.

8 MR. LANDRUTH: Let's see, I got a couple more things  
9 here. Then with PUC, if my figures are right, what percent of  
10 this project -- will it be \$20 million? Would that be about  
11 right, to the PUC, what would we require them to put up for a  
12 cash bond?

13 CHAIRMAN JOHNSON: I think it's an intriguing idea.  
14 And we haven't discussed those sort of things yet. We're  
15 relatively early on in this process. We wanted to get these  
16 suggestions and ideas from all of you.

17 And in the next weeks and months as TransCanada and  
18 all of the interveners, more than 100 of them have applied for  
19 party status, and the Commission staff, they'll be able to have  
20 those sort of negotiations. And there will be evidence  
21 introduced, and it may be that an idea like that makes a lot of  
22 sense.

23 MR. LANDRUTH: Also, I'm a little disappointed. I've  
24 been here three hours, and I haven't heard one thing new today.  
25 And when I signed the survey papers, I'm not going to mention

1 any names, but I saw some figures. And TransCanada, you can  
2 correct me if I'm wrong, but the total cost of the project in  
3 Marshall County, I believe I'm going off memory here, projected  
4 is about \$32 or \$33 million. And the projected tax revenue to  
5 the county each and every year is specifically -- well, it's  
6 \$720,000. Now are those figures somewhat correct? I believe  
7 they're your figures, and I'm just double-checking those.

8 MR. JONES: Sir, I don't have those numbers with us  
9 today. We presented them as we've been going, you know, up and  
10 down the right of way. We do have those numbers, and if you'll  
11 just give us some time, Commissioners, we will get them for you  
12 so we can tell you exactly what it is in this county.

13 MR. LANDRUTH: Well, to the taxpayers in this county,  
14 I guess \$720,000 a year would go a lot to, first of all, maybe  
15 to do some road repair and then whatever else, so that's my  
16 thoughts on it. Thank you.

17 CHAIRMAN JOHNSON: And sir, it sounds like the  
18 Applicant will work to get an answer to your question. We'll  
19 try to get that to you before the end of the day. Do you have  
20 it already?

21 MR. JONES: I've already got it.

22 CHAIRMAN JOHNSON: Great. Go ahead, Mr. Jones.

23 MR. JONES: Marshall County, the projected capital  
24 cost is \$33,460,000, and I can tell you that that ain't going  
25 down. The cost of this project is not going down. So that's

1 more than likely absolutely the bottom projected capital cost.

2 And the tax revenue associated with that capital cost  
3 is \$720,000.

4 MR. KOENECKE: If I could take just a couple of  
5 minutes, I do want to explain, I don't want you to leave with  
6 the impression that that's a number that's been set or -- by us  
7 or by anyone else yet. It's subject to the processes of a  
8 number of different agencies, the state, the county, and the  
9 construction costs and other things. It's the manner in which  
10 they value the pipeline, transmit those values out. I don't  
11 want you to think that we're saying that's the figure that's  
12 been set. That's what we're estimating, that's what we're  
13 thinking, but it's going to be set by somebody else.

14 MR. DON HANSON: My name is Don Hanson. I live in  
15 Newport Township, Marshall County. Two things. One, we are  
16 extremely flooded in our township. We've got a lot of water  
17 standing. My question is to Keystone, you're going to haul all  
18 of this heavy equipment in, you're going to wreck these roads.  
19 Are you guys going to fix them, or are we as a public entity  
20 going to have to come up with the funds to fix our roads?

21 The second question is, I'm also the head of the  
22 Claremont Fire Truck Association. If in the unlikely event that  
23 this thing does break and we have a fight, my fire department is  
24 not equipped to fight a major fire like this. How would we deal  
25 with this situation?

1           Thank you.

2           MR. KOENECKE: I'll handle with respect to roads and  
3 bridges. Under current state law, part of this process, the PUC  
4 will order that we provide a construction bond for the townships  
5 and county roads up and down the pipeline, one bond which will  
6 cover all of those construction processes. So that's going to  
7 be your assurance that that's paid for, that's TransCanada's  
8 burden to take care of that. I want to make sure we're clear on  
9 that. It's TransCanada's burden to take care of those roads and  
10 bridge issues.

11           With respect to those crossings, we will be requesting  
12 a permit from the counties and townships to cross those roads.  
13 And I'll let Buster talk about how that's done, how that's  
14 decided. But that's a negotiation process and I can tell you  
15 we've been talking to the association townships, Dale Brock and  
16 Company (phonetic) about that. It's a very important issue.  
17 I'm glad you brought it up. And we look forward to having a  
18 really good resolution as to that.

19           With specifics, I'll let somebody who knows more about  
20 that talk about that. But I do want to make sure you're clear  
21 we think it's our burden.

22           MR. GRAY: I don't know why he passed this to me. He  
23 did pretty good I thought explaining it. But I've worked the  
24 North Dakota pipeline project in the past, and your concern is  
25 very valid, particularly relative to the high groundwater and

1 the heavy equipment and the pipe we will haul on the roads.  
2 Unquestionably, we will damage the roads, and they will need to  
3 be repaired.

4 And I believe the burden and the guarantee of that  
5 burden Mr. Koenecke explained very clearly. What we would come  
6 into your town to do is try and develop a transportation scheme  
7 by which we'll minimize the number of roads that we use, thereby  
8 the damages we cause are limited. And we would want to work  
9 with you relative to that mainly to reduce our exposure also.

10 I think there's a question relative to the fire  
11 issues, and I don't know who's --

12 MR. THOMAS: I'm going to just start with -- discuss  
13 some of the programs that TransCanada has in place. One of them  
14 is called the Integrated Public Awareness Program. And this is  
15 a program of which one of the features is to actually travel  
16 around and speak with fire departments, police departments, and  
17 so on, discuss, you know, certain training, familiarization with  
18 (Inaudible) types and so on such that people have a good  
19 understanding of the product types and what could occur.

20 Now specifically about a crude oil fire, again, that  
21 is very, very unlikely. I just want to give you a couple of the  
22 characteristics of the crudes that Keystone will transport.

23 For example, the flash point of these crudes is  
24 approximately 104 degrees Fahrenheit. And the autoignition  
25 temperature is actually approximately 490 degrees Fahrenheit.

1 So they aren't, you know, extremely volatile by any means.

2 In I guess the event of such a fire, you know,  
3 certainly Keystone's expectations of volunteer fire departments  
4 and so on would not be to become involved in extinguishing the  
5 fire. Basically that takes, you know, significant resources and  
6 the typical practice is really to let that fire burn out and  
7 then really just take care of any other issues that may be  
8 caused by the initial fire. But certainly there would be no  
9 expectation of ever fighting that crude oil fire.

10 MR. DAVID WADE: Hi, my name is David Wade, and I'm  
11 the general manager of the BDM Rural Water System. BDM Rural  
12 Water stands for Brown Day Marshall Rural Water. And it was  
13 started back in the late '70s, early '80s, and Franklin was the  
14 chairman of it for 11 years, put a lot of hard work into it. I  
15 want to just talk a little bit about some of the stuff that he  
16 said.

17 But BDM is a member-owned system in northeast  
18 South Dakota. Serves about 2,000 bulk members -- or 2,000  
19 members, excuse me, 15 bulk members, and several large animal  
20 units.

21 The system is about 4,500 miles square, and it serves  
22 a total person population of more than 6,000 people.

23 Our main concern is the proposed crossing at the  
24 Middle James aquifer. This is our only source of drinking water  
25 and could easily become contaminated in the event of a crude oil

1 or fuel spill. The Middle James is very close to the surface in  
2 the proposed crossing area. Most of the recharge to the aquifer  
3 is by (Inaudible) of precipitation in ranges 58 and 59 of  
4 Township 128. This puts the proposed pipeline directly through  
5 the most important part of our drinking water source.

6 So my -- the proposal that we have is, our first  
7 proposal is to move the pipeline out of the aquifer. If that's  
8 not possible, then we would like to see TransCanada line the  
9 pipeline with a special fabric that would protect the James  
10 aquifer from any type of spill.

11 If that is not possible, then we would like to see  
12 TransCanada sleeve the line through the aquifer to prevent any  
13 leakage into the aquifer.

14 So basically the question is, does TransCanada have  
15 any special plans for that sensitive area? Because it can't be  
16 the first time you've gone through an aquifer.

17 MS. TILLQUIST: With regard to sensitive aquifers,  
18 TransCanada did in their initial route, because we did try to  
19 avoid aquifers, we looked at them. There are some to cross.  
20 And some of them are more susceptible than others. I guess what  
21 we're talking about here is a -- an area that's a public  
22 drinking water source. And the -- I was talking to a gentleman  
23 earlier. The PHMSA, the national pipeline and safety  
24 regulation, has identified in coordination with the state  
25 agencies, they've identified sensitive aquifers and those that

1 are public drinking water sources and they put above the ground  
2 in those areas. Those areas are then required to not only meet  
3 normal PHMSA regulations, but they actually are elevated to a  
4 higher level of both inspection and repair criteria in order to  
5 protect those sensitive aquifers.

6 COMMISSIONER KOLBECK: I'm sorry. Before you sit  
7 down, what would those be? Could you give me some examples of  
8 the inspection, the higher inspection criteria.

9 MS. KOTHARI: I'm sorry. Under Federal Regulation  
10 49 CFR 195, sensitive areas of drinking water and aquifers are  
11 required to be inspected at an interval of no less than five  
12 years. As Mr. Jones mentioned in his presentation, Keystone  
13 would inspect the pipeline within three years of being in  
14 service and then thereafter again within five years.

15 What we typically do is run the inspection tools and  
16 then look at the log data that's reported by the tool. Any  
17 anomalies that are reported by the tool are then excavated and  
18 repaired to a specific repair criteria as defined in ASME 31,  
19 which is the American Society of Mechanical Engineering specific  
20 requirements for pipeline repair.

21 MR. GRAY: Mr. Wade, we certainly and I certainly  
22 understand specific concerns that you're relating to these  
23 particular sections. I think 58 and 59 are ranges. I'm not  
24 sure if they're sections or ranges, but anyway --

25 MR. WADE: They are.

1           MR. GRAY: But my comment is, we'll be happy to come  
2 sit down and meet with you and talk about that particular area  
3 or situation to it, and we're not insensitive to your concerns.  
4 And we will sit down and talk with you and try and explain what  
5 we do and how we do it clearly and safely with yourself to see  
6 if we can't reach a resolution that you will be satisfied with.

7           MR. WADE: Okay. And that sounds great, but since  
8 it's a public forum, the people need to know that. And like  
9 Franklin said, almost everyone in here is a rural water customer  
10 or has their wells in the same aquifer, so they need to know  
11 that too. That's why I'm doing this.

12           MR. GRAY: Oh, I certainly understand that you are. I  
13 just, you know, to sit down and have an engineering discussion  
14 with yourself for a couple of hours, I don't think the audience  
15 would want to hear that. And we will schedule a meeting and at  
16 a proper point in time sit down. We need a means for your  
17 management district to communicate that to your constituents.  
18 We'll figure out how to do that as well.

19           MR. WADE: Okay. I have two other questions. Our  
20 second concern with the rural water system is with the proposed  
21 pipeline crossings where TransCanada Pipeline crosses BDM Rural  
22 Water pipeline. We have a proposal, we may require a crossing  
23 permit because we want to know how that's going to work. And we  
24 have existing 30-inch 60-foot easements out there for our  
25 pipelines and you intend to go under them.

1           We would like to also see TransCanada in good faith  
2 pay for the expense to install ductal iron pipe in BDM's  
3 existing system for 1,000 feet on each side of the crossing.  
4 That would reduce or prevent any contamination in the event of a  
5 spill, slow leak, or what have you. We have a dozen or so  
6 proposed crossings. This is a way to be proactive in the  
7 prevention of contamination and destruction of a pipeline  
8 system.

9           Also, the state should require TransCanada to sleeve  
10 each PVC crossing for 250 feet on each side of the crossing to  
11 prevent potential spills from being close to the crossing  
12 itself. As I understand it, I'm no crude oil expert, water is  
13 what I do, but anytime that crude oil and gas -- and I don't  
14 know crude oil for sure, oils, gas, will ruin PVC because it's  
15 also made out of petroleum product. It will go through the  
16 walls of PVC pipe very quickly. And as a way to prevent any of  
17 this, we would ask that the state would require sleeving of that  
18 pipeline at those crossings.

19           Does TransCanada have any plans of that or once again  
20 we'll sit down and -- it would be nice to hear because you've  
21 had to cross other PVC pipes.

22           MR. GRAY: As I think -- and the description that I've  
23 said earlier, there are literally hundreds of thousands of miles  
24 of pipeline and certainly a couple hundred thousand miles of  
25 refined products and crude oil pipelines in the United States.

1 The procedures that you're suggesting are not common practice,  
2 and they're not done. We coexist with water lines of all types,  
3 and they're in an environment by which contamination of pipe  
4 systems is just not a major issue that's brought to our industry  
5 overall.

6 And my comments being is, to your proposal, we would  
7 be willing to sit down and talk about particular issues. But  
8 particularly one for us that is very sensitive to us is the  
9 sleeving of the casing. One of the greatest cause of leaks or  
10 failures in pipelines is casings where you have one pipe inside  
11 of another, two steel devices where you have a corrosion cell.  
12 So for us, sleeves, we've gone away from them since railroads  
13 and highways simply because it's been proven to be very  
14 detrimental to our pipelines.

15 And your suggestion of the ductal iron replacement,  
16 now we're affecting a landowner another 500 feet -- or 1,000  
17 feet each side of the right of way, which strongly suggests that  
18 those two methods that you've suggested are not reasonable  
19 relative to the industry record relative to the issue you've  
20 brought up.

21 But, again, we will sit down with you. We will  
22 discuss the issue. And we believe we're reasonable people, and  
23 if there are things that we might do to mitigate your concerns,  
24 we will certainly consider them.

25 MR. WADE: Okay. Thanks. To entertain another 500

1 feet or 1,000 feet on each side, that would be in our easement  
2 which we already have.

3 MR. GRAY: I understand, but we still have to damage  
4 it through constructing.

5 MR. WADE: Our third concern is -- and final concern  
6 is with the cleanup of spills in the aquifer by crossing the  
7 site. As Tom Landruth indicated, we also make a proposal that  
8 TransCanada place a cash bond in the bank to take care of the  
9 cleanup that would occur in the event of a spill. And I know  
10 you have reiterated several times that a spill is just probably  
11 never going to happen. The bottom line is we don't believe  
12 that. Okay. So that's why we keep touching on it.

13 TransCanada acknowledges that they'll clean up any  
14 spills, but it runs deeper than that. There are much more  
15 expenses to a water system, county, township, state property  
16 than just the cleanup. BDM may need to find an alternate water  
17 source or perform different treatments on contaminated water if  
18 a spill were to happen. That could cost millions of dollars  
19 down the road.

20 And I don't know the exact amount that could be held  
21 in cash bond, but it would be after construction and it would be  
22 sitting there to use in the event of things that happen later.  
23 Not the bond that's put up during construction. This is after  
24 all the dust settles.

25 And that could -- the cash bond could be determined by

1 a percentage of the total miles of pipe across the system or,  
2 you know, based on 1,800-mile pipeline or whatever. And you've  
3 already talked about that, but it's the idea of a cash bond.

4 MR. JONES: Again, as we've said, we will work with  
5 yourselves and the state and federal regulators to clean up any  
6 impacts that people would have. We clean up the spill, and we  
7 would address any of the impacts. And we have to do that as  
8 part of the legislation that we operate under, and that's how we  
9 have to operate because that's what we're applying for in this  
10 permit. So those are the legislation that we would comply with.

11 MR. WADE: Okay. Thank you. And just a final note.  
12 You know, I see all of these people every day, and I'll continue  
13 to do that. And you guys are here today and I'll probably see  
14 some of you again but most of us will never see you again. And  
15 that's what happens when the pipeline is built. That's the fear  
16 that some people, a lot of people have, is that once you're here  
17 and the pipeline's in, you're gone. They're never going to hear  
18 from you again.

19 Something happens, yeah, you're required by federal  
20 law and all that, I know, but the fear is that it's going to be  
21 back-burner stuff; you're not going to care.

22 MR. KOENECKE: Mr. Wade, if I could just respond to  
23 that. I think it bears some mention here. We've made  
24 commitments to you about coming and talking to you about these  
25 matters, and I'm not sure they sound very satisfying to the

1 crowd. But what I want to point out is what Commissioner  
2 Johnson started with at the outset, that this is the start of a  
3 regulatory process which is going to result in later evidentiary  
4 hearings.

5 And your water company has intervened as a party in  
6 this case and we are well aware of that and we have commitments  
7 to you to discuss and determine and try to resolve your  
8 concerns. And I don't want anybody here to think it's just a  
9 matter of us coming to meet with you behind closed doors.  
10 That's a public and open process as far as that goes, and it's  
11 our commitment to you that we're going to try to resolve those  
12 during the continuance and the pendency of this matter, and I  
13 don't want you or anybody else to think we're not committed to  
14 working through those questions with you.

15 MS. LUANNE NAPTON: My name is Luanne Napton,  
16 N-A-P-T-O-N. I live in Brookings. I am president of  
17 South Dakota Resources Coalition, a statewide environmental  
18 protection organization, and we are interveners. We have  
19 several questions about this because we're very concerned about  
20 the potential of this pipeline to pollute the water and the  
21 soil. We've heard quite a lot of other concerns about that too.

22 Excuse me while I look at my notes here.

23 TransCanada's oil spill frequency volume study  
24 estimates an 8 percent chance of a 42,000-gallon spill at any  
25 point along the Keystone pipeline. Since we're talking about a

1 very toxic material here, this is significant risk to our soil  
2 and our water. We just heard a long list of remediation  
3 processes that would be used in the case of a spill, so I'm  
4 quite sure that TransCanada would not want to go to the expense  
5 of having to remediate and we most assuredly would not want to  
6 have a spill. So we have some questions concerning that.

7 Forgive me if I ask a question that's already been  
8 answered because the echo in here is very bad.

9 The first question is, I originally understood that  
10 there were to be 10 manually-operated shutoff valves along the  
11 line in South Dakota. But I think I heard somewhere today that  
12 perhaps it would be as many as 15 and that they might be  
13 automated. Could I get some thoughts on that, please?

14 MR. JONES: There will be 15 automatic shutoff valves,  
15 and they will be -- they won't be manual, they will be  
16 automatic, and they will be attached to the control system, the  
17 computerized control system. So, yes, they're automatic and  
18 there's 15 of them.

19 MS. NAPTON: Is this in addition to the automatic  
20 shutoff valves at pumping stations?

21 MR. JONES: No. That includes the four pumps, the  
22 front four pumping stations. So there's one at every pumping  
23 station, and then there will be 11 along the way.

24 MS. NAPTON: Okay. What safeguards will there be to  
25 prevent corrosion of the pipeline?

1           MR. JONES: So the exterior of the coating of the  
2 pipeline -- so the external corrosion will be addressed through  
3 two methods. First of all, it's this coating called FBE,  
4 fusion-bond epoxy. It's been a tremendously successful coating,  
5 and I described it earlier and I won't repeat that. And again,  
6 since 1980 we've never had an external corrosion failure because  
7 since we've started using this, it's extremely effective.

8           The second thing we do is we test that coating before  
9 it goes into the pipe, and then we also run the smart pigs. And  
10 on top of that, we have a cathodic protection system, which is a  
11 low-voltage current. So we take corrosion extremely -- it's a  
12 very, very high concern of ours and it's built design -- built  
13 right into our design.

14           With regards to internal corrosion, we have a  
15 specification with the product that goes into the pipeline so  
16 you can't have -- one of the concerns we've heard from a lot of  
17 folks today is with regards to the pipeline incident in Alaska.  
18 They've heard about the BP pipeline failure. It's tremendously  
19 different from what we're talking about, and let me explain to  
20 you why it's so different.

21           The oil that moves down this pipeline is not what they  
22 call raw crude. It doesn't come right under the ground and then  
23 into the pipeline. It is processed, and there's a specification  
24 for commodities to minimize any of those corrosive properties.  
25 But the most important thing is that we're moving in turbulent

1 flow. In other words, the oil doesn't have a chance to settle  
2 out or any corrosive properties have a chance to settle out.

3 The velocity of the oil is the same on the edge of the  
4 pipe inside surface as it is in the middle. So it's moving at  
5 such a speed that those internal -- potential internal corrosive  
6 properties cannot set up in there.

7 MS. NAPTON: I'm going to ask another question here.  
8 What is the sulfur content of the oil that will be going through  
9 the pipeline?

10 MR. THOMAS: The actual sulfur content on these crude  
11 oils can be in the range of 3 to 5 percent. That's elemental  
12 sulfur percent by volume.

13 MS. NAPTON: And I understand cathodic protection will  
14 prevent acidification inside the pipeline, or is that mistaken?

15 MR. JONES: Could you repeat that question? I didn't  
16 hear it.

17 MS. NAPTON: I'm sorry. Am I correct in assuming that  
18 you're saying that cathodic protection will prevent  
19 acidification of the sulfur inside the pipeline, or is that  
20 mistaken?

21 MS. KOTHARI: That's mistaken. So cathodic protection  
22 works in conjunction with the fusion-bond epoxy to prevent  
23 external corrosion.

24 With respect to internal corrosion, many of the  
25 techniques we've discussed, including in-line inspection where

1 the smart pig can detect internal anomalies inside the pipeline.  
2 In addition to that, Mr. Jones mentioned turbulent flow and the  
3 specifications with respect to solids and waters in the  
4 pipeline. So that specific would remediate against the internal  
5 corrosion.

6 A third thing that we can also do with respect to  
7 internal corrosion and acidification is to install  
8 corrosion-monitoring coupons on the pipeline to monitor low  
9 points in the pipe where potential water dropoff could occur.  
10 And, lastly, at those specific locations in culmination with the  
11 in-line inspection data and the turbulent flow provision, we  
12 could issue corrosion --

13 THE COURT REPORTER: Stop. Sorry. I'm losing you  
14 from the echo.

15 MS. KOTHARI: The third thing we can do is install  
16 corrosion-monitoring pumps at low points along the pipeline.  
17 And in addition to the data we collect from the  
18 corrosion-monitoring coupons and the in-line inspection logs, we  
19 can choose to inject corrosion inhibitors in the pipeline as  
20 well. So there's several methods that we could use to protect  
21 for internal corrosion.

22 MS. NAPTON: My final question is what safeguards will  
23 be in place to prevent a small leak from becoming a large breach  
24 given the pressure in the line?

25 MR. THOMAS: If I understood your question, prevent a

1 small leak from becoming a large leak?

2 MS. NAPTON: Yes.

3 MR. THOMAS: I guess certainly no leaks are  
4 acceptable, and I'll just go back to the operation of the  
5 leak-detection system. You know, there are these thresholds  
6 that we're able to detect in terms of leaks, and this is a --  
7 again, this computer-based model, that is used in conjunction  
8 with other systems, I'll call them. Volume balances, line  
9 patrols, odor reports you may get from landowners and so on so  
10 that, you know, all of these things work in conjunction to  
11 ensure that we do detect a leak, you know, just as quickly as  
12 possible such that they don't grow in the very sizes that you  
13 mentioned.

14 MS. NAPTON: Okay. So you're relying on finding these  
15 leaks and repairing them to prevent the small ones from becoming  
16 large ones; is that correct?

17 MS. KOTHARI: So I'll just explain a little bit about  
18 the mechanism. With crude oil, it's different than natural gas  
19 in that we're not compressing the fluid inside the pipeline,  
20 it's being pushed along. As such, there's no driving force  
21 behind an anomaly. So if there were a small leak, there would  
22 be -- in the event that that would occur, there are procedures  
23 in place to shut the pipeline down, as Brian mentioned.

24 So when that occurs, the pump station shuts down, and  
25 the pipeline would come to a full stop. There won't be any

1 momentum left in the crude to continue driving it and squirting  
2 out of the pipeline in that sense. So the physicality of the  
3 actual hole can't grow to the extent as if it were, you know,  
4 something that a lot of people have seen in the news with  
5 respect to natural gas pipelines where a small leak could become  
6 a very large explosion or rupture or driving force because it is  
7 a compressible fluid. Does that answer your question?

8 MS. NAPTON: Yes. Thank you. That's all. Thank you.

9 MR. CARL MADSEN: My name is Carl Madsen from  
10 Brookings. And you might say I have no dog in this fight, but  
11 actually I'm concerned about pipelines and other environmental  
12 potential problems and hazards no matter where they are in  
13 South Dakota and other states. And yet while I might not have  
14 land right here or be affected as most of these people are,  
15 every time I fill my tractor or my truck I'm using a pipeline  
16 someplace. And I will continue to need them like everybody else  
17 will here.

18 It's my hope that you'll find a way to put this in  
19 that's effective and protect the environment wherever it is and  
20 also it's fair and equitable to the owners of these lands you  
21 come across with a new line.

22 And I think the young lady (Inaudible) said a while  
23 ago that you will be bringing a new easement document, revised  
24 easement document back to the field. I just have one suggestion  
25 for that. If you would bring that back in draft form and have

1 some of these people who are directly affected by the easement  
2 review it at that point and give you some suggestions. I'm  
3 speaking on some personal experience with that. Thank you.

4 MS. SHEILA BLOMSTER: Sheila Blomster. I forgot to  
5 tell you my land is in the east half of Section 32, T-124 north,  
6 and R-59 west of Day County.

7 One of the things that our attorney tried to make us  
8 aware of also was when you are handed an easement that has to do  
9 with a limited partnership, that's a very important issue so you  
10 all want to explore that with your own attorneys because that is  
11 a very important issue.

12 The other thing is that we know that up to 30 million  
13 gallons a day of crude oil is going to go through this pipeline.  
14 So what they're offering each and every one of you with all the  
15 possibilities and risks to not only your land but your water  
16 systems, what they're offering you is their pittance in case  
17 something does happen. And there is always that chance that  
18 something will happen. So you really need to think very  
19 carefully before you sign the dotted line and take that money,  
20 whether you need the money or not.

21 There's only so much land in this country to provide  
22 food for the world, and my husband and I have recently done some  
23 studies about the international importance of food for the world  
24 down the road. You have no idea how quickly we could be in a  
25 food shortage in this world.

1           If you're doing any kind of research on your computers  
2 about the world situation and poverty and starvation and what  
3 have you around the world, and we have noticed in our travels  
4 the past few years so much land has been taken out of production  
5 in this country due to development. Everywhere we go. And  
6 there's only so much land left to produce food. That's another  
7 issue that needs to be considered. Because if something happens  
8 to the food chain, this country's going to be very important in  
9 the world.

10           And I understand Dave Wade's issues being general  
11 manager of BDM, especially in view of this limited partnership  
12 issue. And, once again, I would urge you to have your  
13 attorneys -- and if they do this revision of this easement, how  
14 about some of these people that have already signed and taken  
15 the money? We were at a meeting in Aberdeen recently and I  
16 asked right out I said, some guy raised his hand and said he  
17 took the money. I said, Why would you sign that piece of paper  
18 and take the money? He said because it was there and available.  
19 And he probably needed it.

20           Don't go that route. Think carefully. Research,  
21 study, learn. We have every bit of the information that's been  
22 given to us, my husband and I have read and reread from cover to  
23 cover. It's very important that you all do that.

24           And with that, I have respect for everyone here.  
25 Thank you for allowing us to express ourselves and our concerns.

1 We're not against the pipeline. I just don't want it to go  
2 across my mother's land, which is her only livelihood. So I  
3 appreciate the consideration of an alternate route instead of  
4 going across precious farmland that has been very productive for  
5 many years and will continue to be if just left as it is. Thank  
6 you.

7 CHAIRMAN JOHNSON: Thank you very much. We've had a  
8 break requested by the court reporter. So let's -- do you have  
9 just a very brief comment, sir? We're going to go ahead and  
10 take a break. We have a number of people that want to talk.  
11 Let's make sure we get rested and come back and get some other  
12 comments.

13 (A short recess is taken)

14 CHAIRMAN JOHNSON: All right. I think we're ready to  
15 get started again. Ms. Van Bockern's got the mic in the  
16 bleachers there. Go ahead, ma'am.

17 MS. CHRISTINE (phonetic) ANDERSON: Hi, my name is  
18 Christine Anderson over by Langford, and I talked to a few of  
19 the guys from TransCanada during the breaks. I do have a couple  
20 more questions. I would like to know when this pipeline's  
21 completed if you have an idea of what TransCanada's profit per  
22 year is going to be by leasing out your pipeline.

23 MR. JONES: An interesting question and a tough one  
24 for me to answer because when we look at -- as a utility, we  
25 look at the toll we're going to charge, it's dependent on a

1 number of factors. So, for example, how much it cost, final  
2 cost. We've got maybe one price, and we've negotiated a tariff  
3 for every barrel we move. We're not sure how many barrels we're  
4 going to move, so we're taking -- we're not certain of that.

5 So the answer to your question is we've looked at it  
6 over the 20-year period, and we believe that it is an acceptable  
7 return for our shareholders. And if you looked to historic  
8 returns for the utility because we pay a dividend, you know, we  
9 typically pay a dividend that would have a commencement return  
10 of somewhere between 7 and 12 percent. So it's pretty modest,  
11 and it's typically what utilities make, somewhere in that range.  
12 So I can't give you a definitive answer because there's too many  
13 variables.

14 MS. ANDERSON: Okay. Thank you. My next question is  
15 for the landowners, what's in it for them? You know, I mean,  
16 you said you're going to pay them a certain dollar amount or --  
17 for their land, for the easement and for future use. For the  
18 most part, they're going to lose use of that land. It could be  
19 forever if stuff doesn't come back and grow, their crops or what  
20 have you or pastureland, or we get a wet year and it caves in,  
21 they obviously can't plant. What can you tell us is going to be  
22 in it for us as landowners when you finish this?

23 MR. JONES: Again, I think we've tried to explain  
24 this, but the TransCanada Keystone project is going to require  
25 an easement. And that is very similar to acquiring fair market

1 value if we were to buy it fee simple. But instead of buying it  
2 fee simple, we only need the subsurface rights. So when we're  
3 finished with construction, the landowner continues to use the  
4 land as if we weren't there to begin with. So that's where they  
5 certainly are compensated. And I think we've talked about that  
6 at length.

7 As for in the event of a leak or a spill, you know, we  
8 are going to be responsible for cleaning it up and it's going to  
9 be back to productivity as it was before. And, you know, we've  
10 been trying to assure you that's the case. So, A, we absolutely  
11 don't want that to happen. We're in the business of pipeline,  
12 so it's not in our interest at all for anybody to experience  
13 these failures. And they're extremely remote, and they're not  
14 something -- we're doing everything we can to make sure it does  
15 not happen.

16 So what we've been trying to assure you of here today  
17 is that we're going to compensate you to acquire the land. You  
18 get to continue pleasure of the land after we're done. And if  
19 something in the remote case ever did happen, we would clean up  
20 the spill and restore it so you could continue to use it for  
21 farming or pasture purposes or whatever the original intent of  
22 the land was.

23 CHAIRMAN JOHNSON: Mr. Jones, I might follow up with  
24 Mr. Koenecke, or anybody else on your team that might understand  
25 South Dakota tort law.

1           If there were damage to an area that extended, you  
2 know, and I'm talking about during construction, extended beyond  
3 three years and the land could not return to productive use  
4 within that time frame, would tort law indicate that TransCanada  
5 would be liable for that?

6           MR. KOENECKE: I apologize, Commissioner. I was  
7 engaged out in the hall when the question was sort of framed up,  
8 and I've taken an extensive amount of guff from my crew about my  
9 tort law answer the other night so you'll have to bear with me.

10           If the question is, is TransCanada responsible for  
11 damages from spills, the answer is yes. Under state law and  
12 under tort law I believe that would clearly be the case.

13           CHAIRMAN JOHNSON: What about with regard to  
14 construction? It would be hard for me to imagine construction  
15 activity that would keep land from returning to productive use  
16 within a reasonable time frame. But let's imagine it. People  
17 have hypothetical questions, and when we can, I think it's good  
18 that we get an answer.

19           What if that plot of ground just did not grow anything  
20 as a result of construction activity from some number of years  
21 before?

22           MR. KOENECKE: I think that's clear in our commitments  
23 that we maintain responsibility for going forward for damages to  
24 property from construction activities and productivity. That's  
25 been our standard answer to the question all along. And to the

1 extent we haven't given it today, it's probably because it  
2 hasn't come up. But that's clearly been our position all along  
3 this week on that question.

4 CHAIRMAN JOHNSON: Thank you.

5 MS. ANDERSON: My final question is, is TransCanada  
6 prepared to exercise their eminent domain right should the  
7 landowners of every state involved choose not to sign your  
8 easement?

9 MR. GRAY: It's the policy of the company, and we'll  
10 make every effort to require the land voluntarily from the  
11 landowners. And I can speak from experience. This is the third  
12 project that I've done for TransCanada over the past 16 years.  
13 And the company will work with extreme measures to try and avoid  
14 what you described.

15 However, there are circumstances by which a landowner  
16 simply does not want us. And there are circumstances by which  
17 we can't reach commercial agreements. And under -- as I  
18 understand under state law in South Dakota, the project does  
19 have that right of eminent domain, and I would suggest to you  
20 under those circumstances we would utilize that right.

21 MS. ANDERSON: Thank you.

22 MR. JOHN SIEH: Ma'am, I'd like to be recognized. My  
23 name is John Sieh, and that's spelled S-I-E-H for some reason.  
24 Anyway, Mr. Chairman, and Commissioner Hanson, and Commissioner  
25 Kolbeck, I really wish to applaud you for holding these public

1 meetings. And I wish to address some comments.

2 I have no questions for those folks. I do have some  
3 questions for you folks. Because I think it's obvious that your  
4 role is to protect the interest of the folks in South Dakota.  
5 And I think it's a statutory role. I've got great respect for  
6 your staff attorney, Mr. Smith. I've known him for years, very,  
7 very competent legal advisor, so I guess I would feel  
8 comfortable with any advice he would give me. So I'm not in  
9 conflict with that at all.

10 I sat here and -- well, I tried to become informed  
11 about this. And I attended an information meeting in Aberdeen,  
12 and I listened to the TransCanada folks. I went down to  
13 Carpenter and listened to a meeting called by the landowners,  
14 and I listened to their concerns down at Carpenter. And I  
15 listened to the TransCanada people over there with interest.  
16 And last night I went down to the hearing or the public meeting  
17 at Clark. Very interesting meeting.

18 And I didn't ask to testify there because I wanted to  
19 get the impact of what is happening.

20 At 82 I have no claim for great wisdom, but I do claim  
21 that I've seen a lot of things happen. I've seen a lot of  
22 things succeed, and I've seen things that haven't succeeded.  
23 And I really feel that we have a great opportunity here to set  
24 some outlines for how we want development to happen in  
25 South Dakota.

1 I just about wore out this clip. This is my speech  
2 here. I spoke with Mr. Hanson briefly and I dropped it and I  
3 had to go back and retrieve it from the restroom. I almost lost  
4 my speech in there. But I woke up this morning, and I was  
5 thinking, well, now what do I really want to say? How do I want  
6 to address the Commissioners who have the authority and the  
7 integrity to put together some programs that will give us some  
8 help.

9 And my eye caught this great story about this wind  
10 project that you folks approved just two days ago or yesterday  
11 or very recently at White. A major, major wind project. And  
12 after going to these meetings and listening to the concerns of  
13 the landowners, it occurred to me that what a contrast. What a  
14 contrast between this wind project that everybody agrees is a  
15 great thing.

16 Commissioner Hanson found it in the paper, if you  
17 believe what the paper says, you can't always, but there's 400  
18 miles in South Dakota. Let's go. Let's get with it. And I'd  
19 have to concur; I think that's really a great resource. And we  
20 haven't exploited it near enough.

21 Contrast that with what we're worried about here  
22 today. I thought BDM -- well, I spent eight years of my life  
23 fighting the old trouble for what are we going to do about water  
24 resources. And we after following your example of holding  
25 public meetings, we held six hearings sort of like this. It

1 just wore us completely out. We took testimony until midnight,  
2 and it was -- and eventually we got the land acquisition. We  
3 put the Bureau of Reclamation under oath.

4 I want to tell you this little anecdote. The meeting  
5 was at -- I was going to say Highmore. It wasn't Highmore. It  
6 was the town of Blunt. Blunt. Forgot the name of the town.  
7 They had a beautiful auditorium like this. And, my goodness,  
8 hardly anybody lives out there. Very sparsely populated. Yet  
9 the auditorium was full. And it was a land-acquisition hearing.  
10 And our board decided to put everybody under oath. And the  
11 lawyers had a big argument over whether we had authority to do  
12 that or didn't have authority to do that.

13 Anyway, the witnesses come up to the table and they  
14 said, Well, we don't mind, we'll swear under oath we'll tell the  
15 truth. And the bureau man that was representing the  
16 land-acquisition teams that caused so much consternation in that  
17 area, he said, Well, we have no problem -- we don't really need  
18 to take the oath because we always tell the truth. And that was  
19 our government. And the people laughed.

20 And, you know, I almost shed a tear. It was an  
21 emotional experience for a lot of us to have the people laugh at  
22 the Government, at a Government official that says he always  
23 tells the truth. That was an emotional hearing. And there's  
24 some similarities of what I've been hearing. And the next  
25 hearing you're going to have, the legal one, is one that

1 everybody ought to go to. They ought to participate and get  
2 under oath and tell the truth. And allow you folks to have some  
3 solid information that you can count on to make the decisions  
4 that you've got to make in order to protect us.

5 So I couldn't urge people any more than that.

6 Personally, my interest is we have a little rural arts  
7 center, and the only source of water is BDM. I moved into  
8 Groton, and our source of water is WEB. And on the farm it was  
9 BDM. And it's the only source we had.

10 One thing I want to try to paint a picture to you  
11 Commissioners of how important rural water is to this area and  
12 to all of South Dakota. This area has always had an abundance  
13 of water, but it hasn't been drinking water. It's saline. It's  
14 awful. If you ever remember how Webster water tasted before  
15 they got -- eventually got WEB through and they got WEB Water,  
16 the Government even spent I don't know how much money on a  
17 saline plant to try to convert that water through the saline  
18 plant. Well, that lasted a few years, and then that folded  
19 because it wasn't practical.

20 Drinking water is chained to the economy of this whole  
21 entire area. Now the best way to protect -- well, I don't know  
22 what the best way to protect the Sioux Falls aquifers is. Maybe  
23 the best way is to protect all the other aquifers. Because it's  
24 the same thing. It's exactly the same thing.

25 Gentlemen, I don't know for sure if you have the

1 authority -- I think that you do. I'm guessing that you could  
2 take them to Court. Because I think you can put conditions on  
3 these people over here before you approve the permit. You could  
4 say, for example, I think, that we have to set up a trust fund.  
5 We have to set up a trust fund on whatever site you choose,  
6 whether it goes down the Interstate or it comes through here or  
7 wherever it goes, that the county Commissioners control. Not  
8 the State of South Dakota. It's too far away.

9           The problem is the manager of BDM said, What happens  
10 when the water is cut off? What do we do? How do we pay for  
11 it? Why should it be a responsibility and financial liability  
12 of the State of South Dakota, even, to handle something like  
13 that? So why couldn't a condition be that, they talked last  
14 night about there are fees with this postage stamp. Well, how  
15 about taking a postage stamp fee in this common carrier and put  
16 it in a trust fund to the area that's available to the local  
17 people?

18           Now we can't be naive. We all know better than --  
19 it's impossible for some landowner out here in Day County or  
20 anywhere, Clark County or anywhere, to sue any large corporation  
21 that has lawyers and lawyers and lawyers. And arguing about the  
22 law protecting -- the law is interesting. You've all seen how  
23 the law works. It works real well to the folks who got lots of  
24 money and lots of influence. But it doesn't work so well for  
25 the little guy.

1           And these trust funds ought to be available so that  
2 you don't have to sue. Why should you have to sue? They say,  
3 well, it's our responsibility. That's words. That's not money.  
4 And those folks may be the best-intentioned people in the world,  
5 good Christians and go to church every Sunday, but once this is  
6 built you're never going to see them again. You know that, and  
7 I know that. We're going to be left with that. If it's a good  
8 project, it's going to be great, and if it isn't, then we're all  
9 going to be paying the consequences.

10           And, unfortunately, I don't happen to be in the  
11 position that you folks are in or the position that a lot of us  
12 are kind of putting you in. That you are the ones that can  
13 straighten this out. You're the ones that are going to have to  
14 take the lead to monitor all of this stuff once you get the  
15 areas and get the evidence in and compile a road that makes  
16 sense to South Dakota.

17           The Governor's the best-intentioned man in the world.  
18 He wants economic development. But when he says the Gorilla  
19 thing is going to be green, that's almost beyond -- I spent too  
20 much time down in Houston vacationing out there on the island.  
21 Boy, I've got to see that one. I've got to see a green  
22 refinery. So that's going to take an awful lot of convincing  
23 for people like me to buy that one.

24           Now if it's really going to be green. Now maybe it  
25 has to be someplace. Maybe it has to be there. I don't know.

1 I don't know that I'm qualified to comment too much on that.

2           Except one thing. 18 years of experience tells me  
3 that it is (Inaudible) and anybody who thinks it isn't believes  
4 in Santa Clause. Because we've got an oil refinery being  
5 proposed that has no oil. As far as I know, I never heard of  
6 any oil down in Elk Point or down in Sioux City. So what do I  
7 see? I see the need for a pipeline and a good substantial  
8 pipeline.

9           Now if TransCanada is successful in getting their  
10 corridor through South Dakota, why in the name of heaven would  
11 Gorilla ever go build another one? Because I was just as naive,  
12 and that's why these meetings are just excellent. We're all  
13 learning a great deal. And out of some of this information I  
14 think could come a solution. But I actually thought there was  
15 only one pipeline. I didn't know that they were getting  
16 easements that allowed more than one, or six or eight or a  
17 couple more if Gorilla needs.

18           You guys are in the business of being a common  
19 carrier. Gorilla says, hey, we need a pipeline down from  
20 Canada. You guys will say, well, we'll build it, we've got the  
21 corridor. And what are they going to say to you guys? They're  
22 going to say, sorry, boys you signed the easement. You already  
23 signed away your rights. You didn't go to Pierre or put any  
24 legal questions that had to be answered, you just gave it away.

25           You know, in World War II when Hitler moved into --

1 this is kind of being old. I shouldn't do this, but when he  
2 moved into Norway, these good Norwegians had their quislings and  
3 they were harshly treated after the war. What I'm trying to say  
4 is that we have to look to our neighbor. We can't push things  
5 off on somebody else. We've got to try to make the thing work  
6 for everybody if we can.

7           So why can't these farmers -- and this is such a great  
8 project. I have a banker friend at Ballonton (phonetic),  
9 Minnesota. They've got a lot of these in that area. And he  
10 says his customers that borrow money at the bank receive a nice  
11 annual income from these wind sharks. That's wonderful. Why  
12 can't these landowners receive an annual compensation? Why  
13 can't they get that postage stamp, a share of that postage  
14 stamp?

15           Look folks, we're talking about people that have  
16 billions of dollars, billions of dollars. Let's look out after  
17 our own people. If they need this, they'll pay for it. That's  
18 the capitalistic system, as I understand it.

19           And I guess I feel confident that you guys will do a  
20 good job. I really do. I've watched -- I don't know if all of  
21 you do that well, but I've watched Commissioner Hanson's  
22 administration in Sioux Falls for years, and I always thought he  
23 was pretty wise, you know, in the way he handled matters. I was  
24 impressed the way he handled it. The rest of you guys, I don't  
25 know you that well. Make a believer out of me.

1           But I have confidence that this Commission can do this  
2 job. But you have to be independent. I think you've got a  
3 runaway over there. If I was you, and of course I'm not, but I  
4 guess I'd reel them in. I'd say, look fellows, you get those  
5 guys that are out trying to get easements off the road until we  
6 get this thing ironed out. That's not fair to let them send  
7 people out to sign up people that apparently are binding  
8 easements that can't -- they won't give them back. And you  
9 haven't issued a permit yet. To me, that's a (Inaudible), and I  
10 think they need to get reined in. Just how, I'm not sure. But  
11 this doesn't look too good to me that you've got them running  
12 out ahead of the Commission.

13           I was appalled at some of the testimony in the south  
14 where people were saying that the Commission had a slam dunk. I  
15 don't believe that. I don't think this Commission is a slam  
16 dunk at all. I think you're going to look at it and you're  
17 going to be objective and it's going to be tough. I feel for  
18 you. And I wish you well. Thank you for the chance to speak my  
19 mind.

20           COMMISSIONER HANSON: Mr. Chairman, may I respond  
21 since they were directed at us and since I think my mother paid  
22 him to say a couple of things?

23           Thank you very much for your questions and your kind  
24 words regarding the Commission. There's been a lot of  
25 consternation expressed by the audience, and I suspect there

1 will be considerable more expressed yet this afternoon, if it  
2 doesn't get into this evening, in regards to the potential  
3 hazards to the -- to aquifers and to water resources in this  
4 area.

5           And I just want to assure you from my standpoint and  
6 my experiences, I was a member of the board of directors of the  
7 South Dakota Rural Water Association. I was president and  
8 chairman of one of the largest water -- rural water businesses  
9 in the state, that's the Lewis and Clark Rural Water System.  
10 It's one of the largest. It transcends Minnesota, Iowa, and  
11 South Dakota areas. And it's now under construction.

12           I was utilities commissioner for the City of  
13 Sioux Falls for two terms and was responsible for the day-to-day  
14 operations of providing water for well over 130 -- 140,000-plus  
15 people. So I'm intimately familiar with the challenges of  
16 providing water.

17           During that period of time, there was -- there were  
18 oil spills that I had to deal with. There were both from the  
19 standpoint of petroleum products that were going through  
20 pipelines, as well as challenges with stored petroleum products.  
21 So I am quite familiar with those challenges. And I want to  
22 assure you not just from my own personal standpoint of my  
23 experiences but my experiences with my fellow Commissioners,  
24 recognizing the character of the two people that I serve with on  
25 the Commission, that I know fully well that your concerns will

1 be very well examined, thoroughly and responsibly considered,  
2 and that they will not dismiss likely any of the concerns that  
3 have been expressed here.

4           Additionally, I have been impressed since I came on  
5 the Commission nearly five years ago with the quality of the  
6 staff that we have on the Commission. And I hope that we can  
7 only at least at this juncture express to you that we are, as  
8 Chairman Johnson stated, towards the beginning of this  
9 structure. There's a considerable more process to go through.

10           Don't feel or believe that because we have sat here  
11 not asking questions that we don't have questions and that we  
12 will not be asking a lot of them. Because those hearings and  
13 those processes will take place later. But I want to assure you  
14 that from my experience with the folks that are seated here and  
15 the folks that are representing you, that all of your  
16 considerations -- all of your concerns will be given the  
17 greatest consideration.

18           COMMISSIONER KOLBECK: And as Commissioner Hanson was  
19 speaking, it occurred to me that, yes, you don't know me very  
20 well so maybe this would help ease your mind. I come from the  
21 utility background. I've worked for a utility for 13 years,  
22 been involved with them over 15 years. I know how to run a  
23 backhoe. I know how to run a trencher. And I buried a hell of  
24 a lot of cable when I did that. So I'm familiar with dirt  
25 ground farmers reclamation, why a trench falls in, how you can

1 make it so a trench doesn't fall in and things like that.

2           While I was working for utilities, I was city  
3 councilman for the City of Brandon. We ran the water system.  
4 We have an aquifer underneath in Brandon. I'm familiar with the  
5 pumps, the wells, the treatment. We ran that business, and I  
6 learned a lot about that.

7           So that experience will help me make a decision, maybe  
8 put your mind at ease of the qualifications that we have.  
9 Commissioner Hanson has a tremendous amount of knowledge, as  
10 does Commissioner Johnson. And I've got some input too on  
11 the -- some days I wish I was still in my bucket truck. Most of  
12 the days is a good day. So maybe that could help set your mind  
13 at ease.

14           CHAIRMAN JOHNSON: Thank you very much, Commissioners  
15 Hanson and Kolbeck.

16           Ms. Van Bockern, where are you? All right. Go ahead,  
17 Ms. Anderson.

18           MS. ANDERSON: Has the PUC seen a predraft of the  
19 environmental impact study?

20           CHAIRMAN JOHNSON: I have not.

21           MS. ANDERSON: The statement was made last night that  
22 the EIS, the first half would be out in July and the last half  
23 will be out in December. Is that correct?

24           CHAIRMAN JOHNSON: I don't know that. We can  
25 certainly turn to the Applicant and see if they have more

1 information on that EIS timeline.

2 MS. ANDERSON: Well, we request that no decision be  
3 made until the preliminary EIS is complete and the comment  
4 period is closed, and the final version is complete and that  
5 comment period is closed also.

6 CHAIRMAN JOHNSON: Thank you very much for the  
7 suggestion. That's certainly something we'll consider.

8 We faced a similar issue with the Big Stone II project  
9 near Big Stone City, and because of our statutory timeline, we  
10 have a deadline. And the EIS, often an environmental impact  
11 statement takes longer than a year. And under state law we have  
12 to render our decision within a year. So we obviously want as  
13 much information as we can get before making a decision, and  
14 we'll certainly do what we can to take your suggestion into  
15 consideration. Thanks.

16 MR. RANDY SCHURING: Randy Schuring, Andover,  
17 South Dakota. As I sat here today listening to some of the  
18 comments, I jotted down some notes to myself. And, first of  
19 all, I'd like to thank the PUC for the opportunity given us here  
20 today to express our feelings and ask questions of the people  
21 that are concerned here.

22 One of the questions that I want to direct to the PUC  
23 deals with the permit. Does the permit specify that this is for  
24 crude oil only, or can at a later date a refinery be built in  
25 Canada and the product change in the line?

1           CHAIRMAN JOHNSON: I'll take the first shot and then  
2 certainly Mr. Smith, Mr. Rislov, and my colleagues can correct  
3 me where I'm wrong.

4           There is no permit per se. I mean, there's nothing  
5 where we just pull a standard form off the shelf. The permit  
6 comes in the form of a legal order which we write and which  
7 presumably if we were to agree to have the pipeline built would  
8 have a number of conditions. And certainly one of the  
9 conditions that could be placed on the pipeline might be what  
10 type of hydrocarbon products would be able to flow through  
11 there.

12           Mr. Smith, Mr. Rislov, Commissioners Hanson, Kolbeck?  
13 Okay.

14           MR. SCHURING: At some of the public meetings I  
15 attended, TransCanada had expressed that the different products  
16 would flow within the line and different pressures and have --  
17 concerning leaks and hazards, each one of those would have its  
18 own specific qualities.

19           My next question that I heard a lot here today, I will  
20 direct this probably to TransCanada. We've heard a lot here  
21 today about leak detection, but nothing about the time involved  
22 in correcting if any leak should occur. Response time I guess  
23 would be what I'd like to refer to.

24           We have some very unique conditions in South Dakota  
25 and some of them have expressed the amount of water that we had

1 in the area in recent years. I know in our area, there were  
2 times in the spring where they could not get to the middle of  
3 the section to repair a line. In the wintertime, it might be a  
4 blizzard.

5           What percentage of a leak does it take -- I know time  
6 is money. What percentage of a leak does it take before you  
7 would shut the line down? Would any percent, a half a percent  
8 or less cause you to shut the line down? If the conditions were  
9 adverse to get in to repair it, would you need a boat to get to  
10 it? I guess I'm concerned. We can talk a lot about detection,  
11 but we don't talk anything about response time.

12           MR. THOMAS: I can say with absolute certainty that  
13 from a leak perspective, no leak is acceptable to TransCanada.  
14 The procedures that most of the operators will utilize will  
15 always be to err on the side of caution in the case of a leak.  
16 Our procedures will be to shut the system down in the event of  
17 any sort of suspected leak and perform the verification  
18 thereafter. So, you know, under no circumstances will there be  
19 operation of the pipeline with knowledge of a leak.

20           MR. SCHURING: That regards to the size of the leak?

21           MR. THOMAS: Absolutely.

22           MR. SCHURING: So in a technical sense, it shuts down?

23           MR. THOMAS: Absolutely.

24           MR. SCHURING: Okay. And in some cases, I know this  
25 spring, it might have been a week or 10 days before you can get

1 out there to repair it. Is that acceptable for you with you  
2 guys that it would be a week or 10 days if you can't get to the  
3 location?

4 MR. THOMAS: Well, you know, that would be very  
5 unusual that it would take us that long to get there. You know,  
6 I -- if it took that long, the line is down up until the repairs  
7 are made, absolutely.

8 MR. SCHURING: I would suggest that it could be that  
9 long. Donny Hanson (phonetic) addressed today earlier there's a  
10 quarter section of -- quarter section that's under water up here  
11 and physically could not get out to the equipment to dig the  
12 line up. And, you know, in that case, you would have to be  
13 prepared to have your line down for several days. And I don't  
14 know that that's acceptable for big business because time is  
15 money.

16 So I would take your word for it that you would shut  
17 the line down until proper repairs could be made. But it  
18 didn't -- I understand, you know, the dozen or so people you  
19 have here are not your field people. And I might suggest that  
20 you travel some of this area sometime to see what kind of  
21 conditions you might be working in before you make comments in  
22 public because it isn't quite that easy out there to get to some  
23 of these locations.

24 And my other comment that I'd like to make, and Buster  
25 made this comment, that he'd like to have one uniform piece of

1 paper or contract. I know in our area that several of the field  
2 agents have contacted some of the landowners. And a lot of it's  
3 been done to absentee landowners, and they've gladly accepted  
4 the payment that you have offered to them.

5 But part of the problem that I see is that with the  
6 discussion that's taking place here today, and several of us  
7 know about this problem with the easement document, and you have  
8 acknowledged that you're looking at some revisions in it, I  
9 think the field agents should not be out securing additional  
10 easements until those problems are addressed.

11 And as a good-neighbor policy and good faith, I think  
12 it would be wise for you people to go back to those easements  
13 that are already signed and readdress that issue with those  
14 people to give them -- you know, if there's a problem with the  
15 document now, there's a problem with the document when they  
16 signed it.

17 I think in good faith, you should go back and  
18 readdress those issues with those people instead of having a  
19 legal document that you can sit on. Demonstrate to us, the  
20 public, that you're going to do this and be a good neighbor and  
21 address those issues with the people who have already signed  
22 them. Do it in good faith.

23 I don't know that any of us -- I have a son that  
24 toured two tours in Iraq already. I'd rather rely on Canada for  
25 my energy than the Middle East. I think there's a lot of people

1 here that are not necessarily opposed to the project, but we  
2 want it done right. And I think that demonstrating some of  
3 these things in good faith would go a long way as far as the  
4 public is concerned.

5 MR. JONES: There were a number of questions there,  
6 and I'm going to try to do my best to be responsive to answer  
7 them.

8 TransCanada has been in the business for over 50  
9 years, and I want to assure you that the conditions that you  
10 have here in South Dakota, we are extremely comfortable in being  
11 able to operate and respond to any incident. We work in  
12 northern climates, extremely wet climates, rocky climates all  
13 over North America. So we understand that when we think about  
14 emergency response, we prepare a plan for emergency response.  
15 We have to be responsible for the impact of weather as well and  
16 road conditions.

17 And of utmost importance to us is protecting the  
18 environment and the safety of our employees, our contractors.  
19 So we're going to train them so they're going to be able to  
20 respond in any type of weather conditions and be very, very  
21 effective and respond as quickly as possible. My history in  
22 operating crude oil pipelines, there is in the worst of  
23 conditions, we will do our best to get there as soon as  
24 possible.

25 The question on the easements. I want you to

1 appreciate that we're trying to make the language easier, but  
2 the intent of the easement isn't any different. And so the  
3 wording and changes that you're going to get are more of an  
4 understanding and less complexity.

5 I am not a lawyer either, and when I read them they  
6 are extremely -- very much a legal document and they are a  
7 challenge to read. Our land agents are committed to sit down  
8 with you and go through every one of those documents line by  
9 line. So I want to assure you that, you know, we're going to do  
10 our best to make sure everybody understands the language of the  
11 easements.

12 MR. CHRIS HASTINGS: Chris Hastings, Day Township,  
13 again. There are a number of landowners who have this question  
14 who have not probably spoke up and I'm just going to go ahead  
15 and get to it and ask it.

16 If I want to rent my neighbor's land, I have to have a  
17 contract with him and pay on a yearly basis. If there's anybody  
18 in here who would like me to pay them once for a perpetual  
19 easement to acquire their land, they can come talk to me about  
20 it.

21 I guess what I want to know is why a perpetual  
22 easement does not have a perpetual payment. It just seems like  
23 it will be the fair thing to do. I know, Buster, you'll stand  
24 up and tell me you're not bound by law to do that. But it would  
25 be under a good-neighbor policy to do so.

1           MR. JONES: Our acquisition of easement is equivalent  
2 to acquiring the land fee simple. And sorry, I'll try and speak  
3 slower. So we're going to try and acquire that land.  
4 Obviously, we wish to acquire your land. And we are not -- we  
5 only need subsurface rights. You can continue to enjoy the  
6 livelihood of the use of that land after we finish building the  
7 pipeline, so that is why we're asking for that one-time payment.  
8 If we cause any further damage, we will compensate the  
9 landowner.

10           MR. RICHARD HASTINGS: Richard Hastings. There is not  
11 going to be a pumping station in Marshall County. There will be  
12 one just in North Dakota. And I guess I'm probably going to be  
13 the closest one to it. Do you have any idea the noise level  
14 that this will create? Don't tell me the decibels or whatever.  
15 Tell me something I can kind of understand.

16           MR. JONES: Yes, we can. Hold on.

17           MS. TILLQUIST: The 55-decibel limit we're talking  
18 about is comparable to a car traveling 40 miles an hour 100  
19 meters so -- yes, that's 330 feet away from you. That would be  
20 the comparable noise level.

21           MR. RICHARD HASTINGS: I would be about a mile and a  
22 half as the crow flies. Do you have any idea what that would  
23 turn out to be?

24           MS. TILLQUIST: The 55 limit is at the nearest noise  
25 receptor, and noise goes down line very quickly. So the further

1 you are away, it doesn't decrease directly, it goes down  
2 dramatically each foot you go away. So, you know, it would be  
3 dramatically lower. A mile and a half.

4 MR. RICHARD HASTINGS: Any idea what it would be like?  
5 Basically a car going down the road a mile or two away?

6 MS. TILLQUIST: Yeah. I would suggest that at that  
7 distance you probably will not hear it and it will be in the  
8 background noise that you just wouldn't be able to detect it.

9 MR. RICHARD HASTINGS: Hopefully. Thank you.

10 MS. CHRISTINE ANDERSON: Christine Anderson again.  
11 You said a few minutes ago that the easement revisions you're  
12 going to make are going to be easier to understand but basically  
13 there's going to be no changes made; is that correct?

14 MR. GRAY: What I would say, I don't know if it's a  
15 better description, is certainly when I talk in terms of  
16 complexity, making it simpler. But we've certainly heard  
17 feedback this week concerning issues, well, if -- and I'll have  
18 the gentleman to my right get the terminology, waivers and  
19 various issues that we've heard from landowners this week. And  
20 I suggest to you an internal discussion on some of those, so  
21 substantively what -- what we've been trying to -- it's kind of  
22 like we're responsible for what we do and you're responsible for  
23 what you do. And we're trying to get that into a language  
24 that's much clearer than what we've got in our current document.

25 People have expressed concern I think with the word

1 "generally" a 50-foot easement. And I think we're -- I think  
2 the agents considered removing the term "generally." There are  
3 a couple of other items -- do you remember, Jim?

4 MR. WHITE: Yes. My name is Jim White. I'm one of  
5 the attorneys for TransCanada. The primary areas of concern  
6 that have been identified with the easement are in the area of  
7 liability and indemnification. And those provisions are  
8 currently under review.

9 And while no decisions have been made on exactly how  
10 the final form will look, I would suggest there's going to be  
11 significant weighting of the value of those provisions currently  
12 in the easement versus the ability to convince people that the  
13 easement is a reasonable document. So it's at least conceivable  
14 at this point that there could be subsequent changes to both the  
15 liability and the indemnification provisions of the easement.

16 MS. ANDERSON: Okay. Thank you. I do have one more  
17 question. It's in regards to that again, and again I need  
18 clarification. You did state that you -- that TransCanada is  
19 willing and prepared to exercise the eminent domain should the  
20 landowners choose not to sign. And is that correct?

21 MR. GRAY: It is -- what I described earlier is that  
22 is correct. And I still would emphasize it is our desire to try  
23 to negotiate with good faith to reach an acceptable agreement.  
24 It is not in the best interest of this company to utilize  
25 eminent domain rights unless there's just no other way.

1           And it's not -- we have to deal with you for the next  
2 40 to 100 years and it's just not the best policy of this  
3 company. And this company's going to work to avoid that  
4 situation. But if it cannot, it will use the right of eminent  
5 domain.

6           MS. ANDERSON: And I just have one last comment on  
7 that. You might want to stay standing up. So basically what  
8 you're telling us is you are going to try and work with us,  
9 granted, but in the ultimate end we have no choice as landowners  
10 unless our PUC or some other Government form is going to step in  
11 and say we are here to protect our landowners? Is that correct?

12           MR. GRAY: Is the characterization, you know, of no  
13 choice and, you know, I'm not here to -- I've worked in this  
14 industry for 30 years and in the utilities, and the provision of  
15 whether it's oil or gas or electricity or water, for that  
16 matter, are these are utilities for public good as a whole. And  
17 these laws were created many, many years ago before I came along  
18 because we determined we needed highways and power lines and  
19 pipelines.

20           And over the course of time, if you didn't have these  
21 rights, Interstate highways would never have gotten built in a  
22 straight line and various things. So in the interest of the  
23 public good, these laws are set up to take care of situations  
24 where we simply cannot reach agreement. And I believe the laws  
25 have served our country and our nation well from a personal

1 point of view.

2 But you are correct, I guess, in your phrase of the  
3 terminology in that particular instance we would exercise that  
4 right. And again, when you say "no choice," we believe the  
5 good-faith process gives us the best opportunity to eliminate  
6 that. But if nothing works, I would suggest I would agree with  
7 your comment. There's no choice.

8 MS. ANDERSON: Thank you for taking my questions. And  
9 as a last comment, I'm really sorry to hear you say that, and I  
10 hope our PUC maybe looks at that and takes that into  
11 consideration and also takes into consideration for the other  
12 landowners.

13 MR. DONALD CHERA: I'm Donald Chera (phonetic). I  
14 live northwest of town here, and I'm in this aquifer that  
15 they're talking about and I'm also a BDM user. And I think it's  
16 time for us to accentuate the positive.

17 I see David Wade is still here. I think I have a  
18 solution for you, David, for your problem. I think every  
19 landowner that was here today has a gumbo of problems. And I'm  
20 sure that they would be willing to trade a load of gumbo for  
21 some good sandy home soil. And so if you had a truck hauling in  
22 gumbo and put around this pipeline, if you've ever been around  
23 gumbo you know when it's drying hard you can't even put a pick  
24 ax in it. That will eliminate some of his problem with his  
25 aquifer wherever this aquifer goes through the pipeline. And

1 that's enough on that subject, I guess.

2 I got another question. Out of you 12 people there,  
3 I'd like to see hands of how many of you were raised on a farm  
4 or ranch. Okay. You people should know better. When you're  
5 talking to farmers, you should have a jug of crude oil right  
6 here so they can tip it up and down and look at it. You should  
7 have a piece of your pipeline right here so they can put their  
8 hands on it and feel it and see what it's like.

9 If one of you come out to me to sell a tractor, why,  
10 I'm not going to buy that tractor until I get my hands on it.  
11 Or if you were going to buy some corn from me or some livestock  
12 off of me, why, you would want to sample that corn, you would  
13 come out and look at the critters and see what they look like.  
14 But that's the mentality that you're dealing with here. And I'm  
15 sure it would help you quite a bit.

16 That's enough said.

17 MR. JONES: Sorry. Just like to be responsive there.  
18 We do have a sample of the pipe here for you to have a look at.  
19 As for bringing crude oil in, since 9/11 you can't bring  
20 hazardous materials on airplanes so it's (Inaudible). But with  
21 that being said, I guess we took the assumption that people knew  
22 what crude oil looked like. But you're right, a sample of crude  
23 oil would have been a good idea. But for the pipe, we do have a  
24 sample here for you to look at.

25 MR. RON JARRETT: I'm Ron Jarrett. I own one quarter

1 of land this pipeline is proposed to go across in Dayton  
2 (phonetic) Township. My question I think would be -- or comment  
3 would be to the PUC board. I have raised this question to  
4 Mr. Jones during the first break. They talk about all the laws  
5 and that that they're -- force them or obligate them to take  
6 care of any spills or anything like that.

7 Now if their company is sold, I'm certain that they  
8 are under those same laws. I would charge the PUC Commission to  
9 investigate and make sure that we are covered under those laws  
10 to make sure that they will fulfill the obligation that they are  
11 commenting that they will.

12 CHAIRMAN JOHNSON: Mr. Jarrett, we will absolutely do  
13 that.

14 MR. CLARK MOECKLY: Clark Moeckly again. Back to the  
15 easement questions. As long as we're revising the easement, I  
16 would appreciate you to look at we have heard today we are  
17 constructing one pipeline. Have we all heard that? One  
18 pipeline. Make the document say one pipeline.

19 We've also heard that this pipeline's to be  
20 constructed how deep? 4 feet. It's not to be on, it's not to  
21 be over, it is to be under, not across a strip of land 50-feet  
22 wide. Please revise it so it states what's going to happen.  
23 We've heard that many times, it's going to be 4 feet  
24 underground. Put it in the paper.

25 MS. SHEILA BLOMSTER: I can't remember if I mentioned

1 this. I'm Sheila Blomster once again. But I did receive a  
2 lengthy letter from them about the revisions that we asked for.  
3 And there was 10 different points that our lawyer asked for  
4 slight modifications in the easement. But at the beginning of  
5 nearly every one of them, it says "We respectfully disagree."  
6 And these were simple modifications to better protect my  
7 mother's rights and land.

8 And then it talks about with respect to your  
9 modification concerning the number of pipelines, Keystone would  
10 prefer to maintain the right to have multiple lines. It's right  
11 in the -- in the number one modification that we asked for.

12 And I have a letter here and there's 10 modifications  
13 and they did not accept any of those modifications. So when I'm  
14 talking about making modifications, I hope that you people will  
15 speak up because those things are very important and need to be  
16 addressed.

17 Also, there was something else that I wanted to talk  
18 to you about, but now I can't think of it right at the moment.  
19 But if it comes up, I'll raise my hand again. Thank you.

20 COMMISSIONER KOLBECK: Ma'am, you're reading off your  
21 notes there. Would you like those submitted and then they'll be  
22 on the Web?

23 MS. BLOMSTER: I would.

24 COMMISSIONER KOLBECK: The notes that you're reading  
25 off of.

1 MS. BLOMSTER: Well, it's just notes about the  
2 easement that was modified.

3 COMMISSIONER KOLBECK: I meant your personal comments.  
4 I thought you were reading off a personal comment list. I'm  
5 sorry.

6 MS. BLOMSTER: No, no.

7 CHAIRMAN JOHNSON: And with regard to the easement, we  
8 have had somebody here today give us a copy of the easement so  
9 that is in the record. Is that right, Mr. Smith?

10 MS. BLOMSTER: I have both the original, and then I  
11 have the one that was sent that our lawyer sent. I have a copy  
12 of the one with the modifications.

13 CHAIRMAN JOHNSON: We don't have your letter. If you  
14 want it to be a part of the record, certainly feel free to give  
15 us a copy of it. Thanks.

16 MR. JOSH KRAFT: My name is Josh Kraft, and I'm from  
17 Britton. One point of clarification for myself. You guys  
18 apparently operate crude oil pipelines, or is this your first  
19 one? Somebody had said you have all natural gas currently.

20 MR. JONES: We have had to respond to that question  
21 before. TransCanada's owned and operated a number of pipelines  
22 over the past 50 years. We constructed and designed and built  
23 the Express pipeline which was built approximately 10 years ago.  
24 We subsequently sold that line. We also operated a pipeline in  
25 Columbia called OCENSA. We were part of the design,

1 construction, and operation of it as well, and we sold that.  
2 And the reason we sold them is that our shareholders determined  
3 it would be better, and our senior management, that we stay in  
4 North America.

5 We are now starting to look back at liquid oil  
6 pipelines, and that's why we took the Keystone project. So we  
7 have over the 50 years -- I just mention those two. There's  
8 other ones as well and they're smaller and I don't want to  
9 mention them because they're in Alberta. So we have designed,  
10 constructed, and operated pipelines. Yeah.

11 MR. KRAFT: So this is the first one right now. This  
12 would be the first one currently, and the ones you had are no  
13 longer with you.

14 MR. JONES: That's right. We sold them, and now we're  
15 back in this again.

16 MR. KRAFT: Just a couple other points, I guess, to  
17 reiterate some that have already been mentioned. First, Clark  
18 early on, I was at that meeting also. There was 25 basic  
19 questions from, well, a group of us, and I was wondering when we  
20 would expect to hear back on that.

21 And the other thing is that as I hear you gentlemen in  
22 front, I feel as if the horse is behind the cart here. We're  
23 kind of in the dark on a few of these issues, and it would help  
24 us to negotiate with you, so to speak, if you would answer some  
25 of these basic questions.

1           And it seems to me, I know there's a lengthy process  
2 here, but we will have to rely heavily on you gentlemen to --  
3 we're voicing our opinion, and have to rely on you to do what it  
4 takes to make sure everything's kind of taken care of. And I'm  
5 glad to hear about the experience.

6           Because the water thing, for me, I have a little piece  
7 of land that it goes through and, quite honestly, if there's an  
8 oil spill and it only wrecks my quarter, it would probably be a  
9 blessing because the bigger picture is the water deal. And like  
10 David was saying, when it goes through the middle of the aquifer  
11 and he had a few suggestions and maybe they're not practical or  
12 won't work or maybe they permit a bunch of other problems.

13           But I would like to hear first is, well, the rules say  
14 check every five years. Well, I can check my tires every five  
15 minutes, and I can blow one within three to five minutes. What  
16 bothers me if there were a problem with a contaminated aquifer,  
17 I'd like to hear that, oh, yeah, it did leak but it didn't wreck  
18 anything. We caught it or it got caught in some kind of a  
19 safety net. Not (Inaudible) check a little more thoroughly a  
20 few more times a year and hope we catch it. That to me wasn't  
21 really a fix. It's preventive maintenance but you're still  
22 going to have a break potentially, or the potential is there.

23           So I'd like to hear about the safety net. I agree  
24 with David and Mr. Weber, you'll hear from him later. I can see  
25 the point, they have a lot of folks in a public forum and

1 they're going to have their conversations with you folks off the  
2 record but they'll have to answer to a lot of people that want  
3 to hear what the results are. And so that's one deal.

4 And the other thing in regards to the easements, if  
5 you have 40,000 landowners that you currently work with, it  
6 seems to me like the one-page document should be written pretty  
7 darn straightforward if you've done it 40,000 times. So it's  
8 interesting that each one of us have to go get legal advice and  
9 each one of our legal counsel tells us not to sign it. So we're  
10 not trying to be difficult, but the people you tell us to talk  
11 to tell us not to do that. So it's disheartening that we have  
12 to go through this way.

13 I mean, I'm not even opposed to the project. I'd love  
14 to get our energy from an ally, depending on a way that's  
15 probably safer, you know. But a little common sense here  
16 would -- from our point of view would be nice. Thanks for your  
17 time, and thanks for your work.

18 MS. AITKEN: Nicole Aitken with TransCanada. I'd like  
19 to take a minute and address the Q and A document that Mr. Clark  
20 Moeckly had addressed earlier. I was at the meeting in Aberdeen  
21 as the representative of TransCanada. I think Mr. Moeckly  
22 mentioned Jeff Rauh earlier.

23 We do have answers prepared to that, and we had tried  
24 at that meeting to do our best to go through a similar process  
25 like this to answer the questions verbally. If anyone is

1 interested in getting a copy of the written responses, perhaps  
2 what I could suggest is at the next break to come and talk to  
3 me.

4 I don't have a list of who attended that or who would  
5 like copies of that information. I have told Mr. Moeckly that  
6 it is in my hands to get that to him. So certainly do come up  
7 to me at the next break, and I'll make sure you get a copy of  
8 that. I don't know if there's anything else.

9 MS. KOTHARI: As well as at the next break if you'd  
10 like to discuss at length specific safety features for the  
11 pipeline, I'd be happy to do that so I'll come try to find you  
12 at break.

13 CHAIRMAN JOHNSON: I know Mr. Hohn has a bit of a  
14 longer presentation. Mr. Tobin, did you have a long  
15 presentation?

16 MR. TOBIN: Medium.

17 CHAIRMAN JOHNSON: Okay. Is there anybody who's got  
18 anything short? If there isn't, then we'll go to Mr. Tobin.  
19 Because Mr. Tobin's indicated he's got a 20-minute presentation,  
20 and TransCanada may have a chance to respond.

21 We are going to take a short break to rest the court  
22 reporter. Thanks.

23 (A short recess is taken)

24 CHAIRMAN JOHNSON: Thanks for your patience,  
25 everybody. Mr. Tobin's at the microphone and has some comments

1 for us.

2 MR. TOBIN: I'd like to reiterate the comments of some  
3 of the other speakers and thank the PUC for allowing me to speak  
4 on behalf of several clients today and for setting up these  
5 hearings at the various locations around the state.

6 I'm on record as representing WEB Water Development  
7 Corporation. My firm also represents most of the Hutterite  
8 colonies in eastern South Dakota including the ones in this area  
9 which are Sunset, Newport, and Clark Colony, all of which are  
10 affected by the pipeline, do have land that the pipeline will  
11 cross. There also are some individual landowners, some of whom  
12 were here today, that I also have been contacted by for  
13 representation.

14 I will try to keep my comments as brief as possible.  
15 But I did want to, I guess, reemphasize some of the points that  
16 were made today in front of you, and as we move this process  
17 forward and as you meet to consider all of the testimony that  
18 will appear and the comments that I've heard today, there's I  
19 guess a few major salient points that I would like the PUC to  
20 take back with them.

21 Number one is the disruption that the pipeline will  
22 cause to literally hundreds if not thousands of landowners. And  
23 I don't think that's any small consideration. These people by  
24 and large get by year to year. And they work hard to till this  
25 ground. They work hard to raise a few cows, and this is a major

1 disruption to their life. And to work around it is possible and  
2 they will, but the lasting ramifications that may occur I think  
3 need to be considered.

4 There's no definites, and I think we've heard a lot of  
5 that discussion today. We understand that there's no definites.  
6 There's no definite that a pipeline will leak. There's no  
7 definite that they're going to cave in. But there are  
8 possibilities, and I think that's what we need to keep in mind  
9 for the citizens of this area and the citizens of South Dakota.

10 There are possibilities that can occur and if those  
11 possibilities occur, the ramifications -- because they may be  
12 severe and substantial. They may not be. They may be minimal.  
13 If a trench settles in so there's a bump in a field, what are we  
14 going do about it? It's pretty minor on the grand scheme of  
15 things. But to that particular farmer who's wear and tear on  
16 the equipment and who's got to go over that every pass in that  
17 field, that's a significant thing. How do we deal with that?  
18 How do we handle that?

19 Probably a more important consideration is the  
20 location of the line. I don't profess to be an expert in how  
21 the pipeline's come to be and know you folks are. But it seems  
22 perplexing to me that the pipeline location is identified and  
23 then the discussions with the landowners occur. To me, and I  
24 think to a lot of the individual landowners here today, the  
25 process seems backwards.

1           Why aren't there discussions with the landowners and  
2 with the water systems and with the natural resource people who  
3 identified the aquifers before the location of the line is set  
4 and announced and then go back and we have these hearings to try  
5 and deal with these individual concerns. It would seem to me  
6 that if we could have had the discussion up front, at least in  
7 the macro scale, at least in the gross, where are the water  
8 systems, where are the aquifers, where are the sensitive areas,  
9 then the millions that they have to spend in identifying  
10 engineering locations of the pipeline may have been better spent  
11 to go around some of these areas and reduce the public  
12 opposition. Again, I don't claim to be an expert to know why  
13 the process works that way, but it seems to work that way.

14           The disruption to township roads, future maintenance,  
15 I think is along the same lines as the field issues that I  
16 brought up. How do we handle those issues? What mechanism will  
17 be in place so that the townships will have the ability to call  
18 somebody and say our road where the pipeline went across has  
19 sunk again this year?

20           We need a load of gravel. We need five loads of  
21 gravel. We need to be bladed. We need these things. How are  
22 those just basic mechanics going to work? I haven't seen  
23 anything, any documentation to indicate that there will be an  
24 office in Huron, there will be an office in Britton where the  
25 funds will be and you just make a call and we'll have private

1 contractors in place that you can call and we will send them  
2 out. I don't know any of those mechanisms.

3 But those are what's critical to the citizens here.  
4 That's what they need to know in order to be comfortable with  
5 this happening. Not that they have to call Canada and then wait  
6 for somebody to respond, and how long is that process going to  
7 take?

8 I think we've heard enough about the easement  
9 acquisition tactics that have taken place. I don't for a minute  
10 think that TransCanada is the entity that's doing that, but I do  
11 know that TransCanada hired these people to go out and acquire  
12 easements. And I hope those tactics change because they are  
13 extremely unfair and I think it creates a very bad taste in  
14 South Dakota citizens' mouths for TransCanada because it's you  
15 people who it's impacting, it's not the private company who goes  
16 out there to acquire those easements.

17 The pipeline depth I think is somewhat of a critical  
18 issue, and I believe the gentleman who spoke early on talked  
19 about his tractor being buried. I have some significant  
20 concerns about that. I again don't profess to understand the  
21 national standard of a 30-inch depth requirement, but anybody  
22 who does understand agriculture needs to understand that  
23 30 inches is nowhere near adequate. It's not even below frost  
24 line here.

25 And if you have a spill and you shut off your pipeline

1 like you say you're going to, how long will it take your crude  
2 oil to become very chunky in your pipeline when it's 35 below  
3 zero when it's only 30 inches below the soil. I've got to  
4 believe that's probably some indication of why you went in  
5 deeper, in addition to farmlands, but 4 feet is not very deep.

6           If you look at the size of the ag equipment and how  
7 it's progressed over the years, it's not going to get smaller,  
8 it's going to get bigger. If you look at some of the spray  
9 equipment that is available today, the modern spray equipment,  
10 the tires on those pieces of equipment currently are 8 to 9 feet  
11 in diameter because they are designed to go over growing crops.  
12 You talk to people who operate those. They bury them not  
13 occasionally but routinely because again, you will get a soft  
14 sod of soil you will hit, especially in Marshall County with as  
15 much water as they've had.

16           Not just recently. Marshall County's been in a flood  
17 for a long time, and it's one of the few areas of the state that  
18 have been. It's routine to get this equipment buried and then  
19 try to get it out again.

20           One of my concerns is if a farmer is out in his field  
21 and he sinks where the line is and causes damage to the line,  
22 what does that mean to the farmer who's out there just trying to  
23 earn a living?

24           My second major area of concern are leak detection and  
25 stoppage, for lack of a better term. Once it's detected, this

1 stopping of the leak. And I understand the computerized system.  
2 One of my clients, WEB Water, has a similar system, the SCADA I  
3 believe it's called. I do not believe for my understanding of  
4 the system that it's perfect, meaning that minor leaks may go  
5 undetected for quite some time. And I believe the scientific  
6 and the literature would indicate that that's a real  
7 possibility.

8 One of the ways that leaks are detected is by physical  
9 observation at points in time. Well, if the PUC has the  
10 opportunity at some point in time to do a flyover of Marshall  
11 County, you should take that opportunity and look at what's out  
12 there. It is very rural. It is very much covered with water.  
13 And I understand that the technology exists to put that line  
14 where you put it underwater, wherever, but how do we detect  
15 those leaks?

16 And then when a leak is detected, the stoppage that is  
17 necessary in order to fix that leak. And this is no disrespect  
18 to TransCanada, but I understand big companies and I find it  
19 incredibly difficult to believe that the pipeline which  
20 generates literally millions of dollars in revenue which is  
21 necessary to satisfy your shareholders can be shut down on a  
22 whim or an indication of a -- maybe indication of a minor leak.

23 I may be wrong. That may be right. That pipeline may  
24 be shut down routinely and often. But it seems to me that maybe  
25 a better understanding by the residents, it's very difficult to

1 grasp that something that generates that much money and which  
2 the refineries to which you deliver will require that product in  
3 which to operate can be shut down for days on end without severe  
4 and substantial consequences. I believe there will be  
5 substantial and significant economic forces that will require  
6 the pipeline to keep flowing, and I think the citizens are  
7 entitled to a better understanding of the shutdown mechanisms  
8 and procedures.

9           And even when it is shut down, we're going to have  
10 millions of gallons in that line between valves. And if it  
11 occurs in a low spot, it may free flow for hours to days. I  
12 don't know that. That's some significant concerns which I think  
13 goes to the valving. And I believe TransCanada, you did a good  
14 job of explaining the current plan for the valving. However, in  
15 my humble opinion and the opinion of my clients, the valving is  
16 not frequent enough for a pipeline of this nature.

17           WEB Water transports water in its pipeline which, as  
18 we all know, in large doses is hazardous but it doesn't  
19 contaminate the soil forever. And they have valves every 5  
20 miles, and we're talking on the order of 40 miles here. And WEB  
21 Water operates their line maybe under, I don't know, Curt, how  
22 many pounds a square inch? 200 pounds a square inch, and we're  
23 talking 1,400 to possibly 1,700 pounds a square inch here of a  
24 material, as everybody agrees, is hazardous in nature.

25           It seems to me prudent that the PUC would look at the

1 interval of valving on something like this so that, I'll use the  
2 word "if" instead of "when," that there can be a shutdown and we  
3 can stop -- we can make that a smaller section of pipeline that  
4 is affected where the product can be actually not under control.

5 The third concern that I have that my clients have  
6 revolves around response time and accessibility. We've heard  
7 discussions of 102 minutes. And I'll profess that maybe I was  
8 engaged in conversation at the time. I don't remember exactly  
9 what that was before, but I think it was for the amount of time  
10 it would take to shut the line down? What was the 102 minutes?

11 MR. JONES: We'd like to respond as to that. Is that  
12 a question you want us to answer right now, or do you want us to  
13 wait to the end and respond to all of these questions?

14 MR. TOBIN: I guess it's really not relevant. I'll go  
15 without the number. The response time and accessibility.  
16 Whatever response time may be to any leak as far as stopping it  
17 is one thing, but then the response time to the site is another.

18 Again, Marshall County where my clients live and work  
19 is incredibly inaccessible at times, as a matter of fact most  
20 times. I don't have the knowledge to understand what the  
21 cleanup equipment would be other than what I've seen on TV and  
22 what I've read. But it's my understanding that it would require  
23 probably in any kind of thing other than extremely minor,  
24 requires a significant amount of equipment and manpower to  
25 properly address any leak that may occur.

1           We've already talked about soil remediation, which is  
2 excavation and hauling away and then we'd have to rehaul in and  
3 those things. So what kind of response time can my clients  
4 expect, should something like that occur, should contamination  
5 occur? If the leak goes down and penetrates the earth instead  
6 of coming up as a well spring or seeping outward, what's our  
7 response plan for that? How much time will it take? And then  
8 how do we get to those areas? How do you get back into a slough  
9 or into a swamp, into a lake to fix this?

10           Which leads to my fourth point, which is the damage.  
11 And we've heard many questions and concerns today from  
12 landowners, and I think they're justified. Because what we're  
13 talking about for easement compensation is one thing. And I  
14 don't really have much of a quibble necessarily with maybe how  
15 the computation or the theory behind the computation for the  
16 easement value. But my concern then comes with the compensation  
17 of landowners in the event of a damaging spill. Rendering the  
18 ground unusable or sterile for what length of time. I don't  
19 know that.

20           Will the company be there with an open checkbook on  
21 demand each year that well, guess what, the ground isn't growing  
22 crops again this year. Am I supposed to spend the money using  
23 chemical this year to plant the crop when last year it didn't?  
24 How many times are we going to do that?

25           And what are you going to pay me if when I do get a

1 crop it's only half of what it has been in the past  
2 historically. Is it because of weather, or is it because the  
3 ground is so contaminated?

4 An additional concern is what about landowners who  
5 aren't here today because maybe they are not even subject to an  
6 easement? What if they're downstream or down field from me and  
7 there's a leak on my property and now the leak's over the fence  
8 onto their property? What mechanisms -- what's in place to  
9 protect them? Do they have to sue me as a landowner and then I  
10 have to go after TransCanada? Or is TransCanada going to step  
11 up and automatically cover any of those landowners that they  
12 don't have a privity contract with? I think that's a critical  
13 determination that needs to be made.

14 We've talked about tort. But that's an affirmative  
15 act on behalf of an individual farmer who didn't necessarily  
16 want this thing across his land in the first place. So now  
17 they've got to hire a guy like me to go after an incredibly  
18 large company with an incredible amount of resources that if  
19 they don't necessarily want to pay a claim -- trust me. I'm in  
20 this profession. I know that there are ways in which they can  
21 avoid paying it for a very long time and make it incredibly  
22 expensive before it ever will get paid.

23 The taxation issue I'm a little unclear on. And I  
24 would -- I think we'll get some more clarification as we go down  
25 the road on that. TransCanada in their documentation indicated

1 that the tax estimate would be about \$720,000. I think that's  
2 the document that was discussed.

3 But I think the citizens need to understand that part  
4 of that may go to counties, but I think a greater part of it  
5 goes to the schools. So when somebody mentions road repairs or  
6 things like that, that may be, but I think we need a little  
7 better clarification as far as how that divvying of the tax  
8 monies occurs so there's no misconceptions.

9 I believe TransCanada to be a responsible entity.  
10 I've done some research. It seems to be a very large company  
11 with a good reputation. But as has been stated here today,  
12 pipelines are bought and sold all the time, and we may not be  
13 dealing with TransCanada in the future. That's a grave concern  
14 to me because I don't know who we may be dealing with in the  
15 future, and though TransCanada may be a good neighbor and may be  
16 a wonderful partner to deal with, I don't know who the next  
17 entity is going to be.

18 The projected life of this pipeline I believe is  
19 50 years minimum. 50 years ago in South Dakota was rural  
20 electrification time. I don't know what 50 years from now is  
21 going to bring, but I don't think it's out of the scope of  
22 reality that this pipeline could be bought and sold in that  
23 amount of time.

24 And so when we're talking about concerns for the  
25 consumer, it's not necessarily TransCanada, it's any entity

1 that's going to run that pipeline. Because the landowner when  
2 they get either condemned or sign that easement, they don't get  
3 to control who comes after TransCanada. TransCanada does.

4 And I believe that in the United States, at least,  
5 there's a history of companies that are very large that do very  
6 bad things. A company by the name of Enron was once a  
7 multi-billion-dollar entity that went completely bankrupt and  
8 broke. I'm not saying the same thing can or will happen in that  
9 industry, and I'm certainly not saying TransCanada's going to  
10 have that befall them, but a different entity may and then where  
11 are we left? What kind of mess do we then have to clean up to  
12 get the fields repaired, to get the roads repaired, to get the  
13 cleanups done? Those are the questions that I think remain.

14 So I pose some solutions that I hope the PUC takes  
15 under advisement I'm sure we'll talk more about in the future.  
16 One I guess of the most significant things that I would like to  
17 propose that you've heard maybe in passing today is the  
18 alternate route.

19 I believe the PUC has the power through the permitting  
20 process to put a restriction on to indicate that this is not the  
21 proper location for this pipeline. And I know my clients are  
22 all in favor of moving it more to (Inaudible) corridor, that  
23 being the I-29 corridor which already exists. I believe it  
24 solves several of the concerns of the landowners, and although  
25 it will burden new landowners, it solves many of the concerns.

1           For instance, transportation and access to the line.  
2 Remotes of the location for early detection of spills. Ease of  
3 construction and disruption. We've talked about cutting  
4 township roads. We've talked about cutting across land. If we  
5 had this line follow with any degree of closeness to the  
6 Interstate so we keep DOT happy, we keep the United States  
7 Government happy with their corridor, but yet keep it on  
8 privately-owned property. You can keep away far enough from  
9 those underpasses and overpasses to cut those individual roads.

10           But a lot of those township roads are dead ends right  
11 now anyway; they stop at the Interstate. When they came  
12 through, they thought that out. So there are county roads and  
13 there are state roads and there are U.S. roads, but there's not  
14 very many township roads that go across that Interstate. So I  
15 think the impact to the individual transportation options is  
16 significantly less.

17           I think in considering an alternative, it's critical  
18 that the PUC keep in mind that this is what's best economically  
19 and environmentally for the citizens of the state. It may not  
20 be economically the best for TransCanada, but I'm not convinced  
21 that that should be the overriding concern of the Commission.

22           I understand the economics of a straight line. I  
23 understand the economics of this path is probably best for us.  
24 But I think the Commission needs to heavily weigh that against  
25 the individual landowners and the impact to them, how can we

1 minimize the impact to the state overall and the landowners  
2 individually. And while it may be more expensive to TransCanada  
3 to construct a line in this way, I believe that they would find  
4 a way in order to make the pipeline profitable for them to  
5 continue with this endeavor.

6 We're not saying don't put it in South Dakota. But we  
7 are saying please give us consideration to an alternative which  
8 was I understand early on in the process identified as an  
9 alternate route they quickly discarded that I'm not so sure it  
10 should have been so quickly discarded.

11 The second possible solution to some of the concerns  
12 that have been expressed by me and others is some sort of a  
13 state trust fund. I understand the construction bond. I would  
14 like to see that construction bond roll over into an operational  
15 bond. And I think it serves several purposes. It could  
16 compensate landowners for subsequent problems with land with  
17 fertility in the event of spills.

18 You know, we're going to have tremendous soil  
19 compaction issues to deal with on good land with -- I've seen  
20 the pictures of the crawler vehicles as they go down the way and  
21 there may be the process by which they come dig up the land and  
22 remove some of that compaction, but I think most of the farmers  
23 will tell you today one of the biggest things they deal with is  
24 compaction. So this fund could be set aside to deal with that.

25 It also I think should be returned to the pipeline

1 with a reasonable rate of return on the money when the pipeline  
2 is no longer used. I think it becomes something that down the  
3 road is an asset of the pipeline. Not now because they don't  
4 want to stick millions into this thing, but down the road it's  
5 not something that should just by default become state property.  
6 I think once the pipeline is out of service and has been  
7 decommissioned and has been properly remediated or whatever the  
8 technology dictates 50 years from now, that money should be  
9 returned to them.

10 I believe that having a financial stake serves to  
11 force accountability on the part of TransCanada or its successor  
12 entities to this pipeline. If you hold people's money, they  
13 tend to respond in a different manner than if you have to  
14 threaten litigation to get action.

15 And to be honest, I think everybody, all the  
16 landowners that I've spoken with, don't want to be involved in  
17 an adversarial process 10, 15, 20 years down the road. Because  
18 right now this is all very fresh and it will be very fresh  
19 immediately after the construction and maybe a couple two three  
20 years after that when the initial inspections are done.

21 But when does it become the Northern Border Pipeline  
22 where it's in the ground and it's just sitting there and  
23 everybody's kind of forgotten about it? And then what process  
24 is there when we get another 100-year flood or 100-year rain and  
25 all of a sudden the trench is sunk or the road is out or

1 whatever?

2 I think the trust fund would be an excellent way of  
3 ensuring that the citizens of South Dakota don't need to trundle  
4 their way into court every time they try and get something  
5 resolved.

6 I think one of the other things that would be a  
7 solution to some of the concerns would be to try and build a  
8 safer line. And I think again this is an economic balance.  
9 TransCanada wants to build a safe line. I believe that. But  
10 they want to do it in as economical a fashion as possible. And  
11 I think at times that may butt heads with the ultimate safety  
12 factors.

13 So when it comes through an aquifer it will cost more  
14 money. But if you double wall the pipe or create a double  
15 thickness, would that create a much safer pipeline? I think to  
16 the common man the answer is yes. I'm not a technical expert.  
17 I don't know pipeline construction materials, so maybe I'm  
18 wrong. But I believe there are common-sense measures that could  
19 be taken in sensitive areas.

20 If we can't move it to the I-29 corridor, if it needs  
21 to stay where it's at, then I believe there are common-sense  
22 measures that could be placed on TransCanada by the PUC in going  
23 through some of these sensitive areas that have been identified.

24 When you talk about BDM's only source of water is this  
25 aquifer and we're going right through the middle of the

1 pipeline, it doesn't seem a lot to ask to do something special  
2 for that section of the line.

3 The water line crossings I think are also interesting  
4 and a potential source of significant trouble. BDM talked about  
5 their lines and their proposed solution. I know WEB also has  
6 numerous crossings. And I know WEB also wants their lines  
7 sleeved. I don't know what the right distance is. I'll leave  
8 that to the experts in the water business and I guess in the oil  
9 pipeline business, but it doesn't seem unreasonable to  
10 (Inaudible) the water pipelines are there now. They've obtained  
11 their easements. Their pipes are subject to attack by chemicals  
12 which are carried in the oil pipeline, and therefore I think  
13 proper precautions should be taken at every one of those  
14 crossings.

15 We talked about the valve. I think we should also  
16 talk about the pumping stations. It's my understanding, and if  
17 I'm wrong I'm sure TransCanada will correct me. It's my  
18 understanding that one of the reasons for the necessity for the  
19 higher pressure is if you have fewer pumping stations, as long  
20 as you apply higher pressure, you can move the same quantity of  
21 material.

22 It would be my hypothesis that if we have additional  
23 pumping stations, we could reduce the line pressure and thereby  
24 reduce the impact of any leak or spill due to the reduced  
25 pressure.

1           I also think it pertinent in light of the concerns and  
2 the potential damage and exposure that some type of permanent  
3 manned response location be in South Dakota, centrally located,  
4 with the staff and equipment necessary to deal with a spill or  
5 to deal with a fire.

6           I don't know the likelihood of a fire. I've heard the  
7 testimony, but it's also my understanding if there were some  
8 type of an impact to that pipe, particularly a pinhole leak,  
9 that there may be significant heat caused by the pressure of the  
10 oil coming through that pinhole which may leak and become a  
11 source of ignition. I don't know that for a fact, but it's my  
12 understanding that is a possibility.

13           I think that response team could provide local  
14 training on an annual basis if necessary. If that's too often,  
15 maybe on a biannual basis. But they could meet with the rural  
16 fire departments. They could meet with the communities that are  
17 most closely located to discuss with them if this occurs, here's  
18 what you need to do.

19           I think one of the other things that the PUC ought to  
20 consider is granting immunity from lawsuits. I'm not even sure  
21 if you have this power, but I think we need to discuss it. If I  
22 have a client -- forget about my client. If we have a farmer in  
23 the field who is conducting farming practices, ordinary and  
24 normal farming practices, and he somehow impacts that pipe with  
25 a piece of equipment, be it a deripper, be it because he sinks,

1 I don't think that farmer should be liable to the pipeline for  
2 that damage.

3           Again, it's a matter of the pipeline coming across his  
4 property, wanting to locate there. If the ordinary farming  
5 practices indicate that that pipe is not buried deep enough, I  
6 don't know that that's my landowner's fault.

7           The easement protections that we're discussing as far  
8 as the amendment, I'm anxiously awaiting those. I'm looking  
9 forward to reading them. And I think that my colleague from  
10 Chicago indicated that the two primary areas that we're dealing  
11 with is indemnity and, forgive me. I forget. Several. But you  
12 heard some of them.

13           Additional concerns for me in the current easement  
14 document are multiple pipelines and overhead -- possibilities of  
15 overhead transmission lines. The way the current easement is  
16 written, I believe, it would allow above-ground use of the same  
17 easement corridor as well as below-ground use. I believe that  
18 should be addressed and remedied. I don't believe the  
19 landowners should, for the payments we're discussing here for  
20 the easement purposes, then be subject to any future use of that  
21 easement corridor, be it above ground or underground.

22           I also believe TransCanada should, before a permit is  
23 granted by the PUC, be required to file mandatory contingency  
24 plans to deal with some of the things that we've heard today  
25 that probably have not been dealt with or addressed.

1           I think the likelihood is remote that some of these  
2 more catastrophic events may occur. However, if they do, they  
3 will be catastrophic. And I don't think that's the time to try  
4 and figure out what to do. I don't believe it is overburdensome  
5 to require them to have on file small-scale plans, medium-scale  
6 plans, and catastrophic plans for the event which may occur up  
7 and down that line and where they occur in certain sensitive  
8 areas, for instance the aquifer, where it crosses the  
9 Missouri River, and various other places that I probably am not  
10 aware of.

11           There was made mention of a compensation system for  
12 landowners. We all are aware of the wind easements and how they  
13 work. I don't think it's out of the realm of possibility for  
14 that consideration to be given for landowners in this situation.

15           I certainly don't claim to have the mechanics of it  
16 worked out. But if we can pay people for production of wind  
17 energy, why can't we pay them for a transportation conduit based  
18 on volume of flow and based on whatever the price is?

19           I believe the second thing was liability. That's what  
20 I forgot. I apologize.

21           In closing, I would also request that the PUC preserve  
22 all documents that were presented to them throughout this  
23 process, including the redacted documents that were withdrawn by  
24 TransCanada. I believe that there may be evidence in the  
25 documents or material explanations that would be beneficial to

1 public scrutiny and discussion and disclosure, and as of right  
2 now we don't have access to those and I think we should.

3 And I thank you for your time today.

4 CHAIRMAN JOHNSON: Thank you, Mr. Tobin. And somebody  
5 will correct me if I'm wrong, but I don't believe at this point  
6 any documents have been withdrawn from the application. I  
7 believe everything that was submitted and not granted -- there's  
8 some confidentiality issues, but I don't think any have been  
9 withdrawn.

10 MR. TOBIN: I apologize. I was in error.

11 CHAIRMAN JOHNSON: That's fine. Just a clarification.

12 MR. JONES: There certainly was a lot of comments, a  
13 lot of questions there. I think we've responded to a majority  
14 of them. Maybe we should go right to the next presentation and  
15 respond at the end.

16 CHAIRMAN JOHNSON: Okay. Thanks very much. This  
17 probably is as good of time as any -- we're getting to the end  
18 of this four hearings. We're about ready to start our 7th hour.  
19 Thank you very much, Cheri, for your efforts. I know this is  
20 more difficult on you than it is on any of the rest of us. So  
21 thanks.

22 Mr. Hohn.

23 MR. HOHN: Mr. Chairman, members of the Commission, my  
24 name is Curt Hohn, H-O-H-N, from Aberdeen, South Dakota, manager  
25 of the WEB Rural Water System. And we serve landowners in 17

1 counties, five ethanol plants, 104 towns, and about 8,000 farms  
2 and rural homes.

3 I'm here today and I appreciate you having the  
4 hearing. I appreciate everyone's patience in staying to the  
5 end. It's an important process we're going through, and there  
6 will be more efforts and opportunity.

7 I have something I want to show you today that we  
8 haven't looked at before, and I want to preface it by saying  
9 that I grew up on a farm near Plankinton. Cattle, corn, that's  
10 what we raised. And we had very little water there, shallow  
11 wells that would fail quite often in the winter. You would have  
12 500 head sometimes of cattle in your feedlot area. My mother  
13 and whoever, my sisters and others, would set the alarm and do  
14 laundry at 11:00 at night because the cattle were done watering.  
15 So water to me is very important.

16 And when I came into this country and started working  
17 professionally, I first worked for a subdistrict that took care  
18 of 15 counties, one of them was Marshall and Day County. And  
19 one of the most remarkable things I observed in doing this work,  
20 and I've worked with people like John Smith and others, is the  
21 shallow aquifers, sand-fed aquifers of Marshall, Day, and  
22 Clark County.

23 If you're somebody who grew up on a ranch or farm that  
24 had very little water and you relied on artesian wells that were  
25 1,000 feet deep, some of what they have here is remarkable in

1 the sense that in the '30s this strip of land this pipe is  
2 following, at least that goes through the three counties which  
3 I'm familiar with because of the work I have done, in the '30s  
4 those wells had water in place in other parts of the state we  
5 didn't.

6 And so, you know, when you look at what is considered  
7 significant under the review by the oil company, the sensitive  
8 areas, I'd like to see that list. Because if you're asking this  
9 one South Dakotan, I think one of the most sensitive areas is  
10 these aquifers through Marshall, Day, and Clark County. They're  
11 phenomenal.

12 And I want to show you some slides and they'll -- they  
13 will be a bit hard to see. You may have to move to another  
14 chair. There aren't that many. But this is a map that shows  
15 the proposed route through the state. And, of course, the upper  
16 portion is the county you're sitting in today. You can see  
17 Aberdeen on the left. And then there's a railroad line going up  
18 to Britton and the blue line going through is this pipeline.

19 This is the aquifer, a map prepared by the  
20 South Dakota Department of Environment and Natural Resources,  
21 and it shows not very well in this picture but it does show the  
22 aquifer area in this county. And the route of the pipe is right  
23 along the west side. Essentially that yellow and dark area is a  
24 hill area, the point essentially of a glacier. And the glacier  
25 left the sand and soils on the west side, the lower elevation,

1 and the center of course is higher. When there's snows and  
2 rains in this area, it's all going west and eventually ends up  
3 in the James River.

4 This is a little hard to see. You'll get a photo here  
5 a little later. But this is an aerial photo of the county. And  
6 what it shows is all the tributaries that wind their way over to  
7 the left side of the map to an area that is essentially a major  
8 drainage. At this point, I want to hand out a map of the county  
9 that's -- give you a better look. I think there are four or  
10 five there. And I've got a couple here for TransCanada.

11 This is a map of Marshall County, and what I'm  
12 holding, what they're looking at essentially is a map that many  
13 of you who live in the county have seen many times. It's on  
14 your atlas. It's a township atlas legend that shows you the  
15 overall, this half of the county. And I have written in the  
16 darker print so it's easy to see the various townships.

17 And if you'll notice in the upper left-hand corner of  
18 this map, Dayton Township and Newark (phonetic) is -- between  
19 those two township names is where the route of the pipe would  
20 go. And you can see that to the right of the proposed pipeline  
21 route and on the left side of it, there's a drainage area. And  
22 you'll notice that it goes south between (Inaudible) and Miller  
23 and it ends up then connecting and leaving the county on the  
24 left just north of Amherst. The numbers on the left, like at  
25 the top 219, 220, 222 so forth, those are the map page numbers

1 that are in the literature and correspond to the section lines.

2 But this is a map that would be common to anybody in  
3 the county. What you see if you look on the right side of this  
4 map, you'll see those tributaries. It's a flurry of tributaries  
5 like veins in the body all congregating at that one point to  
6 this drainage area.

7 If ever there was a sensitive and consequential area,  
8 that's it. This whole area is sand and shallow, but at that  
9 point is a funnel that takes water from there all the way to the  
10 James River to Sand Lake. If there's a leak at that point,  
11 my -- with all due respect to the folks from TransCanada, if  
12 that was my pipeline, I'd be worried about it. Because you can  
13 pollute a whole large area if you have a problem there. Not  
14 just in the aquifer itself and not just in Marshall County, but  
15 it goes all the way to the James River into the national  
16 wildlife refuge.

17 So why am I interested in seeing the sensitive  
18 significant areas? I don't care to know where the oil companies  
19 have their oil lines. I'm not going to share it with Al Qaeda  
20 so they can detonate them. But I think that if an oil line is  
21 significant, I think natural resources are significant. And  
22 this is a phenomenal waterway.

23 I'm going to click through the other counties. You've  
24 seen these before. This is a section line, and the upper  
25 left-hand corner, if you'll go to your page in the handout, it

1 will show up eventually. I don't know -- I don't have all of  
2 these photos on the stream, but this is map page 244, 245,  
3 Marshall County. It's a section line. There are fields on  
4 either side. The TransCanada pipeline, according to the map  
5 they've provided me, would cross about where those trees are in  
6 the upper right-hand horizon.

7           On either side, there's water. This is that same  
8 section of land. There's no road. It may show it on the map,  
9 but there's no road.

10           Right about here is where the oil line will cross the  
11 section line, right about where that toad is. My point -- let  
12 me back up on this. It's hard to see in back, but essentially  
13 what you're looking at is a section of the land that is the  
14 access to that point where the pipeline's crossing about where  
15 the trees are. There's water on either side. You can't drive  
16 down this road in a pickup. The person who took these photos  
17 walked.

18           If you had a leak today, 8 o'clock this morning, and  
19 the landowner happened to get out there and see it and he  
20 called, I do not -- I do not know how you would get equipment in  
21 there to fix that leak on this road. Let me walk through the  
22 picture again. This is the road. This is the trail, one of the  
23 trails, tire trails of the road. The person who walked in and  
24 took the pictures had mud up between his knee and his foot.

25           So the question of the leak -- and the phone call is

1 made to TransCanada in Alberta or Omaha. We have a leak. Here  
2 it is. Here's the location. And they mobilize as quickly as  
3 they can. I for the life of me do not know how they're going to  
4 get in there and fix it.

5 We locate our water lines along section lines along  
6 the fence about 15 feet in for a number of reasons. The farmer  
7 doesn't want us on that field wandering around. He gets a leak  
8 in the center of the field with our water, he's stuck and how  
9 does he get out. But more importantly, you put them along the  
10 fences and along the roads, that section line, so we can get at  
11 them on a gravel road.

12 This pipe -- I'm going to back up and go through this  
13 again. Bear with me. But it's hard to see in back, I know,  
14 when people are looking at these. What you're looking at is a  
15 section line overgrown with grass. The little tree in the upper  
16 right, you'll have to trust me that's where the pipe crosses.  
17 And now we're going to go forward and try to get to that. This  
18 is the road you come in on. You might -- you might get a semi  
19 trailer in there by pulling it in with a Caterpillar, but if you  
20 filled it up and sucked the oil away, you're never going to get  
21 it out. You're going to have to have some kind of boat or  
22 pontoon. I don't know how you're going to do it.

23 With all due respect, you know, if you say you'll  
24 never have a leak but if you have one, tell me how you do that  
25 and show us with some pictures and information. And don't say

1 in the unlikely event or a leak is unacceptable. I say that  
2 too, you know, whenever I have my staff meetings and then you  
3 know what, 2 o'clock tomorrow morning there's a leak. And you  
4 can't just talk it away. You have to send a roughneck out to  
5 fix it.

6 I have seen 200 psi pipe blow out on Christmas Day,  
7 and I've had a crew there for two three days to fix it because  
8 I've got to get the water back up. My water isn't as valuable  
9 as this oil. I know they'll get out there and try to do what  
10 they can to fix it. I just don't know how you do it at this  
11 location.

12 And the other is -- I'd like to see how you  
13 actually -- a pipe with 20 miles of oil that way and 20 miles  
14 this way between valves, 30 inches wide in diameter, full of  
15 oil. You shut it off. Okay. Now what? You're here. Do you  
16 weld it? Do you have to take all of that oil out first? I have  
17 to drain all the water out of our line to fix the water main  
18 generally. I have valves every, on the mainline 5 miles and the  
19 smaller lines every 2. Let me tell you, it takes a long time to  
20 wait to see that water leak out before you can fix it or pump it  
21 out. I couldn't put a water line in a place like this. I'd  
22 never be able to fix it.

23 And if you say, well, we're just going to walk in  
24 there with this humongous equipment, we don't have any  
25 contractors in our area. I own my own equipment, WEB does,

1 because there's no diggers left. The old guys quit. The  
2 closest place to get a big piece of equipment is Aberdeen Dahme  
3 Construction and Bisland (phonetic). You're not in Chicago.  
4 They're going to have to own all of their own equipment.  
5 There's nobody there to help them. We are in the sticks. We  
6 are in a rural area.

7           And so my point is -- and I want to show you in this  
8 booklet, and unfortunately the people are not going to be able  
9 to see it because it cost a lot to copy these, but I wanted the  
10 Commission and these folks to see this outlet. It's rough.  
11 It's marked up, but you can see where we're going. What I have  
12 here is Day County, mostly pictures. The others we didn't have  
13 time to put together.

14           So let's go to page 2, Day County. They're starting  
15 at image number 1 at the top is Farmington Township. If you  
16 look at page 3, you'll noticed on the right-hand side they're  
17 all labeled like this, landscape. Number 1 and 2 are  
18 photographs of drainage that's eventually going to cross the TC,  
19 the TransCanada pipeline, which is in yellow.

20           So if you go to page 4, that is the drainage under  
21 that road on Monday. That culvert is running full blast. And  
22 it's -- we show you the map station 243. You go to page image  
23 2, this is just around that curve. This looks like a creek in  
24 the Black Hills. This is beautiful water, by the way. You  
25 could probably dip your bucket in there and drink it. It's

1 feeding this aquifer that David Wade relies on and is so  
2 fortunate to have right under him. I get my water from the  
3 Missouri River.

4 And so if you go to the next page 6, picture number 3,  
5 now this is a legend sheet, photograph, but if you flip back and  
6 forth, you'll see where 3 is in relation to 4 and so on.

7 All right. Number 3, we're looking south. Here's our  
8 road, and the TransCanada pipe is going to go through that  
9 water. I mean, you better know how to swim if you cross there.  
10 Was it like that -- is it that deep today as deep as it was when  
11 the photograph was taken? No. The photo was 4 years ago when  
12 it was dry. But it's still a slough.

13 Now they probably have equipment to build it in there  
14 but do they have equipment to get in a year like right now this  
15 week, Monday this week, photograph 7 is what it looks like?

16 Now if you go to page 8, we're going to the left, a  
17 different road, this gives you an idea of our access road. It's  
18 a road you could get by with a pickup. But I wouldn't want to  
19 take anything very big there. And right now the township has to  
20 post it. If you take heavy farm machinery down that road,  
21 you'll tear it all up. If they take the equipment, those  
22 derricks or some of that large equipment they bring in to fix  
23 these things down this road, my experience is it's a bad deal.  
24 I mean, it's going to tear it up. Now they may not have a  
25 choice if they have a leak, but the roads in these areas are not

1 dynamic. And their townships have very little money.

2 If I do a job somewhere and our guys tear up the  
3 roads, I have to get ahold of the township official and pay to  
4 come in there to fix it because they really don't have much of  
5 an assessment to repair it.

6 Page 9, this -- the pickup stopped and backed up and  
7 you can see as of Monday of this week, it's wet road. It was a  
8 four-wheel-drive pickup. The section line he wants to go on is  
9 straight ahead. And you'll notice the trees in the upper  
10 right-hand corner. That's this picture. See the trees in the  
11 upper right-hand corner?

12 He walked the section line, the person taking these  
13 pictures, one of my employees. So page 10 is getting closer.  
14 And page 5 is in that same area. You're looking at a road that  
15 looks like this. And, of course, you've got my buddy, the toad.

16 That's about where the pipeline crossed according to  
17 the young man who -- let me back up here -- who walked this and  
18 took pictures and had all the maps when we went.

19 Okay. Now go to page 13, and this again is an  
20 overview map. We're going south. And you'll see photographs 9  
21 and 10. And here the pipeline in my map -- this is quite --  
22 it's too close to the road. They're further away. They're out  
23 in the quarter. That's as close as we could lay it with our  
24 GIS.

25 If you go to page 14, that is the section line. It's

1 not much of a road. And it was taken Monday. It's wet. I  
2 doubt the farmer with his pickup could get down that. If you  
3 had a leak even there and tried to get in and fix it, you've got  
4 a real challenge.

5 Now page 10 -- or page 15 then is item 10, location  
6 10. We're on that dirt road, and we're looking to where the  
7 pipe goes south. And it's a lake. If a leak is out in that  
8 area, this pipe you see in the little drawing to the right is  
9 underwater.

10 You could fly it. Probably on the right day if you  
11 flew it, you might see an oil (Inaudible). My question is, what  
12 do you do about it? I mean, you're out in a lake.

13 Page 16 then is another section further south. Item  
14 11, here they're going right down the center of what looks to me  
15 like crop ground and maybe pasture. And if you go to sheet 17,  
16 you'll see that right about where the dead tree is, that's where  
17 the pipe crosses.

18 Now you may say well, looking at 16, there's no water  
19 there. Remember, page 16 was an aerial photo from 4 years ago,  
20 a dryer year. That's all I can get on the GIS right now. I  
21 don't have the current today photo. But the today photo is page  
22 17. Now that, you're not going to drive through there. It's  
23 wet.

24 Okay. So how would you get to that in order to fix  
25 it? I guess you could take a boat in or a pontoon or something.

1 But the only way I know you can dig up a 4-foot-deep pipe and  
2 fix it is to build a berm around it, pump the water out, and get  
3 equipment in there and fix it. I don't know how you can do it  
4 safely and not kill somebody because it will cave in on you.

5 Page 18 then is another area going probably into  
6 another part of the area, probably Day County. The map is 4  
7 years ago. It's dry weather condition. Page 12 shows you what  
8 it looks like Monday. This is the section line underwater. And  
9 that's the today deal. If the leak happened today, the reality  
10 is how do we deal with it?

11 We've got just a couple more here, if you bear with  
12 me. Page 20 is right at Highway 12, the bridge that goes under  
13 the railroad and goes to Amsden Dam. And you'll see their  
14 paralleling pipe is kind of through the center of Section 5.

15 21 is the bridge -- underbridge I guess you call it  
16 under the BN Railroad. You're not going to get a tanker under  
17 that. I made a mistake with a camper one time and took the top  
18 off. So the reality is what's the best way, the quickest way to  
19 get to Amsden. This is the route. It's the reality of life.  
20 It's what we got. It's not very good. You're going to have to  
21 have a low-rider tank to go under there and suck up, if you had  
22 a spill, to go in and get the oil.

23 Page 22 is upstream of Amsden Dam. This is the drain  
24 as of Monday. This is a tremendous drainage. It goes all the  
25 way past Mud Creek and Groton. Amsden is one of the few water

1 resources in that area. It's a fishery.

2 If you go to page 22, you're going to see that lake.  
3 You can see that the TransCanada pipeline is about a half a mile  
4 away from the dam. If it spills there, in my ability or  
5 knowledge or anything, that looks to me like a sensitive area.  
6 It may not be sensitive in the national interest or national  
7 energy concerns, but to those of us who live here and fish in  
8 Amsden Dam and the fishery people who worry about that, it's a  
9 big deal.

10 One thing you'll learn, Buster, is you build pipelines  
11 in this area, we don't have much water. Every little puddle is  
12 a big deal. And to a lot of people, Amsden Dam is a big deal.

13 If that leaks at 1,700 pounds pressure, you can't tell  
14 me you'll keep it out of that lake. I mean, you shouldn't even  
15 say you will because you can't, you know. So you're going to  
16 kill the fish, and then what do you do about that? Well, you  
17 get with the Game & Fish, and we'll restock it.

18 Okay. Tell me the real stuff. We're not kids here.  
19 What's really going to happen?

20 And if you say you know what, we can kill all the fish  
21 in there, well, then I believe you. I believe in that. I bet I  
22 could kill all the fish in there by dumping chlorinated water.  
23 And what do we do about it? Well, okay, we'll have remediation.  
24 What's the remediation? Get with Game, Fish & Parks, here's the  
25 plan. Restock it. But don't tell me that it will never happen.

1           Every evening I put my cell phone on my nightstand  
2 because I get calls all the time. When I'm on call as the  
3 manager, one of four, and a leak occurs -- we get a leak, about  
4 two or three a month, and come whenever (Inaudible). We  
5 respond. We respond out of Aberdeen. It takes about an hour at  
6 least to get to Marshall County, Day County. All my crew lives  
7 right in Aberdeen, not Omaha.

8           It takes time to get out there. I know it does. And  
9 if it's in the winter, just add another hour. So the response  
10 time, where these guys are and how quickly it works all hinges  
11 on where you put them. And I really think that South Dakota  
12 almost has to insist that we need a crew, at least six people,  
13 centrally located in Iroquois, South Dakota is fine with me.

14           But we've had ice storms in this country. We've had  
15 blizzards. If one of these ranchers drives out in the pasture  
16 and finds a leak, put a magnet (Inaudible) strip or something on  
17 the refrigerator and you call them, and then when the bell rings  
18 how quick can they get here. Because every minute you wait at  
19 1,700 psi is a thousand gallons of oil.

20           The last picture then near the lake is page 24. I  
21 think it's a great looking lake. Got that nice blue sky.  
22 There's another page at 25. This is just one little example.  
23 These maps are representative -- page 27. Here's a typical  
24 township road sign. Minimum maintenance. Travel at your own  
25 risk. I think half of our roads, back roads, say that.

1           And then 28, 29 is my favorite picture because I have  
2 a pipeline that crosses this road, but my pipe's right where  
3 we're standing. Their pipe is out there on the bluff.

4           I guess the point is is that the terrain we're going  
5 through is rough. And you can fly it and drive it. But imagine  
6 trying to fix your pipe in this kind of condition.

7           A couple other things. They said there's very few  
8 leaks in all the miles of pipe scattered across the country.  
9 The U.S. Geological Survey says 83 leaks over a three-year  
10 period, which is 24 a year. And they're not in the oil  
11 industry, they're independent.

12           The SCADA systems we have, they're wonderful. They do  
13 wonderful things. You know what takes them out in our country?  
14 Lightning. It's a horrible thing. Those spores that control  
15 and send all of those fancy signals back to Alberta, one good  
16 lightning storm can take you down and it takes us down all --  
17 so we have all of these spare parts. My guys are about 50 miles  
18 away from our stations.

19           Pocket gophers. Pocket gophers. They've got them  
20 here. You'd be surprised what they can do.

21           The Carlsbad pipeline in Carlsbad, New Mexico, they  
22 had a SCADA system. It was in a pump station called Keystone.  
23 It failed. 12 people died. I mean, don't tell me they won't  
24 fail. You can have redundancy. My redundancy and the backup  
25 generator, all three things went out, and we keep them in good

1 condition. Things can fail.

2 I was concerned, this isn't a question that needs to  
3 be answered, but Buster said in Yankton that this pipe could be  
4 as close as 25 feet. Now you think about 25 feet. That's about  
5 from me to that screen. 1,700-pound pressure, oil pressure. If  
6 that leaks, it's going to go right into the basement or worse.

7 The I-29 corridor, they poo-poo it and say that it's  
8 just not feasible. I'm sorry, but we need to look at that  
9 closer. And then it ought to be a collective thing, not just  
10 the decision of this company. Actually, I-29, other than we  
11 know there's an oil plant at Elk Point, is becoming a more  
12 attractive location all the time.

13 Now I've heard from staff that -- you know, and others  
14 that if you put the oil line on I-29, at some point near  
15 Brookings or Sioux Falls you're on top of the Big Sioux aquifer.  
16 Okay. Is their aquifer any less important or more important  
17 than the one that runs through these three counties? Whose  
18 aquifer is most important?

19 The other advantage of going down I-29 is if you cross  
20 the Missouri at Sioux City instead of Yankton, you would be  
21 downstream of Yankton's water intake, Vermillion's water intake,  
22 and Lewis and Clark's water intake. So there's a balance.

23 If you have a pipe failure at Yankton, you're going to  
24 hit all three of those. There will be oil in the Missouri River  
25 and in the scenic portion of the river.

1           I guess in closing I'd like to thank the Commission  
2 for having the hearings. I was pleased to see that so many  
3 people came out. I think it shows great interest. I thought  
4 people at every meeting, there were 200 in Yankton, I think 180  
5 or something at Alexandria. I don't know, 150 or 20 or  
6 something at Clark. And this looked to me like around 150. I  
7 don't think anyone can say there isn't concern and interest.  
8 And I think with all due respect to TransCanada's earlier  
9 meetings, I mentioned this to the Chairman, this was the first  
10 open forums on this.

11           Their meetings were more they kind of ran you through  
12 a chute. And I complained about it to Jeff Rauh. And they  
13 never changed it then. These are public meetings where people  
14 hear, people say things, and you either agree with them or you  
15 don't. But at least you get to hear the whole load.

16           And so I think this is what we want to see. And if  
17 you have any more, they almost have to be like this, whether you  
18 do them or the company. Because how do we learn about this? We  
19 don't have major oil lines in South Dakota. This is very big  
20 news. And if we find out about it and we can have some  
21 dialogue, we might be able to work something through. But  
22 there's a stubbornness to the people that are left here. And we  
23 don't like to be pushed. And I don't like to be pushed. And I  
24 won't be intimidated and I won't be pushed.

25           I manage the WEB Water System. I take it very

1 seriously. And TransCanada can cross our line if they do it in  
2 a way that I really think is safe and my board thinks is safe.  
3 And I don't think a private company should have the right of  
4 eminent domain over people who can't elect them or affect them.

5 WEB has the right of eminent domain. We put in 6,800  
6 miles of pipe, and we never condemned anyone. And if we did, it  
7 would be a huge thing because they'd come to our board and they  
8 would appeal. We have an elected board they can go to. The  
9 REAs have the right of eminent domain. They never use it except  
10 in extreme emergency. And there you would have the right of  
11 appeal to a local board.

12 This company, if they've been given the right of  
13 eminent domain as a common carrier, and apparently they have, it  
14 surprised me, but the big problem the legislature's going to  
15 have to explain is why do you give eminent domain to any oil  
16 company, let alone one from Canada, with all due respect, when  
17 the average citizen has no appeal? Where do they go?

18 We've always allowed roads, county road systems, to  
19 condemn because it's in the public good. We've allowed  
20 townships and counties and highway departments. We've allowed  
21 utilities that provide benefits to the people that are going to  
22 be condemned. If I had to condemn some farmer to get a pipe  
23 across, at least I can honestly look him in the eye and say you  
24 know what, maybe you aren't going to use water on that land, but  
25 maybe someday your kids will sell the land and put a house there

1 and you'll get more value for your property.

2 Nobody here's going to be able to tap the oil, and no  
3 one's going to be able to benefit like that directly as if they  
4 were getting service from a phone company or REA or rural water  
5 system.

6 This is different. This is going to benefit maybe the  
7 country, maybe the stockholders. And so I think the right of  
8 property -- property rights are so precious in this state,  
9 they're important. And I think it sounds like already that  
10 decision has been made at some legislative hearing and probably  
11 at 10 o'clock at night. And the language slipped in and there's  
12 legislators telling me they don't even know they voted for it.

13 If that happens, it would be a tragedy, but it doesn't  
14 change how people are going to react.

15 If eminent domain is allowed and this company comes in  
16 to enforce it, you have a big problem. Because the people that  
17 are left that have still survived to stay here are the tough  
18 ones. The weak ones left.

19 Now I want to end on just a little note of humor. I  
20 went in to get a cup of coffee and a doughnut today as I was  
21 coming over here and there was five guys that hang out in the  
22 coffee shop. I call them the five wisemen. And they wanted to  
23 know what was going on and I said, Well, there's this plan and  
24 then there's an alternative.

25 And one of those guy says, Well, maybe we should just

1 do like we've been doing here lately, let's just invade Canada  
2 and take the oil. Just joking.

3 Well, thank you very much. And I appreciate the time.

4 CHAIRMAN JOHNSON: Mr. Jones, questions the Applicant  
5 wants to answer?

6 MR. JONES: I certainly think that one of the comforts  
7 I'd like to leave with folks is that we are exposed to building  
8 pipelines in all sorts of amazing conditions, whether they be  
9 sensitive swamps down south, whether they be parkland throughout  
10 North America. We have techniques and the ability to repair  
11 these lines all over North America. And we've got experience  
12 doing that. And we practice doing it. So I want you to  
13 appreciate that.

14 And I don't want you to misunderstand that TransCanada  
15 recognizes how important the water is to people in South Dakota  
16 and how critical a rupture would be here, and we're going to do  
17 everything in our power to make sure that doesn't happen.

18 MR. KOENECKE: Are there any more comments,  
19 Mr. Chairman?

20 CHAIRMAN JOHNSON: Are there any additional comments  
21 or questions? Mr. Koenecke appears -- yes.

22 MR. RICHARD HASTINGS: I don't mean to make this any  
23 longer. It should be kind of short. Curt was talking about --  
24 Richard Hastings, Dayton Township. That's kind of where you're  
25 starting on the South Dakota side, and it has been wet up there.

1 We're at the present time only got -- I think our planting was  
2 48 percent couldn't get in this year, so it is wet.

3 I guess the other question is, when you go through a  
4 wet area, how do you keep that water from following the trench  
5 way back to somebody else?

6 MR. GRAY: It is a wet, and that's the word I would  
7 use, what we call a trench plug, and we literally plug the  
8 trench line to prevent the water in the line from migrating back  
9 up the trench line or down for that matter.

10 CHAIRMAN JOHNSON: Any further comments or questions?  
11 If there are none, I'll just make a quick comment for closing.

12 A number of people during breaks came up to me and  
13 presumably my colleagues and mentioned, oh, this is probably  
14 really tough for you guys and it's really miserable sitting  
15 around listening to this stuff all of those hours, and I would  
16 just echo the sentiments of the speakers today who said how  
17 impressive it is that everybody turned out.

18 I don't know that I'd call probably 20 hours of  
19 hearings we had in the last three days enjoyable, but I would  
20 tell you it's refreshing to see how much South Dakotans care  
21 about their state and their area and the big project that's been  
22 proposed by the Applicants.

23 So thank you for your patience and with that, we will  
24 stand adjourned.

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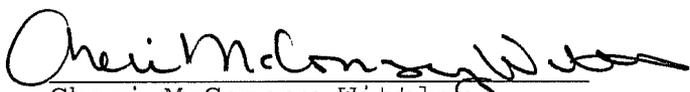
CERTIFICATE

COUNTY OF HUGHES )

I, CHERI MCCOMSEY WITTLER, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public in and for the State of South Dakota:

DO HEREBY CERTIFY that as the duly-appointed shorthand reporter, I took in shorthand the proceedings had in the above-entitled matter on the 27th day of June 2007, and that the attached is a true and correct transcription of the proceedings so taken.

Dated at Pierre, South Dakota this 19th day of July 2007.



Cheri McComsey Wittler  
Notary Public and  
Registered Professional Reporter  
Certified Realtime Reporter