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A total of 30 new pump stations, each located on an approximate 5-acre site, will be constructed in the US; 18 on the Steele City Segment, 10 on the Gulf Coast Segment, and two along the Keystone Cushing Extension in Kansas.

A tank farm will be located on an approximate 50 acre site near the junction of the Project with the Keystone Cushing Extension in Steele City, Nebraska. Three tanks, each with a design capacity of 350,000 barrels, will be constructed for the purpose of managing oil movements during operations.

Valves will be installed and located as dictated by the hydraulic profile of the pipeline, as required by federal regulations, and with the intent to enhance public safety and protect the environment as part of Keystone's integrity management practices. For operational purposes, the spatial extent of each valve site will be contained within the permanent right of way (ROW) and other aboveground facility sites (e.g., pump stations) along the Project route. Permanent access to each of these intermediate sites will be acquired. Intermediate mainline valves typically will have a spacing of approximately 30 miles.

Densitometer sites for detection of crude oil batch interfaces will be co-located at the last valve upstream of each delivery location as well as at each delivery location.

Delivery metering and proving facilities at Nederland and Moore Junction will measure the amount of product transported and delivered to terminals.

Temporary use access roads to the construction ROW and temporary use contractor yards or stockpile sites will be required during construction of the Project.

Electric power lines will be constructed, as required, by local power providers to provide power for the new pump stations and to power remotely operated valves and densitometers located along the pipeline route.

The Project will require the issuance of a Presidential Permit by the US Department of State (DOS) to cross the US/Canada border. The DOS will be the lead agency for the environmental review process pursuant to the National Environmental Policy Act (NEPA)(42 USC 4321 et seq.). This Environmental Report is intended to provide the DOS, Bureau of Land Management (BLM), and other involved agencies with adequate information to commence review of the Project under NEPA. This Environmental Report includes an objective disclosure of environmental impacts, beneficial and adverse, resulting from the Project, as well as a set of reasonable alternatives. Keystone incorporated preliminary field survey information from efforts undertaken in 2008 into this Environmental Report.

In Montana, the Project requires a certificate under the Montana Major Facilities Siting Act (MFSA), which includes environmental review under the Montana Environmental Policy Act (MEPA). The Montana Department of Environmental Quality (MDEQ) has indicated that it will also use the NEPA review document and process to satisfy its own pipeline certification process under MEPA.

Power line and associated facility upgrades will be required in multiple locations along the route. Keystone will not construct nor be responsible for the permitting of new power lines and related facility construction. Local power providers will be responsible for obtaining any necessary approvals or authorizations from federal, state, and local governments for such facilities (except as outlined below). Although the permitting process for the electrical facilities is an independent process, construction and operation of these facilities are considered connected actions under NEPA and are evaluated within this Environmental Report. Keystone will file a separate ROW Grant Application with BLM for power lines that cross BLM lands along the Steele City Segment with the BLM. This is required by the BLM in order to ensure those ROWs are processed in parallel with the EIS. However, Keystone will transfer those ROW grants to the appropriate power providers once those power providers have been selected and have started their permitting processes.

1.2 Purpose and Need for the Project

The purpose of the Project is to transport crude oil production from the Western Canadian Sedimentary Basin (WCSB) to meet growing demand by refineries and markets in the US. The Project will transport crude oil from the oil supply hub near Hardisty, Alberta, Canada and deliver it to existing oil storage terminal facilities near Nederland and Houston, Texas. Construction of the Project will provide US refineries and markets with access to a substantial and reliable supply of Canadian crude oil to meet increasing US demand for petroleum products.

The need for the Project is dictated by a number of factors including:

- Increasing crude oil demand in the United States;
- Decreasing domestic crude supply in the United States;
- Increasing WCSB crude oil supply;
- An opportunity to reduce US dependence on foreign offshore oil supply through further supply diversification to stable, secure Canadian crude supplies; and
- Binding shipper interest in the Project.

1.2.1 Increasing WCSB Crude Oil Supply

Established crude oil reserves in the WCSB are estimated at 179 billion barrels (Canadian Association of Petroleum Producers (CAPP), (January, 2008). The primary source of WCSB crude oil supply -- over 97 percent -- is comprised of Canada's vast oil sands reserves located in northern Alberta. The Alberta Energy and Utilities Board (AEUB) estimates there are 175 billion barrels of established reserves out of 315 billion barrels of bitumen ultimately recoverable in Canada's oil sands. Alberta has the second largest crude oil reserves in the world, second only to Saudi Arabia.

As a result of growing production from the oil sands, crude oil supplies from the WCSB are expected to increase by about 1.6 million barrels per day (bpd) by 2017, from current production of about 2.4 million bpd (CAPP, June, 2008).

1.2.2 Increasing Crude Oil Demand in the US

According to the Energy Information Administration (EIA), US demand for petroleum products has increased by over 11 percent or two million bpd over the past 10 years and is expected to increase further (EIA, Annual Energy Review, 2007). The EIA estimates that total US petroleum consumption is projected to increase by approximately 1.0 million bpd over the next 10 years (EIA Annual Energy Outlook 2008), representing average demand growth of about 100,000 bpd per year.

The Project's key delivery area, PADD III or the US Gulf Coast, represents the largest and most complex refining district in the US with 56 refineries comprising approximately 8.4 million bpd of total refining capacity.

1.2.3 Decreasing Domestic Crude Oil Supply

At the same time, domestic US crude supplies continue to decline. For example, over the past 10 years, domestic crude production in the US has declined at an average rate of about 135,000 bpd per year or two percent per year (EIA, Annual Energy Review, 2007).

1.2.4 Further Supply Diversification to Canadian Crude Oil

The US historically has compensated for decreases in domestic production through increased imports from Canada and foreign offshore sources. Canada is currently the largest supplier of imported crude oil and

refined products to the United States, supplying over 2.4 million bpd in 2007 and representing over 11 percent of total US petroleum product consumption (EIA, Annual Energy Review, 2007).

US imports of foreign crude and refined products continue to increase as a result of decreasing domestic production and increasing demand. Crude and refined petroleum product imports into the US have increased by over 3.3 million bpd over the past 10 years. In 2007, the US imported over 13.4 million bpd of crude oil and petroleum products or over 60 percent of total US petroleum product consumption (EIA, Annual Energy Review, 2007).

The Project would provide an opportunity for US refiners in PADD III to diversify supply away from traditional offshore foreign crude supply and to obtain direct access to secure and growing Canadian crude supplies. Access to incremental Canadian crude supply would also provide an opportunity for the US to supplement annual declines in domestic crude production and more significantly, decrease its dependence on offshore foreign crude supplies, namely from Mexico and Venezuela, the top two heavy crude oil importers into the US Gulf Coast.

1.2.5 Binding Shipper Interest

Shippers – producers, marketers or refiners, evaluate the merits of various pipeline proposals and ultimately decide which projects to support. Shippers have expressed material interest in the Project and in securing additional crude oil pipeline capacity. Potential shippers have already committed to long-term binding contracts, which will enable Keystone to proceed with regulatory applications and, pending successful regulatory and environmental approvals, with construction of the pipeline. These long-term binding commitments demonstrate a material endorsement of support for the Project, its economics, proposed route, and target market, as well as the need for incremental pipeline capacity and access to Canadian crude supplies.

1.3 Federal Approval Process and Authorizing Actions

A number of federal agencies have permitting, environmental review, and regulatory roles with respect to the Project. The roles of the applicable federal agencies with respect to the Project are summarized below.

1.3.1 Department of State

Executive Order 11423 (33 FR 11741), as amended by Executive Order 12847 (58 FR 29511) and Executive Order 13337 (69 FR 25299), governs the DOS's issuance of Presidential Permits authorizing the construction of pipelines carrying petroleum, petroleum products, and other liquids across US international borders. Within the DOS, the Bureau of Economic and Business Affairs, Office of International Energy and Commodity Policy, receives and processes Presidential Permit applications. Upon receipt of a Presidential Permit application for a cross-border pipeline, the DOS is required to request the views of the Secretary of Defense, the Attorney General, the Secretary of the Interior, the Secretary of Commerce, the Secretary of Transportation, the Secretary of Energy, the Secretary of Homeland Security, the Administrator of the US Environmental Protection Agency (USEPA), and such other government department and agency heads as the Secretary of State deems appropriate.

In evaluating Presidential Permit applications, the DOS conducts an environmental review pursuant to NEPA. After consideration of the views of affected agencies and interested parties, the DOS makes a determination whether the proposed pipeline will serve the national interest. If it is determined that issuance of a Presidential Permit will serve the national interest, the DOS prepares a permit including such terms and conditions as the national interest may, in the DOS's judgment, require. The DOS is further required to notify those agencies required to be consulted of its proposed determination. If, within 15 days of notification, any of those agencies disagrees with the determination, it may ask the DOS to refer the matter to the President for his consideration.

and a final decision. If no agency disagrees within the 15-day period, the DOS shall issue or deny the permit in accordance with the proposed national interest determination.

1.3.2 Bureau of Land Management

The BLM has authority to issue ROW grants for all affected federal lands under the Mineral Leasing Act (MLA) of 1920, as amended (30 U.S.C. 181 et seq.). This action would be in accordance with 43 CFR 2800 and 2880, subsequent 2800 and 2880 Manuals, and Handbook 2801-1. For the Project, the BLM will consider the issuance of a new ROW grant and issuance of associated temporary use permits that would apply to BLM-managed lands crossed by the Project, as well as all other federal lands affected. Conformance with land use plans and impacts on resources and programs will be considered in determining whether to issue a ROW grant. A preliminary SF 299 form and accompanying material was submitted to the Billings field office of the BLM in March 2008 to initiate the cost recovery agreement process so that BLM staff could participate in agency meetings and assist Keystone with routing across BLM lands. A final SF 299 and accompanying Plan of Development (POD) will be filed in early 2009.

1.3.3 US Army Corps of Engineers Section 404 (Clean Water Act) Nationwide Permits and Section 10 (Rivers and Harbors Act) Permits

Section 404 of the Clean Water Act (CWA) establishes a permit program administered by the US Army Corps of Engineers (USACE) to regulate the discharge of dredge and fill materials into the Waters of the US, including their adjacent wetlands. The Project will be under the jurisdiction of multiple USACE districts. Keystone began field surveys in the spring of 2008 along all areas of the proposed route where survey permission was obtained. These field surveys identified USACE jurisdictional waters of the US and wetlands crossed by the Project. Keystone will file this information with the USACE and will apply for Section 404 permits. Certain nationwide permits (NWP) will be applicable, including NWP 33 for access and dewatering and NWP 12 for utility crossings for most of the USACE districts. Keystone will require approvals under Section 10 (Rivers and Harbors Act). Keystone intends to submit its Section 404 and Section 10 permit applications to the appropriate USACE District offices in 2009.

1.3.4 Section 106 National Historic Preservation Act (NHPA)

Section 106 of the National Historic Preservation Act (NHPA), as amended, requires the lead federal agency to take into account the effects of its undertakings on historic properties or historic resources listed in, or eligible for listing in, the National Register of Historic Places (NRHP) and to afford the Advisory Council on Historic Preservation (ACHP) an opportunity to comment if there will be adverse effects to NRHP-eligible properties. Historic properties are prehistoric or historic districts, sites, buildings, structures, objects, or properties of traditional religious or cultural importance, which are listed or eligible for listing in the NRHP, including artifacts, records, and material remains related to such a property or resource.

The DOS, as lead federal agency, is responsible for NHPA Section 106 compliance for all lands, both public and private, affected by the Project. Keystone, as the applicant, is preparing information, analyses, and recommendations necessary for DOS to comply with Section 106, in accordance with ACHP's regulations at 36 CFR Section 800.2.

To date, Keystone has completed files and records reviews for the Project area. Protocols for field surveys were prepared by Keystone and reviewed and approved by state historic preservation officers (SHPOs). Field surveys started in the spring of 2008. As a result of the field surveys, Keystone is recommending 50 sites as potentially eligible, 16 sites as eligible, and 89 sites as ineligible for listing in the NRHP. These sites were determined to be located within or adjacent to the Project area of potential effects (APE). Avoidance or evaluation to definitively determine NRHP eligibility was recommended for these sites. Re-routes, boring, or construction ROW width reduction are currently being evaluated for all of the eligible and potentially eligible sites. The remainder of the surveys would be completed in the fall of 2008 and spring of 2009.

Information from the files and records searches and field surveys has been documented in reports and submitted to the DOS concurrently with this Environmental Report. The DOS will consult with each SHPO to confirm site eligibility for the NRHP and the Project's effects on NRHP-eligible sites within the APE. If the Project will adversely affect NRHP-eligible sites, the DOS will require the preparation and implementation of treatment plans to mitigate adverse effects. No construction will begin at any given location until all required consultations and approvals are received.

As the lead agency, the DOS also is responsible for complying with the tribal consultation requirements of Section 106 of the NHPA, as amended, the Native American Graves Protection and Repatriation Act (NAGPRA), and American Indian Religious Freedom Act (AIRFA). Compliance involves contacting Native American groups with traditional or historical ties to the lands crossed by the proposed Project and ensuring that the requirements of the NHPA, NAGPRA, and AIRFA are met. Tribal outreach was initiated by Keystone with a number of tribes recognized as having a potential past or present affiliation with the proposed Project area. To date, a number of tribes responded to the initial outreach letters. At this time, official government-to-government consultation has not begun; however, consultation will occur as part of the NEPA process through the lead federal agency. In addition, Keystone has continued to engage interested tribes outside of the Section 106 process and will do so throughout construction.

1.3.5 US Fish and Wildlife Service

Section 7 of the Endangered Species Act (ESA), as amended, states that any Project authorized, funded, or conducted by any federal agencies should not "...jeopardize the continued existence of any endangered species or threatened species or result in the destruction or adverse modification of habitat of such species which is determined to be critical" [16 USC 1536(a)(2)(1988)]. The US Fish and Wildlife Service (USFWS) is responsible for ensuring compliance with the ESA. The DOS, as the lead federal agency, is responsible for initiating informal consultation with the USFWS to determine the likelihood of effects on listed species. The DOS or the applicant as a non-federal party is required to consult with the USFWS to determine whether any federally-listed or proposed endangered or threatened species or their designated critical habitat occur in the vicinity of the proposed Project. If, upon review of existing data, the DOS determines that these species or habitats may be affected by the proposed Project, the DOS is required to prepare a Biological Assessment (BA) to identify the nature and extent of adverse impact and to recommend mitigation measures that will avoid the habitat and/or species or that will reduce potential impact to acceptable levels. If, however, the DOS determines that no federally-listed or proposed endangered or threatened species or their designated critical habitat will be affected by the proposed Project, no further action is necessary.

Keystone consulted with the USFWS regarding potential occurrence of special status species along the pipeline route. Based on USFWS input, Keystone developed a list of special status species that would require surveys and identified appropriate survey protocols. Once the survey protocols were approved by the USFWS, surveys were initiated in the summer and fall of 2008 and will continue during the spring of 2009.

Keystone continues to consult with the USFWS regarding potential impacts of the Project to special status species and possible mitigation measures to reduce impacts. Based on the results of field surveys and potential impacts to sensitive species, Keystone will prepare a draft BA. This document will be submitted to the DOS following the completion of spring 2009 field surveys. The DOS will then review the draft BA, revise as necessary, and submit the document to the USFWS for its concurrence.

1.3.6 Office of Pipeline Safety

The Office of Pipeline Safety (OPS), Pipeline and Hazardous Materials Safety Administration (PHMSA), within the US Department of Transportation (USDOT) is the primary enforcement agency that regulates the safety of interstate transportation of hazardous liquids by pipelines, including crude oil. Federal regulations governing the construction and safe operation of pipelines are enforced by the OPS. To comply with federal regulations (49 CFR Parts 194 and 195), Keystone will be required to develop a comprehensive Emergency Response

Plan (ERP) for the Project. The OPS will review and approve Keystone's ERP prior to operation. Keystone has prepared a comprehensive ERP for the Keystone Pipeline Project and submitted it to PHMSA for review and approval. Upon receipt of PHMSA approval, Keystone will use the ERP as the basis for preparation of an ERP specific to the Keystone XL Project, incorporating adjustments to reflect Project-specific factors. At that time, Keystone will submit the Keystone XL ERP to PHMSA for approval.

Additionally, the OPS will conduct regular inspections of pipeline facilities in the future to enforce continual compliance with federal regulations. The OPS will also review and approve Keystone's Integrity Management Plan (IMP) for High Consequence Areas. Keystone has filed an application with PHMSA for a special permit authorizing Keystone to design, construct, and operate the project at up to 80 percent of the steel pipe specified minimum yield strength (SMYS).

Keystone is preparing a Pipeline Risk Assessment and Environmental Risk Analysis which evaluates the risk of pipeline disruption and its potential environmental consequences. This document will be submitted within the next two months as privileged and confidential information.

1.3.7 Texas General Land Office

The Coastal Zone Management Act (CZMA) of 1972 gives states with federally approved coastal management programs the responsibility of reviewing federal agency actions and activities to ensure that they are consistent with the state program's goals and policies. Any project that is in or may affect land and water resources in the Texas coastal zone and that requires a federal license or permit, is a direct activity of a federal agency, or is federally funded (grants to states and local governments) must be reviewed for consistency with the Texas Coastal Management Program. Applicants for federal permits in coastal areas must provide the federal agency with a "consistency certification" stating that the proposed project is consistent with the state's coastal management program. This activity will only apply to a portion of the Gulf Coast Segment and Houston Lateral for the proposed Project. CZMA concurrence will be addressed during the USACE permitting, which in turn, will be processed concurrent with the EIS process.

1.4 Permits and Relationship to Non-federal Policies, Plans, and Programs

An updated preliminary list of federal, state, and local permits and approvals is provided in Table 1.4-1 (updated since the Presidential Permit application). Individual road crossing and road use permits are not included in this table, since such permits will be a standard requirement in all counties crossed.

Table 1.4-1 Permits, Licenses, Approval, and Consultation Requirements

Agency	Permit or Consultation/Authority	Agency Action
Federal		
Department of State (DOS)	Presidential Permit, Executive Order 11423 of August 16, 1968 (33 Fed. Reg. 11741, et seq.)	Consider approval of cross-border facilities; lead federal agency under NEPA
Bureau of Land Management (BLM)	ROW Grant and Temporary Use Permit under Section 28 (Mineral Leasing Act [MLA])	Consider approval of ROW grant and temporary use permits for the portions of the Project that would encroach on federal lands
	Archeological Resources Protection Act (ARPA) permit	Consider issuance of cultural resource use permit to excavate or remove cultural resources on federal lands
	Notice to Proceed	Following issuance of a ROW grant and approval of the Project's POD, consider the issuance of a Notice to Proceed with Project development and mitigation activities for federal lands
US Corps of Engineers (USACE) – Omaha, Tulsa, Fort Worth, and Galveston Districts	Section 404, Clean Water Act (CWA)	Consider issuance of Section 404 permits for the placement of dredge or fill material in Waters of the US, including wetlands
	Section 10 Permit (Rivers and Harbors Act of 1899)	Consider issuance of Section 10 permits for pipeline crossings of navigable waters
US Fish and Wildlife Service (USFWS)	Endangered Species Act (ESA) Section 7 Consultation, Biological Opinion	Consider lead agency findings of an impact of federally-listed or proposed species; provide Biological Opinion if the Project is likely to adversely affect federally-listed or proposed species or their habitats
Federal Highway Administration	Crossing Permit	Consider issuance of permits for the crossing of federally funded highways
Office of Pipeline Safety	49 CFR Part 195	Review and approve Integrity Management Plan for High Consequence Areas
	49 CFR Part 194	Review and approve Emergency Response Plan
	Special Permit	Waiver of the 0.72 design factor
US Environmental Protection Agency (EPA), Regions VI, VII, VIII	Section 401, CWA, Water Quality Certification	Consider approval of water use and crossing permits for non-jurisdictional waters (implemented through each state's Water Quality Certification Program)
	Section 402, CWA, National Pollutant Discharge Elimination System (NPDES)	Review and issue NPDES permit for the discharge of hydrostatic test water (implemented through each state's Water Quality Certification Program, where required)
US Department of Treasury – Bureau of Alcohol, Tobacco, and Firearms	Treasury Department Order No. 120-1 (former No. 221), effective 1 July 1972	Consider issuance of permit to purchase, store, and use explosives should blasting be required
National Oceanic and Atmospheric Administration (NOAA), National Marine Fisheries Service (NMFS)	Magnuson-Stevens Act	Consult on Essential Fish Habitat (EFH)

Agency	Permit or Consultation/Authority	Agency Action
Montana		
Montana State Historic Preservation Office – Montana Historical Society	Section 106 consultation regarding NRHP eligibility of cultural resources and potential project effects on historic properties, Compliance with Montana State Antiquities Act	Review and comment on activities potentially affecting cultural resources
Montana DEQ – Director’s Office MEPA Office	Montana Environmental Policy Act (MEPA) Permit and Montana Major Facility Siting Act (MFSA) Compliance	Review and comment on environmental activities and alternative siting study; review and use federal EIS to meet MEPA requirements
Montana DEQ – Permitting and Compliance Division – Water Protection Bureau	Montana Ground Water Pollution Control System (MGWPCS) and Nondegradation Review (three levels of water protection based on water classification, i.e. outstanding resource waters etc.), Standard 318 (Permitting conditions for Pipeline Crossings at Watercourses – short term turbidity), 310 Joint Application	Consider issuance of permit for stream and wetland crossings; consult for Section 404 process
	Montana Pollutant Discharge Elimination System (MPDES)	Consider issuance of permit for hydrostatic test water discharge, trench dewatering, and stormwater discharge
Montana Department of Natural Resources and Conservation (DNRC) – Water Resources Division (General)	Water Appropriation Permit (Beneficial Water Use Permit) and/or Water Wells Drilling/ Alteration	Consider issuance of permit for water use for hydrostatic testing or waters for dust control
Montana DNRC – Water Resources Division (General)	Navigable Rivers/Land Use License/Easement	Consult on and consider issuance of permit for projects in, on, over, and under navigable waters
Montana DNRC Trust Land Management Division	Permit to obtain easement to cross state lands for permanent right-of-way, land use license for construction corridor, MEPA Compliance on state land	Consider issuance of permit for crossing of state-owned land; review construction corridor
Fish Wildlife and Parks Department – Wildlife Division	SPA 124 Permit, Comment on project and effects on natural resources, threatened and endangered species	Consider issuance of permit for working within streams in the state (if necessary); consult regarding natural resources
Department of Transportation – Billings District	State and Highway Crossing Permit for pipeline and access roads that encroach state highway ROW	Consider issuance of permits for crossings of state highways
County Road Departments	Crossing Permits	Consider issuance of permits for crossing of state highways
County Floodplain Departments	County Floodplain permitting	Consider issuance of permits and review of work in floodplains
County and Local Authorities	Pump Station Zoning Approvals, where required	Review under county approval process
	Special or Conditional Use Permits, where required	Review under county approval process

Agency	Permit or Consultation/Authority	Agency Action
South Dakota		
South Dakota Historical Society	Consultation under Section 106, NHPA	Review and comment on activities potentially affecting cultural resources
Public Utilities Commission	Energy Conversion and Transmission Facilities Act	Consider issuance of permit for a pipeline and associated facilities
Department of Environment and Natural Resources, Surface Water Quality Program	Section 401, CWA, Water Quality Certification	Consider issuance of permit for stream and wetland crossings; consult for Section 404 process
	Hydrostatic Testing/Dewatering & Temporary Water Use Permit (SDG070000)	Consider issuance of General Permit regulating hydrostatic test (HT) water discharge, construction dewatering to waters of the state ,and Temporary Water Use Permit
Department of Game, Fish, and Parks	Consultation	Consult regarding natural resources
Department of Transportation	Crossing Permits	Consider issuance of permits for crossing of state highways
County Road Departments	Crossing Permits	Consider issuance of permits for crossing of county roads
County and Local Authorities	Pump Station Zoning Approvals, where required	Review under county approval process
	Special or Conditional Use Permits, where required	Review under county approval process
Nebraska		
Nebraska State Historic Preservation Office	Consultation under Section 106, NHPA	Review and comment on activities potentially affecting cultural resources
Department of Environmental Quality (DEQ), Division of Water Resources	Section 401, CWA, Water Quality Certification.	Consider issuance of permit for stream and wetland crossings; consult for Section 404 process
	Excavation Dewatering and Hydrostatic Testing Permit Form NEG6720000 Dewatering Form NEG6721000 Relocation	Consider issuance of permit regulating hydrostatic test water discharge and construction dewatering to waters of the state
Department of Environmental Quality (DEQ), Division of Air Quality	Nebraska Administrative Code Title 129, Construction Permit.	Consider issuance of permit for construction of proposed tank farm at Steele City
Department of Natural Resources	Water Appropriations – Groundwater and Surface Water	Consider issuance of permit to Use Public Waters (for hydrostatic test water or dust control)
Game and Parks Commission	Consultation	Consult regarding natural resources
Department of Transportation	Crossing Permits	Consider issuance of permits for crossing of state highways
County Road Departments	Crossing Permits	Consider issuance of permits for crossing of county roads
County and Local Authorities	Pump Station Zoning Approvals, where required	Review under county approval process
	Special or Conditional Use Permits, where required	Review under county approval process

Agency	Permit or Consultation/Authority	Agency Action
Kansas		
Department of Health and Environment, Bureau of Water	Hydrostatic Testing Permit (if applicable)	For pump station piping, may be below permitting thresholds
	Water Withdrawal Permit (if applicable)	For pump station piping, may be below permitting thresholds
Department of Wildlife and Parks	Non-game and Endangered Species Action Permit (if applicable)	Review of new pump station locations
State Historic Preservation Office	Historical Resources Review (if applicable)	Review of new pump station locations
County and Local Authorities	Pump Station Zoning Approvals, where required	Review under county approval process
	Special or Conditional Use Permits, where required	Review under county approval process
Oklahoma		
Oklahoma State Historical Society	Consultation under Section 106, NHPA	Review and comment on activities potentially affecting cultural resources
Department of Environmental Quality (DEQ), Division of Water Resources	Section 401, CWA, Water Quality Certification.	Consider issuance of permit for stream and wetland crossings; consult for Section 404 process; Critical Water Resources.
	Excavation Dewatering and Hydrostatic Testing Permit (OKG270000)	Consider issuance of permit regulating hydrostatic test water discharge and construction dewatering to waters of the state
Department of Wildlife Conservation	Consultation	Consult regarding natural resources
Department of Transportation	Crossing Permits	Consider issuance of permits for crossing of state highways
County Road Departments	Crossing Permits	Consider issuance of permits for crossing of county roads
County and Local Authorities	Pump Station Zoning Approvals, where required	Review under county approval process
	Special or Conditional Use Permits, where required	Review under county approval process
Texas		
Texas State Historic Preservation Office	Consultation under Section 106, NHPA	Review and comment on activities potentially affecting cultural resources
Texas Commission on Environmental Quality (TCEQ)	Section 401, CWA, Water Quality Certification.	Consult for Section 404 process; permit regulating hydrostatic test water discharge, and construction dewatering to waters of the state
Parks and Wildlife Department	Consultation	Consult regarding natural resources
Texas General Land Office	Coastal Zone Management Program	Consult on state-owned lands and consider issuance of Coastal Zone Consistency Determination
	State owned lands	Consider approval of easement grants for ROW cover state-owned lands

Agency	Permit or Consultation/Authority	Agency Action
Railroad Commission of Texas	State lead on oil and gas projects; Excavation Dewatering and Hydrostatic Testing Permit	Consider issuance of permit to operate the pipeline; consider issuance of permit regulating hydrostatic test water discharge and construction dewatering to waters of the state
Department of Transportation	Crossing Permits	Consider issuance of permits for crossing of state highways
County Road Departments	Crossing Permits	Consider issuance of permits for crossing of county roads
County and Local Authorities	Pump Station Zoning Approvals, where required	Review under county approval process
	Special or Conditional Use Permits, where required	Review under county approval process
Jefferson County Drainage District	Crossing Permits	Consider issuance of permits for crossing of drainage canals
Lower Neches Valley Authority	Crossing Permits	Consider issuance of permits for crossing of drainage canals

1.5 ROW Acquisition Process

Keystone will seek to acquire the necessary ROW for the Project by negotiating easements with landowners along the pipeline route. Keystone will negotiate permanent easements that will grant the company the right to construct, operate, and maintain the pipeline in the permanent ROW. Keystone also will negotiate temporary easements for additional workspace needed to construct the pipeline. In return for granting easements, landowners will receive monetary compensation, including compensation for loss of use during construction, crop loss, loss of nonrenewable or other resources, use of private roads, as well as a commitment to restore or compensate for any unavoidable damage to property during construction. If an easement cannot be negotiated with the landowner, Keystone may acquire easements needed for pipeline construction under state eminent domain laws. State statutes define the prerequisites to utilizing eminent domain and set forth the eminent domain process in each state. Keystone also will acquire a limited number of sites in fee for certain above ground facilities. Keystone will initiate the land acquisition process in late 2008.

1.6 Public Participation and Issues

1.6.1 Stakeholder Relations and Open Houses

Keystone has been engaged in public consultation since the Project was formally announced in July 2008.

To date, Keystone's public participation program included meetings with community leaders and open houses. Keystone has met with leaders from more than 85 communities during the spring and summer of 2008. These meetings were designed to:

- introduce the Project, listen to and capture initial thoughts and concerns, and describe ways for interested parties to get additional information from Keystone and the Project team;
- discuss plans for more detailed public participation and consultation with local landowners and stakeholders ensuring community leaders were comfortable with Keystone's approach;
- assist in planning effective open houses by asking community leaders to identify potentially interested constituencies and potential local issues and concerns; and

- begin to establish a business relationship between Keystone and the local units of government and communities neighboring the pipeline.

Keystone conducted open houses to inform communities and other interested stakeholders about the proposed Project and to initiate the public input and feedback process.

In June and July 2008, 27 open houses were held along the initial proposed route in the following locations:

Montana

Glasgow (Valley County)
 Circle (McCone County)
 Glendive (Dawson County)
 Baker (Fallon County)

South Dakota

Buffalo (Harding County)
 Faith (Meade County)
 Phillip (Haakon County)
 Murdo (Jones County)
 Winner (Tripp County)

Nebraska

Atkinson (Holt County)
 Burwell (Garfield County)
 Fullerton (Nance County)
 York (York County)
 Fairbury (Jefferson County)

Kansas

El Dorado (Butler County)
 Clay Center (Clay County)

Oklahoma

Durant (Bryan County)
 Stroud (Lincoln County)
 Ada (Pontotoc County)

Texas

Beaumont (Jefferson County)
 Livingston (Polk County)
 Liberty (Liberty County)
 Lufkin (Angelina County)
 Nacogdoches (Nacogdoches County)
 Paris (Lamar County)
 Tyler (Smith County)
 Winnsboro (Wood County)

Issues

A summary of issues and comments from open houses is provided below under six main topic areas.

- Economic impact: Many of the rural communities along the proposed route are seeking jobs and potential economic activity. Participants had a positive view of the Project’s potential to create local jobs and generate opportunities for local businesses to provide goods and services.
- Tax revenue: The possibility of significant tax revenue was attractive to local and state governments.
- Route location and selection: Stakeholders raised a wide range of issues related to route location and the route refinement process.
- Safety and environment: Many attendees asked general questions related to pipeline safety, including environmental impact of leaks, and impact on water sources (existing water lines, aquifers, and irrigation systems), noxious weeds, protection of sandhills and wetlands, and the impact on soil productivity and tree cover.
- Easement agreements: Several issues related to easements were discussed, including liability issues and cleanup responsibility, as well as compensation to affected landowners.

- Construction: There was interest in such issues as depth of cover, impact on roads, construction methods, and time of year when construction will occur.

Keystone is committed to ongoing and regular correspondence, communication, and consultation with all stakeholders. Keystone shares information about the Project and provides opportunities for identification and resolution of questions, issues, and concerns through a number of channels, including press releases, the Project web site (www.transcanada.com/KXL), e-mail (KXL@transcanada.com), toll-free telephone numbers for general inquiries (1-866-717-7473) and for landowner issues (1-877-860-4881), one-on-one discussions between landowners and land agents, and direct mailings. Public participation and consultation activities will continue throughout the life of the Project. Additionally, stakeholders are advised how to access Project information and to provide feedback by other means.

1.6.1.1 Consultation on Route Variations

In response to feedback received, agency input, and as a result of survey work done to date and ongoing engineering, portions of the route shared publicly at the previously held open houses have been changed. Consultation with new landowners who may be affected by these reroutes will be accomplished largely through one-on-one interactions with land agents and field personnel.

1.6.2 Agency Coordination and Consultation

An initial meeting was held between the DOS and Keystone on June 2, 2008. Introductory meetings were held between Keystone and the BLM, USACE, National Park Service (NPS), and USFWS, both at the federal and regional levels, to discuss the Project, identify any potential issues with these agencies, and initiate the permitting processes. Similar meetings were held with state agencies.

Keystone filed a Presidential Permit application and supporting documents, including a preliminary Environmental Report, with the DOS on September 19, 2008. The purpose of the preliminary Environmental Report was to assist the DOS in making a determination on the lead agency status for the NEPA process. This updated Environmental Report includes electronic shapefiles for the refined centerline and pump station locations (filed with DOS separately); field survey reports; and documentation of agency consultation regarding wetlands and cultural and biological resources. A supplemental filing will be made in June 2009. Early in 2009, a final SF 299 and POD will be filed with the BLM in Billings, Montana. In addition to these filings, an application will be made with Montana DEQ under the MFSA in December 2008 and an application for a certificate under the South Dakota Energy Conversion and Transmission Facilities Act will be filed with the South Dakota Public Utilities Commission in early 2009.