Appendix AA

Public Comment

Walsh, Brian

From: Curt Hohn [chohn@webwater.org]
Sent: Wednesday, October 08, 2008 11:04 AM
To: Walsh, Brian
Subject: FW: Photos from Sunday's Transco pipeline rupture

Brian

Please pass this along to all members of the Pipeline Task Force.

Thank you.

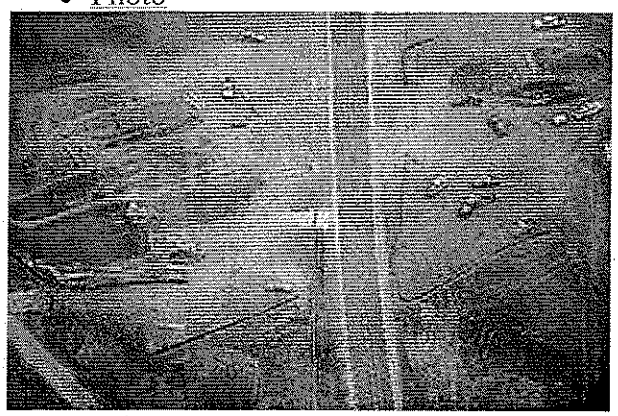
Curt Hohn

The photos attached are of a TransCo gas pipeline explosion near Appomattox, Virginia which failed at 7:44 a.m. on Sept. 14, a Sunday . This is gas pipeline, the Keystone Pipelines crossing SD will move tar sands crude oil. There is a risk with both products.

These photos reaffirm the concern about the proximate of a high pressure pipeline to homes and building structures.

Problems found near Appomattox blast site

- http://www.newsadvance.com/lna/news/local/article/problems_found_near_appomattox_blast_site/9032/
- Photo



Chet White
A view from above the Appomattox pipeline explosion.

Text size: small | medium | large

By CARRIE J. SIDENER

Published: October 2, 2008

Read a Pipeline and Hazardous Materials Safety Administration report on the Williams Transco pipeline

10/08/2008

Preliminary findings by federal inspectors charged with investigating the rupture of a natural gas pipeline in Appomattox show some measure of metal loss near the failure, according to a corrective order issued last week to the company that operates the line.

The order also listed concerns with corrosion-control systems along the line, and required the operator, Williams Gas Co., to lower the pressure in the two lines that run adjacent to the one that ruptured until a complete evaluation is done.

The exact cause of last month's pipeline rupture, which sparked a devastating fireball and leveled two homes, is not yet known. It is under investigation by the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration, the agency that issued the Sept. 25 corrective order.

The natural gas pipeline that runs through Appomattox is part of the Transco line, which extends from the Gulf of Mexico to New York, including 858 miles in Virginia.

Under normal operation, gas is pushed through those lines at 800 pounds per square inch. Williams immediately lowered the pressure to 670 psi after the Sept. 14 explosion. The corrective order requires Williams to lower it to 640 psi, which the company did last week.

The order also outlines the steps needed to return the three natural gas lines to full service.

"Most of the items covered were things we already planned to do," Christopher Stockton, spokesman for the company, said Thursday.

Stockton said that the company will have a public meeting before pressure is restored, a move that is not expected before late November.

Patricia Klinger, spokesperson for PHMSA, the federal oversight agency, said the measures outlined in the corrective order are "reassuring us that the line is safe when it goes back into service."

The investigation is ongoing, she said. The ruptured section of pipe went to a metallurgy lab, where scientists are trying to determine what may have caused or contributed to the failure.

The B line that crosses Virginia 26 just north of the town of Appomattox failed at 7:44 a.m. on Sept. 14, a Sunday. The natural gas it released ignited a fireball that burned an area 1,125 feet in diameter, according to preliminary findings in the order. Twenty-three families were evacuated. Two homes were destroyed. Five people were hurt, none seriously.

The explosion blew a 30-foot section of pipe out of the ground and across Virginia 26. The neighboring lines did not appear to be damaged in the blast, the order said.

The 30-inch B line, installed in 1955, is coated with asphalt enamel and protected by a light electrical current applied to prevent corrosion. The neighboring A and C lines are protected the same way.

Measurements called "pipe to soil potentials" taken in 2006 were low — an indicator, Klinger said, of the effectiveness of the protection. The company took steps to boost those readings in 2007, but it is unclear if that helped, the corrective action order said.

"(Inspectors) were concerned that it wasn't properly protected," Klinger said.

Last October, the agency issued a Notice of Probable Violation and Proposed Civil Penalty, alleging that five of Williams' devices that apply slight electrical current to the pipes to prevent corrosion were not operating properly. One of those devices was 3.8 miles from the explosion site, the order said. Another was less than 20 miles.

The A line was inspected in 2000, leading to the replacement of a 36-foot section near the failure site. Lines B and C were inspected this year and a 200-foot section of the C line was replaced, according to the order.

Williams has inspected both the A and C lines since the explosion and they appear to be in good

condition, Stockton said. Pipeline inspectors reviewed the data collected from the inline inspection tool for all three lines, prompting them to dig up 20 places where repairs might be needed starting three miles south of the explosion site and going 60 miles north.
"We are examining the pipe in those locations to ensure it is safe and making repairs as needed," he said.
The families of Linda Jamerson and Calvin Childress — the two whose homes were destroyed — have been placed in temporary or permanent housing, Stockton said.
"We are working with all affected homeowners to ensure their concerns are addressed. We are in the process of arranging home inspections, home repairs, water well and septic analysis for homes which may have been affected."
Stockton said he can't comment on any settlement issues.
"We want to protect the privacy of all affected landowners and any discussion about settlements is considered private and confidential," he said. "However, I can say that we are working with landowners to determine any losses and damages they incurred due to the incident."

Pipeline questions answered
By STEPHANIE A. JAMES/Staff Writer
Wednesday, September 24, 2008 9:53 AM EDT

Star Tribune - Virginia Times

http://www.wpcva.com/articles/2008/09/24/appomattox/news/news32.txt

The following questions were compiled to answer some questions about the Williams Gas Pipeline-Transco and last week's pipeline rupture.

Q: How many natural gas transmission pipelines are operated by Williams Gas Transco and how much of the population receives the natural gas from the company?
A: Three. There are Northwest Pipeline, Transco, and Gulfstream. Williams delivers to approximately 12 percent of the nation's daily supply of natural gas. The gas is transported to heat homes and generate electricity.

Q: Where are Williams pipelines located?

A: The pipeline extends from the Gulf of Mexico to New York and consists of 10,500 miles. A map can be viewed of the National Pipeline Mapping System on the Pipeline and Hazardous Material Safety Administration (PHMSA) website at www.npms.phmsa.dot.gov. Web users can find the location by entering in the state and County.

Q: What is the life expectancy of the pipeline?
A: Williams Vice President Larry Hjalmarson said that with proper maintenance of the pipes the pipes last "indefinitely." The three pipelines that were in the area where the pipeline ruptured are between 50 and 60 years old.

Q: How is the pipe checked for defects and how safe is it?

A: A pipeline inspection gauge (or PIG) is a tool that is inserted in the pipe to detect defects.

Since last week's explosion in Appomattox, the company has taken a number

of measures to ensure that the pipeline is safe. The pipes are inspected regularly. The adjacent pipes have been reduced to a lower level and will not return to full service until the company ensures that the pipelines are safe. Hydrostatic pressure tests will be done on the ruptured pipe. The test detects leaks.

Q: How much pressure is in the pipeline?

A: The maximum allowed is 800 pounds per square inch.

Q: How is the pipeline maintained?

A: The pipeline is lined with a coating or a current to reverse the process of corrosion.

Q: What was the cause of the pipeline explosion and what was the cost of the damages?

A: The cause of the explosion has not been determined yet. The estimated cost of the damages has not been calculated yet. Williams representatives told citizens last week during a forum-style meeting that the company would pay for damages to homes and trauma counseling services.

Q: Who is involved in the investigation of the pipeline rupture?

A: Williams spokesman Jeff Pounds said that PHMSA and the Virginia State Corporation Commission (SCC) are working with Williams on the investigation. The SCC has the safety jurisdiction of more than 16,100 miles of intrastate pipelines that transport natural gas and hazardous liquid throughout the state. In addition the SCC has safety jurisdiction over approximately 200 natural gas master meter systems, two liquid natural gas and two natural gas storage facilities.

Q: What has the Virginia Health Department done?

A: The health department has conducted preliminary tests on the wells and there were no initial problems found.

Q: What else has been done?

A: A compressor station that is located just outside of the Town of Appomattox has been shut down since the pipeline rupture. Another station has been used in its place.

The gas pressure is monitored by the gas control office.

Q: What other incidents have there been of failure?

A: According to a PHMSA incident report, in 2005 there was an incident for Williams Gas Pipeline involving excavation damage in the city of Chantilly, Va. The property damage totaled $160, 743.

Q: What does legislation say about pipeline safety?

A: There is the Pipeline Safety Improvement Act of 2002, which establishes more regulations and requires companies to inspect and assess segments of pipeline meeting specific criteria, such as the pipeline's proximity to high density population areas. The law calls for the inspection of transmission pipelines, which are larger lines that carry greater volumes of natural gas than smaller distribution and service pipelines. In late 2006, President George W. Bush signed the Pipeline Inspection, Protection, Enforcement & Safety Act, which modifies the Department of Transportation's 2002 pipeline safety programs.

With these safety programs, energy companies are required to follow certain

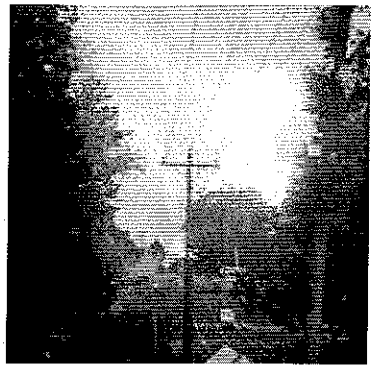
guidelines ensuring natural gas and oil pipelines are operated safely across the country.

Back to top Email this story Print this story

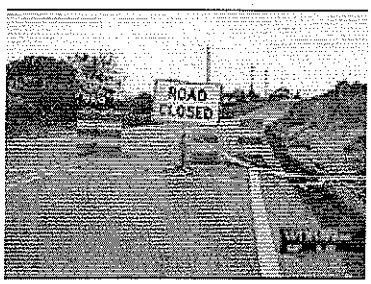
September 16, 2008

UPDATED: Many scared to return home after explosion near Appomattox

The blast destroyed two homes and damaged dozens of others along Route 26 Sunday.



Photos Courtesy of: Breanna Slagle



Everyone was allowed back in the neighborhood Tuesday. Police removed a barricade around the area.

Associated Links

- Pipeline Safety and Information

ADVERTISEMENT

Updated Tuesday 6:20 p.m.

Cleanup is finally underway, two days after a gas pipeline explosion in Appomattox County.

The blast destroyed two homes and damaged dozens of others along Route 26 Sunday. Everyone was allowed back in the neighborhood Tuesday. Police removed a barricade around the area.

Meanwhile, some victims of the explosion are deciding whether to return home at all. Some say going home will be difficult since gas is still being pumped through the area.

"My kids are scared to go home right now," says Kathy Brown, who lives near the blast site. "We are allowed to go home, but they are scared to go home. They were very, very traumatized."

While one pipeline has been destroyed, two others are still carrying gas just a few feet away.

"I just want to be safe. I just want to know that it's going to be safe and the people of the community will be safe," says Scott Armstrong, who also lives near the site. "Right now, I think shutting off the gas would be the number one thing to do."

Residents say they're worried about the integrity of the pipelines after Sunday's explosion.

"Our technical people are looking to see if there is any problem. We don't believe there is," says Larry Hjalmarson with Williams Gas.

The two functioning pipelines are running with reduced pressure. Williams Gas says it won't return the lines to full service until they're sure it's safe to do so.

"We really want to work with the community and those affected and help them get their lives back to normal," says Hjalmarson.

Still, many say normal will be hard to achieve with those gas lines just a few feet away.

"You can reduce pressure all you want to, it's still fuel there to fire," says Jeremy Smith, who lives nearby.

Williams Gas is holding a second community meeting Tuesday night for victims to ask questions. It starts at 7:00 inside the auditorium at Appomattox County High School.**Updated Monday @11:35 p.m.**

Williams Gas held a community meeting tonight at Appomattox County High School to try and answer

questions about the explosion.

Many wanted to know whether their property damage would be paid for and whether the blast area was safe for living.

Five people were injured, and two homes were destroyed when a pipe near Route 26 failed Sunday morning.

The ruptured pipe is one of three natural gas lines that run through Appomattox.

They're all owned by Williams Gas.

Company officials say this is the first time anyone's been injured by an incident along one of their lines.

Local T-V stations, including News 7, were on hand for the meeting, but the company did not allow us to record audio or video of the event.

We talked to blast victims after the meeting who say the company didn't give them what they came for.

Felicia Lewis lives near the blast site. "I wasn't satisfied. I felt like they were hiding things. They didn't give much information as far as helping us."

Jeremy Smith, who also lives near the blast site said, "It wasn't even worth coming to, for the sole reason that he could answer anything we wanted to ask and he's going to put money before people. He's still pumping gas through an area that's been affected by a blast that shook people for miles away."

Williams Gas will hold another community meeting on Tuesday evening at 7 o'clock.

UPDATED: Monday @ 5 p.m.

Officials are still trying to figure out what caused a gas pipeline to explode in Appomattox County. Five people were injured, and two homes were destroyed when a pipe near Route 26 failed Sunday morning.

We're told the process of investigating the explosion could take months because they want to pursue every angle. Williams Gas is the company that owns the pipe.

They say the line has been in place in Appomattox since the 1950's, but it gets maintained on a regular basis, and they don't believe the age of the line had anything to do with why it failed.

UPDATED: Monday @ 2:00 p.m.

Central Virginia Electric Cooperative says the number of power outages due to the explosion stands at 45. That's down from about 500 Sunday.

UPDATED: Monday @ 12:51 p.m.

There will be a community meeting with Williams Gas at Appomattox High School starting at 7 p.m. Monday. Residents will have the opportunity to ask the company questions.

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Five people were hurt and two homes were destroyed after a natural gas pipeline exploded Sunday.

It happened shortly before 8 a.m. near Appomattox, about 30 miles from Lynchburg.

Two homes were destroyed by the explosion and the flames that followed. Nearby residents describe the

sounds as loud booms and explosions.

"It was a loud explosion, about blew me out of the bed," said David Mills.

"I heard some boom-boom, my son's trailer was shaking," said Sadie Harris.

The pipeline is operated by Williams and owned by Transco and is part of a 10,500-mile interstate natural gas pipeline. After the explosion the natural gas was immediately re-routed to other lines.

"Certainly, this is a serious incident and Williams employees are doing everything they can to ensure public safety," said Randy Barnard, Transco's senior executive for operations. "We are very concerned about the report of injuries and the property damage. Our thoughts and prayers are with those who have been affected."

Residents did not have long to get out. Watt Jamerson's relatives lived in one of the homes that was destroyed.

"They jumped up and ran. The heat was so intense that they ran into the creek to a neighbor's house," said Jamerson.

Several homes were evacuated as a precaution. Five people were hurt, but they have all since been released from the hospital.

Nearby pipelines still working after Appomattox explosion

- Photo

Chet White/The News & Advance

http://www.newsadvance.com/lna/news/local/article/nearby_pipelines_still_operating_after_appomattox_county

Dwight Dixon (left) and Corey Robinson, both of Central Virginia Electric Cooperative, head back from surveying Virginia 26 in Appomattox County on Monday. CVEC will replace burned poles and reconstruct existing power lines. About 40 homes are without electricity.

By CARRIE J. SIDENER

Published: September 16, 2008

APPOMATTOX — More than a day after a natural gas pipeline explosion destroyed two homes and injured five people, nearby residents expressed concern that two pipelines are still flowing gas through their community.

The cause of the explosion is still under investigation.

Related:

Problems found near Appomattox blast site
'Massive fireball' leaves five injured, no one killed
A view from above: Appomattox pipeline explosion
Fund set up for family who lost home in Appomattox pipeline blast
Morning of terror: Pipeline explosion

Three pipelines run side-by-side between the charred and shattered brick remains of the homes of Linda Jamerson and Calvin Childress along Kelly Creek and Oakville roads in Appomattox County.

Two pipelines are still funneling gas, said Larry Hjalmarson, vice president of operations for Williams gas company, which runs those lines.

The third, situated in the middle, is 47 feet from one pipe and 25 feet from the other. It failed early Sunday, sparking an explosion that ignited the gas and sent a fireball hundreds of feet in the air. The blast, which created an almost 50-foot crater, destroyed two homes, damaged at least six others and injured five people.

Michelle Marcellino said her children don't want to return home. One cried, telling her, "Mommy, I don't want to be here." Her 6-year-old daughter can't sleep.

"I'm scared it will happen again," Marcellino said.

Hjalmarson told the more than 100 people gathered in the auditorium at Appomattox County High School that the lines still in operation are being thoroughly inspected for damage and are running at lower pressure than normal.

Still, some residents questioned how safe it is to move their families back into the homes that neighbor the pipelines built more than 50 years ago.

The A line was inspected for problems in 2000. The C line was inspected early this year. The B line — the one that failed — had just been inspected, but Williams' officials had not been able to analyze the results when the explosion happened.

"All I can do is assure you that we are operating these pipelines with safety in mind," Hjalmarson said. "We will not restore full service until we are confident that the whole thing is safe."

The B line is a 30-inch pipe that operates at about 800 pounds per square inch of pressure. No leak has been

detected in that line prior to 7:44 a.m. Sunday, said Stuart Roach, district manager for Williams.

While work was done in the area in recent weeks, Hjalmarson said it was performed on the C line to replace some anti-corrosive material in the pipe.

The Pipeline Safety Improvement Act of 2002 requires all pipelines to be inspected by Dec. 17 this year for high consequence areas and 2012 for all other sections of pipeline. All pipelines must be re-inspected on a seven-year cycle.

"I've been out there walking along them," said Hjalmarson. "We will inspect the A and C lines. We will expose those lines and take a look at them. ... We do what is needed to keep it safe."

Bobby Wingfield, director of public safety for Appomattox County, said more than 600 calls came into Appomattox's 911 center Sunday in the wake of the explosion.

"I understand the magnitude of this," Wingfield said. "It is a catastrophic event. They are going to make amends. I live in this community too and I understand they are trying to do the best they can."

Jeff Pounds, spokesman for Williams, said the company handles everything from the extraction, to the processing and distribution of natural gas. The company is based in Tulsa, Okla.

The Transco Pipeline, which includes the lines that run through Appomattox, covers 10,500 miles from Texas to New York. It is one of three pipelines that the company operates and by far the largest.

Compressor stations are situated every 75 to 100 miles along these pipelines to boost the pressure lost while moving the gas through the pipeline. One such station is in Appomattox.

"I understand why people are concerned, but in 50 years of operation, this is the first rupture that resulted in the injury to the public," Pounds said. "Right now our first concern is with the families and the public affected."

Pounds said investigators from the U.S. Department of Transportation's Pipeline Hazardous Materials Safety Administration and Williams company have been on site investigating the cause of the explosion.

It is too soon, he said, to know just what caused the explosion and how much damage it caused.

"We know we can never make this right and erase it," Hjalmarson said.

None of the homes impacted in the explosion have been examined structurally, Hjalmarson said.

Vicky Phelps, spokeswoman for Appomattox County, said with the exception of three families, all the families that were evacuated were allowed to return home Monday morning.

"The Williams people have been in and out all day," said Deputy Todd Craft, of the Appomattox County Sheriff's Office. "The investigation takes precedence now."

Oakville Road is closed and will remain that way until engineers with the Virginia Department of Transportation deem the road safe, Wingfield said. The flames destroyed the asphalt on the road and that needs to be assessed before the road can reopen.

Power is still out for more than 40 residents. Other utilities were also impacted.

Williams has provided housing for families who still can't return home. The Central Virginia Community Services Board is providing counseling to those traumatized by the explosion.

The immediate scene remains closed while federal investigators and investigators with the Williams company work to determine the cause of the pipeline rupture.

"They don't want the area disturbed at all for the investigation," Phelps said.

Numbers provided by the Pipeline Safety Trust from 1986 through 2008 showed 11 non-public injuries and $43 million in damages along the entire length of the Transco line. Most of the failures were caused by material defects, corrosion or outside forces.

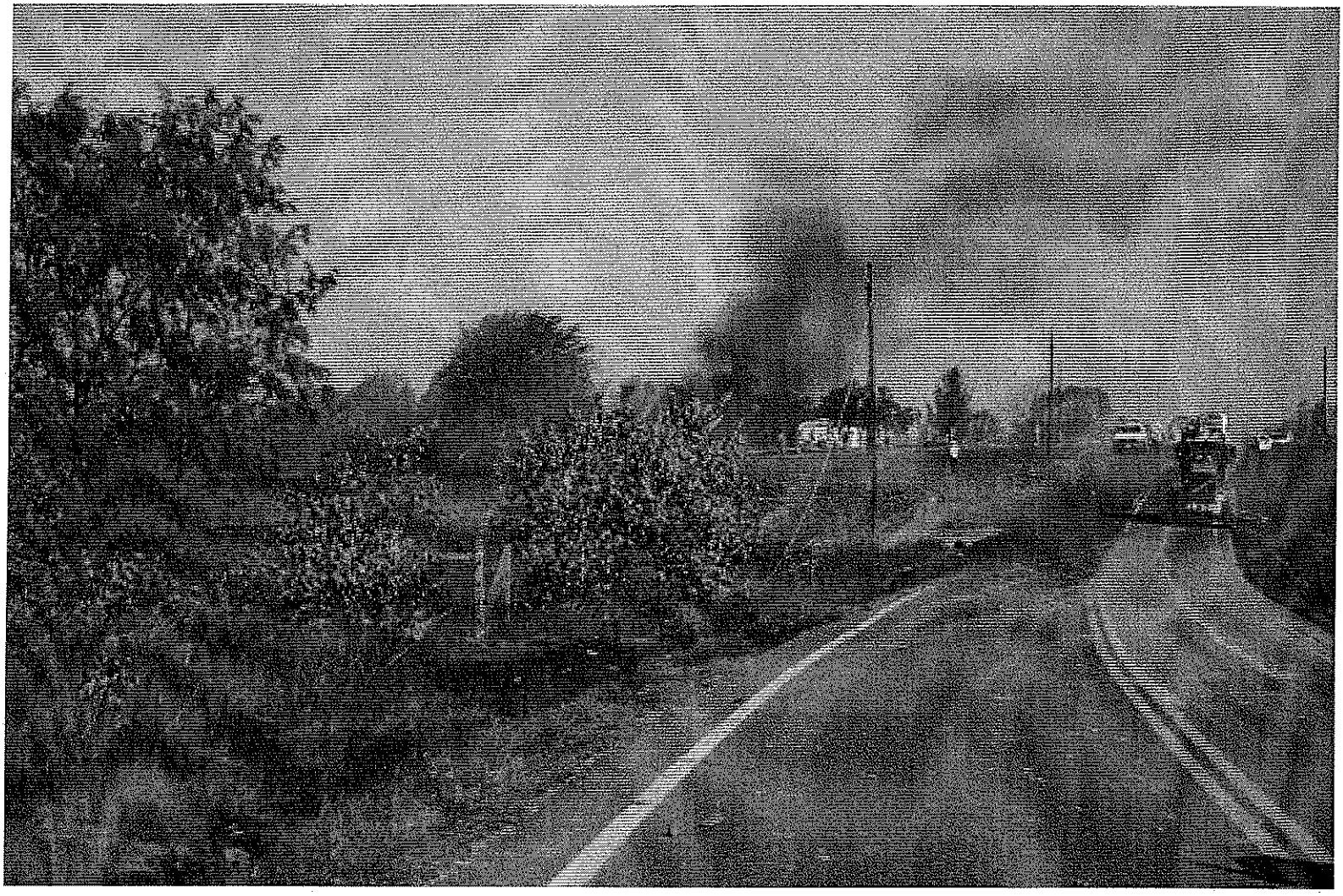
Reader Reactions

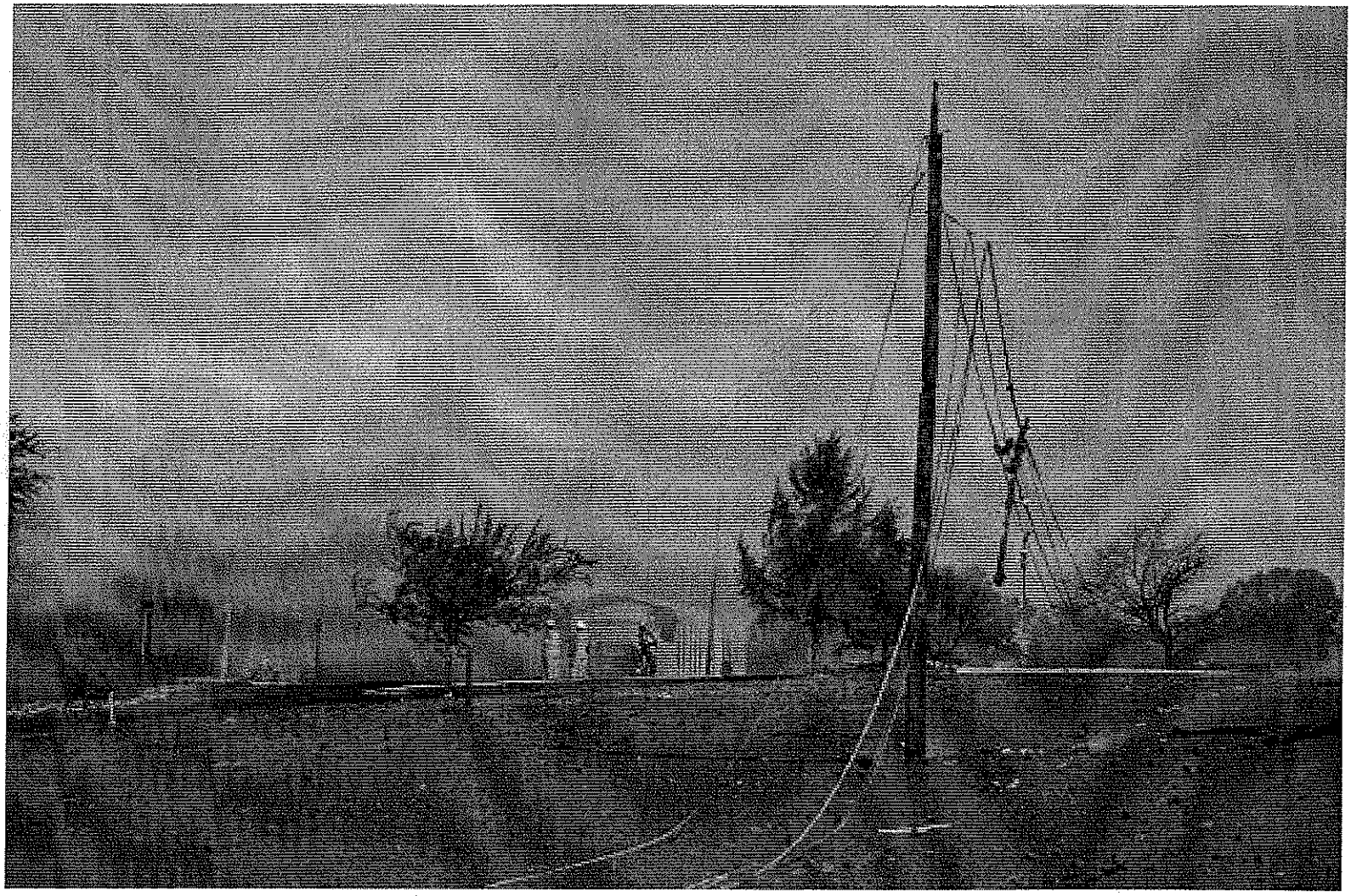
Posted by (tb) on September 16, 2008 at 11:06 am

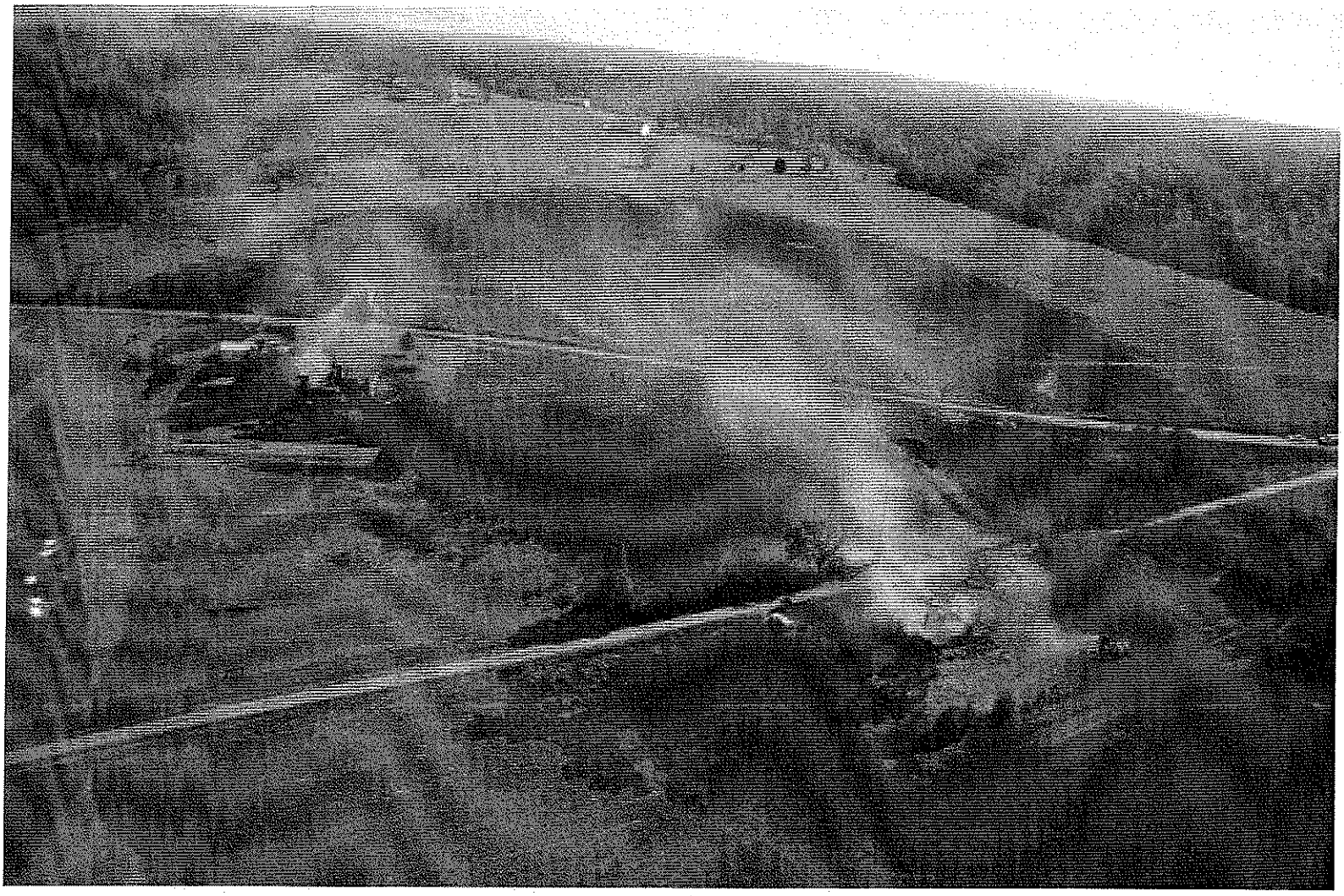
It would seem logical and safe to shut down the gas lines until the inspection has been completed and a clear assessment determined.

This is our hometown and we DO NOT FEEL SAFE! Williams Gas Company can afford to lose a little when our neighbors have lost SO MUCH!
WAKE UP WILLIAMS!

SCARED ON 26.







Walsh, Brian

From: Curt Hohn [chohn@webwater.org]
Sent: Thursday, October 02, 2008 8:48 AM
To: Walsh, Brian; Dennis Davis
Subject: FW: [safepipelines] PHMSA recommends $2.4 million fine for Enbridge fatal accident

This news story relates to the tar sands crude oil pipeline that failed near Clearbrook, MN in November of 2007,.... just a few days before the SDPUC held hearings on TransCanada Keystone.

According to the full report, the pipeline was being operated at a pressure in excess of the approved design pressure.

Enbridge is consider to be the industry leader in the operation of crude oil pipelines. They have 4 pipelines located in the easement corridor where this pipe (3) failed. Two employees (Dave Mussati, Jr. and Steve Arnovich) were working on a pinhole leak in the 34 inch crude oil pipeline when fumes ignited, causing an explosion which killed both men.

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http://www.business north.com/ kuws.asp? RID=2538

News From 91.3 KUWS

Enbridge pipeline explosion federal investigation recommends $2.4 million fine

Story posted Wednesday at 4:19 p.m.

10/1/2008

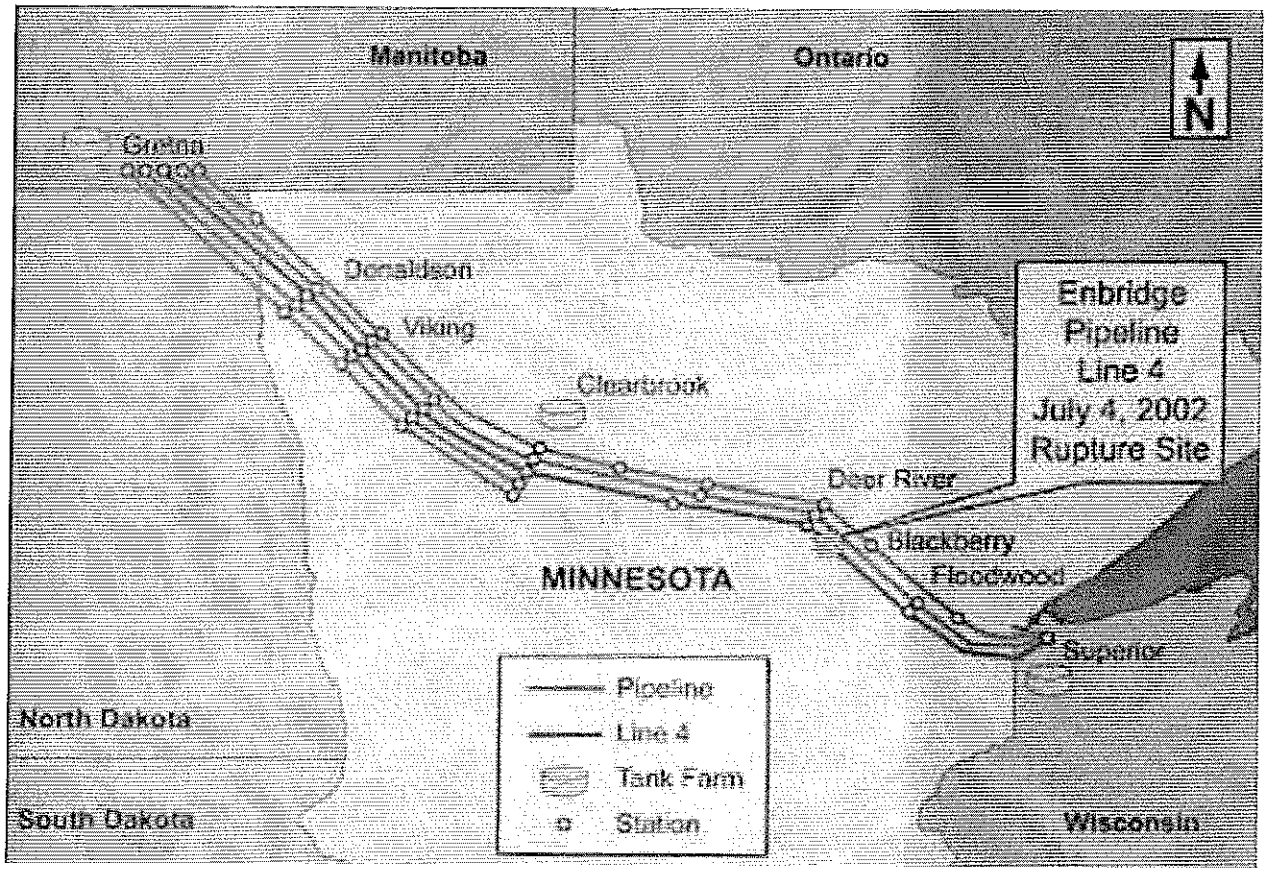
A 10 month federal investigation is saying Enbridge Energy committed probable violations of Pipeline Safety Regulations that **lead to the death of two workers** last year. Mike Simonson reports. Today, the Pipeline Safety Administration is proposing a $2.4 million fine.

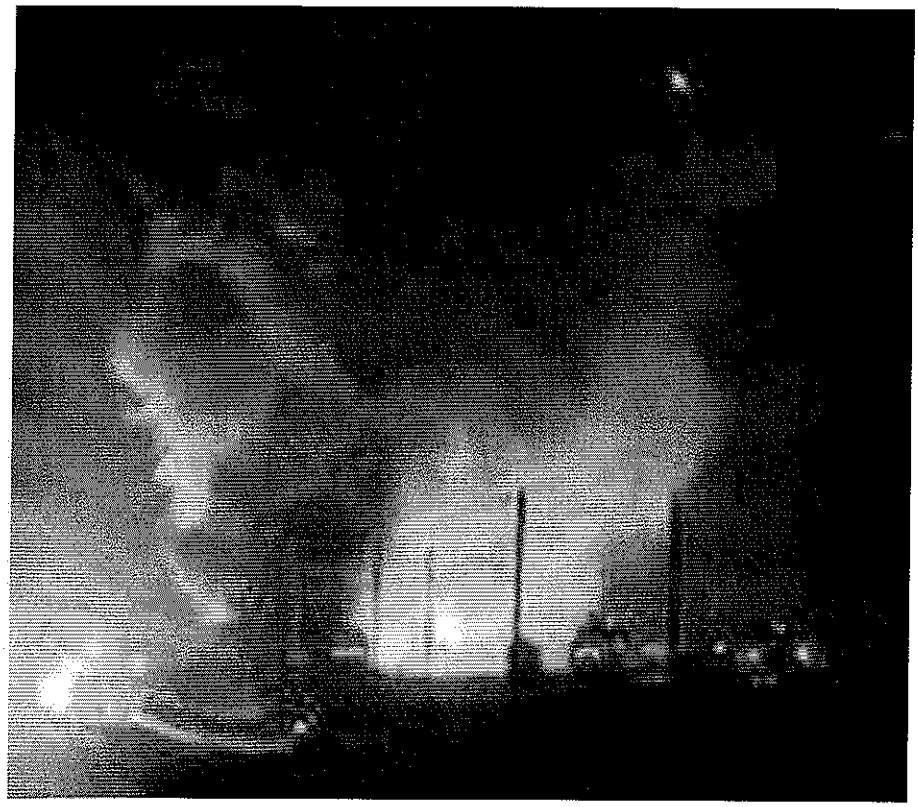
In a letter sent to Enbridge Energy Partners based in Houston, this notice of probable violation ends a 10 month investigation which began when two members of a pipeline repair crew were killed November 28, 2007 in Clearbrook, Minnesota. The men were both from the Superior area.

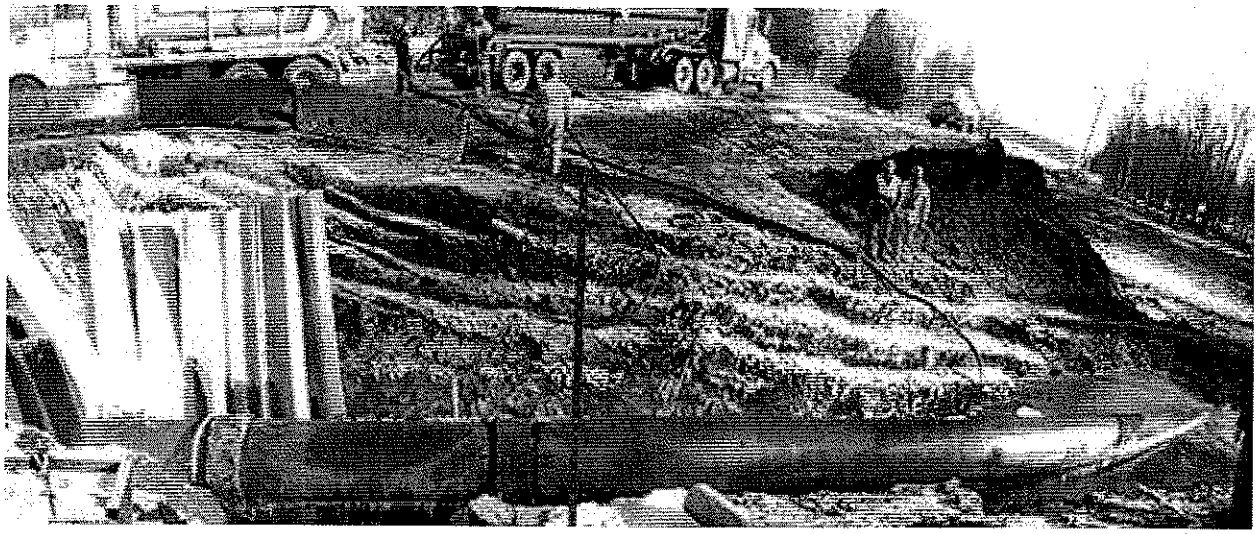
The investigation alleges eight procedural violations by Enbridge, including **operating the line in excess of the design pressure** of the weld and ends couplings and allowing multiple ignition sources near the pipeline repair site in northwestern Minnesota. Pipeline Safety Spokeswoman Patricia Klinger says that most likely includes a heater near the pipeline when it exploded. "That was the actual ignition source. That was considered, yes, absolutely."

Enbridge Energy Spokeswoman Denise Hamsher says the feds investigation is similar to their own, which they released in May. So she's unsure if they'll appeal the $2.4 million proposed fine.
"What this really is about is a tragic accident. We lost two employees. It is one of the worst incidents in Enbridge or Lakehead Pipeline history. What's important here is getting at the bottom of the practices, the

training and procedures which we have been doing for many months now." Enbridge has 30 days to respond to the investigation.







NEWS RELEASE

Incident on Enbridge Pipeline – Update -- Line 3 Restarted

Calgary, Alberta and HOUSTON, December 3, 2007 -- Enbridge Inc. (TSX: ENB) (NYSE: ENB) and Enbridge Energy Partners, L.P. (NYSE: EEP) today report that Enbridge Energy Partners' Line 3, the line damaged in last week's accident near Clearbrook, Minnesota, was restarted at 4:35 a.m. MST December 3, 2007.

The duration of the unplanned outage, combined with storage capability and optimization of Enbridge system flexibility minimized impact on crude oil production and deliveries. Enbridge appreciates the cooperation of shippers on the Enbridge system in realigning deliveries which facilitated operations on Lines 1, 2 and 4 that returned to service starting the morning of November 29, 2007.

Repairs were conducted continuously over the weekend, overcoming the challenges of a major winter snow storm in Minnesota on Saturday. A segment of pipeline approximately 180 feet long was replaced and the pipeline has been returned to pre-incident operating pressures following consultation with the Federal pipeline safety regulator, the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA).

Clean-up of the site also progressed over the weekend with all oil and the majority of impacted soils removed from the area. The volume of oil released was estimated to be 325 barrels, which was largely contained in the trench that had been excavated to facilitate the planned maintenance. Contaminated soil was excavated and transported to an approved facility. While environmental impacts are expected to be minimal, Enbridge will continue to work with the U.S. Environmental Protection Agency and the Minnesota Pollution Control Agency to complete the environmental cleanup of the site.

The cause of the accident remains under active investigation with complete results not expected for several weeks. The section of pipeline involved in the failure was removed and transported to a third party facility for examination and testing. Enbridge continues to work closely with federal and state agencies in the investigation of the incident, including the PHMSA, representatives of the Minnesota Office of Pipeline Safety and the Occupational Health and Safety Administration (OSHA), along with state and local public safety officials. Enbridge expresses its sincere appreciation to the community of Clearbrook, Clearwater County and surrounding areas emergency responders for their professional, diligent and supportive actions.

Enbridge Inc. (www.enbridge.com) is a leader in energy transportation and distribution in North America and internationally. As a transporter of energy, Enbridge operates, in Canada and the United States, the world's longest crude oil and liquids pipeline system. Enbridge also has international operations and a growing involvement in the natural gas

transmission and midstream businesses. As a distributor of energy, Enbridge owns and operates Canada's largest natural gas distribution company, which provides distribution services in the provinces of Ontario and Quebec, and in New York State; and is developing a gas distribution system for the Province of New Brunswick. Enbridge is a Canadian company and its common shares trade on the Toronto Stock Exchange in Canada and on the New York Stock Exchange in the United States under the symbol ENB.

Enbridge Energy Partners, L.P. owns the U.S. portion of the world's longest liquid petroleum pipeline and is active in natural gas gathering, treating, processing and transmission. Enbridge Energy Management, L.L.C. (NYSE:EEQ) manages the business and affairs of the Partnership and its sole asset is an approximate 14 percent interest in the Partnership. Enbridge Energy Company, Inc., an indirect wholly owned subsidiary of Enbridge Inc. of Calgary, Alberta, is the general partner and holds an approximate 15 percent interest in the Partnership.

FOR FURTHER INFORMATION PLEASE CONTACT:

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Website: www.enbridge.com

Deadly pipeline fire sends oil prices soaring

Photo by Eric Hylden, Grand Forks Herald

http://www.startribune.com/462/story/1580513.html

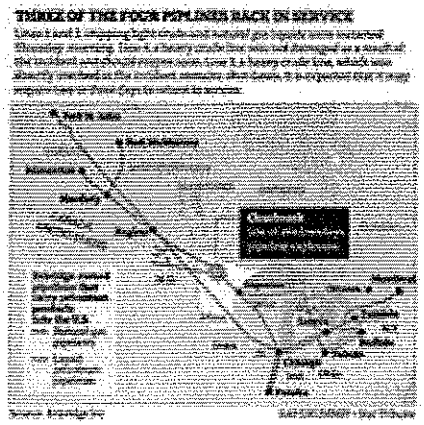
Matt Lavin, who lives near the site of the Enbridge Energy oil pipeline, saw the explosion Wednesday night while he was deer hunting and ran away. He said flames reached about 200 feet in the air and he saw about 15 workers running away from the site.

By Joy Powell, Star Tribune

Last update: November 29, 2007 – 4:49 PM

Two maintenance workers were killed Wednesday in a fire along a crude oil pipeline near Clearbrook, Minn.

Eric Hylden, Grand Forks Herald



Graphic: 3 of 4 pipelines back in service

A deadly fire at a pipeline from Canada that feeds oil to the United States sent oil prices soaring today before it burned out.

"It looks like it's out now. They're just mopping up and making sure," said Blake Olson, a terminal supervisor at the pipeline in Clearbrook, Minn.

Two workers fixing the underground pipeline were killed when fumes apparently escaped and ignited the blaze, said Kristine Chapin, a spokeswoman for the Minnesota Department of Public Safety.

Light, sweet crude for January delivery jumped $3.47 to $94.09 a barrel in electronic trading on the New York Mercantile Exchange by midday in Europe. It climbed as much as $4.55 to $95.17 in the electronic session before slipping back.

The contract had plunged $3.80 to $90.62 a barrel Wednesday in New York, adding to the previous session's drop of $3.28. That was a front-month contract's second largest two-day price decline since the Nymex introduced futures trading in 1983.

In London, January Brent crude rose $2.21 Thursday to $92.02 a barrel on the ICE Futures exchange.

The crude oil is used to make several kinds of fuel, such as gasoline and heating oil for homes.

Clearbrook is about 215 miles northwest of Minneapolis.

The victims' bodies were recovered, said Chapin. The workers' names have not yet been released.

The 34-inch pipeline carries crude oil from Saskatchewan to the Chicago area, Chapin said. The pipe had leaked a few weeks ago and was being repaired, she said.

"It appears as though one of those fittings may have failed and caused fumes to leak, and it caught fire," Chapin said. She said there wasn't an explosion and described it as a "big fire."

Nearby residents were evacuated because of the thick black smoke in the sparsely populated area.

An average of 1.5 million barrels of oil passes through the pipeline each day, said Enbridge spokesman Larry Springer.

The U.S. consumes 20.58 million barrels of oil a day.

The pipeline that leaked and three others were shut down, Enbridge said. Two of the lines were re-started Thursday morning, Springer said. Another line will be inspected to see if it is safe to come back online, but the line with the leak will likely be out for some time, Springer said.

"Nothing is going to be re-started until we're absolutely sure it's safe to be operated," Springer said.

The Clearwater County Sheriff's Office said the fire was reported about 3:50 p.m. Several rural fire departments responded. Residents in a one-mile radius were evacuated for a time because of smoke.

Environmental damage is likely to be minimal, said Darren Lemmerman, acting chief engineer with the Minnesota Office of Pipeline Safety.

"This was pretty well contained because it wasn't operating at full pressure during the maintenance process," he said. "The quantity is not determined at this point, but it's not large."

Firefighters let oil on the ground be consumed in a controlled burn, he said.

Enbridge Inc., a Canadian company that also operates in the United States, has the world's longest crude oil and liquids pipeline system.

The company has reported spills and ruptures before.

Currently, Enbridge Pipelines plans to build a pipeline and related facilities and to pump crude oil and liquid hydrocarbon from a supply hub in Manitoba to the terminal in Clearbrook. It would consist of about 313 miles of new pipeline and have the capacity to deliver 186,000 barrels per day, according to the U.S. Environmental Protection Agency.

The proposed expansion would run through the Minnesota counties of Kittson, Marshall, Pennington, Red Lake, Polk and Clearwater, as well as Pembina County, N.D.

The Associated Press contributed to this report.

- Mexico's Pemex says Gulf oil leak could take months to fix
- July 9, 1986: Gasoline pipeline explodes in Mounds View

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FACTBOX-Accidents on Enbridge oil pipeline system in 2007

Thu Nov 29, 2007 11:17am EST
http://www.reuters.com/article/governmentFilingsNews/idUSN2920728020071129

Nov 29 (Reuters) - An explosion and fire on the giant Enbridge crude oil pipeline system near Clearbrook, Minnesota, forced the partial shutdown of the system which transports two-thirds of the Canadian crude oil imported into the United States.

The entire system is comprised of more than a dozen pipelines in various parts of North America with a combined capacity of 2.2 million barrels per day. The mainline between Alberta and Superior, Wisconsin, transports approximately 1.5 million bpd, most of which goes to refineries in the U.S. Midwest. The remainder is shipped to refineries in Central Canada.

Capacity on the pipeline is growing tight due to rising oil production in Alberta and Enbridge has been working to expand the pipeline. The system suffered several incidents this year prior to the blast on Wednesday. A list of these incidents follows: JANUARY 3

- 300,000 bpd Line 14, which connects Superior, Wisconsin, to Chicago, ruptures in rural Wisconsin. The line is shut for approximately 24 hours. FEBRUARY 2

- Line 14 suffers another leak in Wisconsin. Nearby 630,000 bpd Line 6A, which connects Superior, Wisconsin to Chicago, is also shut as a precaution. APRIL 16

- 450,000 bpd Line 3, which connects Hardisty, Alberta, with Superior, Wisconsin, has a leak near Gleavon, Saskatchewan. NOVEMBER 14

- Line 3 shut for 18 hours after small spill discovered near Clearbrook, Minnesota. Nearby 670,000 bpd Line 4, which connects Edmonton, Alberta, with Superior, Wisconsin, is also shut as a precaution. NOVEMBER 29

- Explosion and fire kills two workers who were inspecting the pipeline. Lines 1 through 4 are shut. Two lines are restarted within hours of the blast. (Reporting by Robert Campbell, editing by Matthew Lewis)

Crude Oil Rises After Explosion at Enbridge Pipeline to U.S.

By Margot Habiby

http://www.bloomberg.com/apps/news?pid=20601087&sid=altT5gILacV8&refer=home

Enlarge/Details

Nov. 29 (Bloomberg) -- Crude oil rose, ending three days of declines, after an explosion cut Canadian oil shipments through Enbridge Inc. pipelines that supply U.S. refiners.

Three of four pipelines closed after yesterday's blast have opened, Enbridge said. Futures pared earlier gains after the company announced plans to resume full operation in two or three days. The pipelines transport oil to U.S. refiners, who processed the most in two months in the week ended Nov. 23.

``Any fears that this is going to lead to a major disruption have been alleviated," said Phil Flynn, senior trader at Alaron Trading Corp. in Chicago.

Crude oil for January delivery rose 39 cents, or 0.4 percent, to settle at $91.01 a barrel at 2:45 p.m. on the New York Mercantile Exchange. Oil earlier gained more than 5 percent to $95.17 a barrel. Futures are up 46 percent from a year ago.

Yesterday's blast killed two workers and curtailed Canadian imports to the U.S. that average 1.5 million barrels a day.

Enbridge's pipelines supply refineries including BP Plc's plant in Whiting, Indiana, and plants along the Gulf Coast. The U.S. imported 10.3 million barrels a day last week.

The U.S. Energy Department said it's ``reaching out" to Midwestern refiners and that oil from the U.S. Strategic Petroleum Reserve ``is available to alleviate a severe supply disruption," spokeswoman Megan Barnett said in a telephone interview. She declined to say whether the department has received any requests to tap the reserve.

Supply Adequate

ConocoPhillips's 306,000 barrel-a-day Wood River refinery in Illinois and Western Refining Inc.'s facilities won't be affected, the companies said today. Exxon Mobil Corp. said it will tap storage for crude oil to ensure uninterrupted supplies to refineries. Sinclair Oil Corp. said its supply is adequate for now, though it does buy oil from Canada.

Today's rally snaps a 7.7 percent slide in the first three days of the week, driven by signs that the Organization of Petroleum Exporting Countries is raising production and may increase output further. Crude touched a record high of $99.29 a barrel in New York on Nov. 21.

``You have to think about the WTI front month contract as a proxy for a global benchmark and not a reflection of supply conditions in the U.S.," said Jeff Spittel, an analyst with Natixis Bleichroeder in Houston. ``As it becomes more apparent that OPEC is turning on the taps, that will start to be reflected in the pit."

OPEC Shipments

OPEC's daily shipments of crude oil will rise 2 percent in the four weeks to Dec. 15 from the previous month, according to consulting company Oil Movements. OPEC promised to raise output by 500,000 barrels a day starting Nov. 1 to deflate soaring prices.

Brent crude oil for January settlement climbed 41 cents, or 0.5 percent, to $90.22 a barrel on the London-based ICE Futures Europe exchange. The contract earlier touched $92.82 a barrel.

Also reining in the rally were gains in the dollar, which strengthened the most in more than two weeks against the euro and pound. The U.S. currency rose on concerns the reluctance of banks to lend is spreading to Europe. Goldman Sachs Group Inc. said the dollar's decline may be ending.

``The dollar is lifting itself off of the matt and showing some incredible strength," Alaron's Flynn said. ``Strength in the dollar is going to put pressure on oil."

Crude oil stockpiles are 3 percent above the five-year average, the Energy Department said yesterday, after a report showed a decline of 452,000 barrels to 313.2 million last week. Oil inventories in the Midwest regions affected by the Enbridge blast were at 63.54 million barrels, the highest since the week ended Sept. 28.

U.S. refineries operated at 89.4 percent of capacity, the highest since the week ended Sept. 14, the Energy Department said. Refiners usually start in November units that were shut during the previous two months for repairs after the summer driving season ends and before demand for heating oil picks up.

To contact the reporter on this story: Margot Habiby in Dallas at mhabiby@bloomberg.net .

Last Updated: November 29, 2007 15:55 EST

http://www.businessnorth.com/kuws.asp?RID=2180

Enbridge pipeline explosion preliminary report: Improper procedures part of the cause

Story posted Monday at 11:46 a.m.

2/18/2008

The pipeline explosion in northwestern Minnesota that killed two Superior men was caused in part by improper procedures used during repair work. Mike Simonson reports from Superior.

U.S. Pipeline Safety Public Affairs Officer Damon Hill in Washington, D.C. says this is a preliminary finding and not the complete investigation of the Enbridge Energy Pipeline incident last November 28.

"The investigation is still ongoing, but it looks like there were improper procedures conducted but until the investigation is complete, I can't give an exact determination of cause." Hill says they have ordered Enbridge to make changes since the pipeline explosion near Clearbrook, Minnesota.

"We've required the company to operate the pipeline at a reduced rate of pressure until we can determine what the cause of failure was. We've worked with the company to make sure that when they're doing anymore work on the pipeline that proper procedures are followed."

Hill says other specifics of the investigation can't be released now. He says it's difficult to say how long the Pipeline Safety Office will take for this inquiry. "Sometimes an investigation can be rather quick or take a lot of time, depending on the facts involved. Everything that needs to be looked into, whether it's questioning that needs to be done of various employees or metallurgical examination of pipes, different factors involved cause different time frames."

Enbridge Energy workers Dave Mussati, Jr. and Steve Arnovich were working on a pinhole leak in the 34 inch crude oil pipeline when fumes ignited, causing an explosion which killed both of them.

Walsh, Brian

From: Curt Hohn [chohn@webwater.org]
Sent: Thursday, September 25, 2008 9:24 AM
To: Walsh, Brian
Subject: FW: WHY is SD Exempting TransCanada Pipeline From State Excise Tax?

Brian,

Please pass this email and the attached information on to the members of the Pipeline Task Force.

Curt Hohn

The Pipeline Task Force has met twice to develop its recommendation for the Governor as to the need for a state cleanup fund for crude oil pipelines. They have heard reports from DENR staff that SB 190 was flawed because it would be challenge under the interstate commerce law. PUC Commissioner Hansen suggested that if a per barrel fee was not possible because of interstate commerce then another source of funds might be the taxes that the pipelines will pay to the general fund.

Below are portions of a letter we sent to the SD Department of Revenue asking WHY **...$13.5 million in state excise tax** was being **refunded to TransCanada**, as reported in a news story written Sept. 28, 2007 by Bob Mercer (copy attached). Maybe this could be a source of funding. Keep the excise tax and use it to "start" the fund.

During the last session the legislature learned that the bond posted on the gold mining in western SD was not adequate to cover cleanup cost and now the state will share 10% of the cost with EPA handling 90%.....for years to come. It would seem prudent to avoid that same kind of problem with crude oil pipelines.

As to the expense of cleanups, the recent oil leak and pipe failure on Nov. 2007 on the Enbridge Pipeline near Clearbrook, MN resulted in **$6.4 million in damage and cleanup** and it's still not done. The Enbridge pipeline was moving the same product that will move through South Dakota, tar sands crude oil. This information was provided by DENR staffer Brian Marsh at the Task Force meeting.

Oil publications continue to report that the volume of tar sands oil the industry plans to move from Canada south into the USA could equal a volume of up to 5 or 6 pipelines. We have two now, one being built from Britton to Yankton, the other being planned from Buffalo to Winner. There are more pipelines on the horizon that could impact even more areas of South Dakota.

SB190 should be filed again in the 2009 session, tightened up if necessary, and then passed with bipartisan support. TransCanada and other crude oil pipeline companies can well afford a few cents per barrel when they are selling the oil they ship for $120+ per barrel. South Dakota taxpayers wouldn't have to worry about getting stuck with another environmental cleanup in the future. This is not a "D" or and "R" issue, it's a South Dakota protection issue and it's just plain good business.

. (the following text was taken from the attached letter sent to the SD Dept of Revenue)

Enclosed is a news story dated September 28, 2007 in which TransCanada VP Robert Jones states that ***..."sales and use taxes would normally be about $18 million, but a state law allows a 75 percent refund that would result in TransCanada paying about $4.5 million".*** Has the Department of Revenue and the State of South Dakota agreed to refund $13.5 million dollars in sales and contractor excise tax that would normally be paid on a pipeline construction project like the TransCanada-Keystone Pipeline? What is the legal basis for allowing a tax waiver or credit of this kind? Please provide the State law(s) that would allow such a refund or waiver.

We understand that **a waiver or refund** has been granted by the State to ethanol plants and electrical power generation plants such as Big Stone II because of the energy they produce and the jobs they create jobs (see news clip attached). However, TransCanada will employ only 3 employees stationed at Yankton and will generate no power in South Dakota. **Why would the State of South Dakota offer a special waiver or tax break of this kind to a private oil company from a foreign country?** If it's intended to be an incentive to encourage the construction of the pipeline through South Dakota it wouldn't appear to be necessary. The pipeline would be built with or without the tax incentive. Please provide us with copies of all correspondence related to the waiver of sales tax and excise tax for TransCanada.

We read in the newspaper that the State is short of funds to match federal highway funding. **Couldn't the $13.5 million in sales and excise tax waived for TransCanada be used to fund highway construction? School districts have taken the State to court over school funding. Couldn't the $13.5 million in taxes being waived or refunded to TransCanada be kept and used to meet school funding needs?** If the State doesn't need the tax why couldn't the $13.5 million be held in reserve to deal with possible oil leaks, environmental impacts, property damage and cleanup costs?

WEB has always collected sales and excise taxes from our customers and projects as required by law and remitted the tax to the State. **Why is it that South Dakota rural water systems, farmers, ranchers, and small business pay their share of State sales tax and contractor's excise tax whenever they build something or add on to their business? Yet a private oil company from a foreign country gets a 75% tax break when oil is $100 per barrel?** TransCanada must have been laughing all the way back to Alberta, Canada in their corporate jet. The Governor has said the annual tax revenue would be $6,400,000. TransCanada VP Robert Johnson confirmed that in testimony filed with the SDPUC dated September 21, 2007. A flier TransCanada distributed in daily news papers on Sunday, November 25, 2007 claimed the amount will be $7,005,094.37. A TransCanada ad published in daily newspapers on Monday, November 28, 2007 raised the amount to $9,142,013.93. What is the correct amount?

Official: Pipeline, refinery not linked

By Bob Mercer
American News Correspondent

PIERRE — The Keystone crude-oil pipeline that TransCanada wants to build through South Dakota is not intended to serve the Hyperion oil refinery project proposed near Elk Point, according to sworn testimony filed with the state Public Utilities Commission.

Robert Jones, vice president for TransCanada Pipelines, said Keystone has firm contracts to deliver 495,000 barrels per day to customers at Wood River and Patoka, Ill., and Cushing, Okla.

"Hyperion is not included as a firm shipper. Keystone has not negotiated any shipping contracts or connection contracts with the proposed Hyperion project or any other proposed refinery," Jones said in his prefiled testimony.

Jones said there are sufficient commitments to lead TransCanada to increase the pipeline's capacity to 591,000 barrels per day.

"Keystone is not dependent on the construction of the Hyperion

See OIL, *Page 10A*

Oil: Cost estimated at $300 million

Continued *from Page 1A*

refinery or any other proposed refinery," he added.

Opponents of the pipeline have charged that TransCanada and Hyperion are linked.

The PUC will have a hearing in December on whether to grant TransCanada the necessary state permit to construct the pipeline through South Dakota. The 220-mile route would cross 10 counties.

Interstate 29: A project consultant said TransCanada never considered running the pipeline down the Interstate 29 corridor because such a route wouldn't be allowed for safety reasons.

The consultant, Michael Troski, said TransCanada also rejected the option of running the pipeline on property adjacent to I-29 because that route would need to loop around interchanges, overpasses and residential and commercial areas of development.

Opponents have urged the project be relocated from the James River Valley to the I-29 corridor.

Jones in his testimony said Keystone will have three full-time employees in South Dakota after construction is complete, along with 50 to 60 part-time contractual positions.

TransCanada wants to start construction in 2008 and have the project in operation by late 2009.

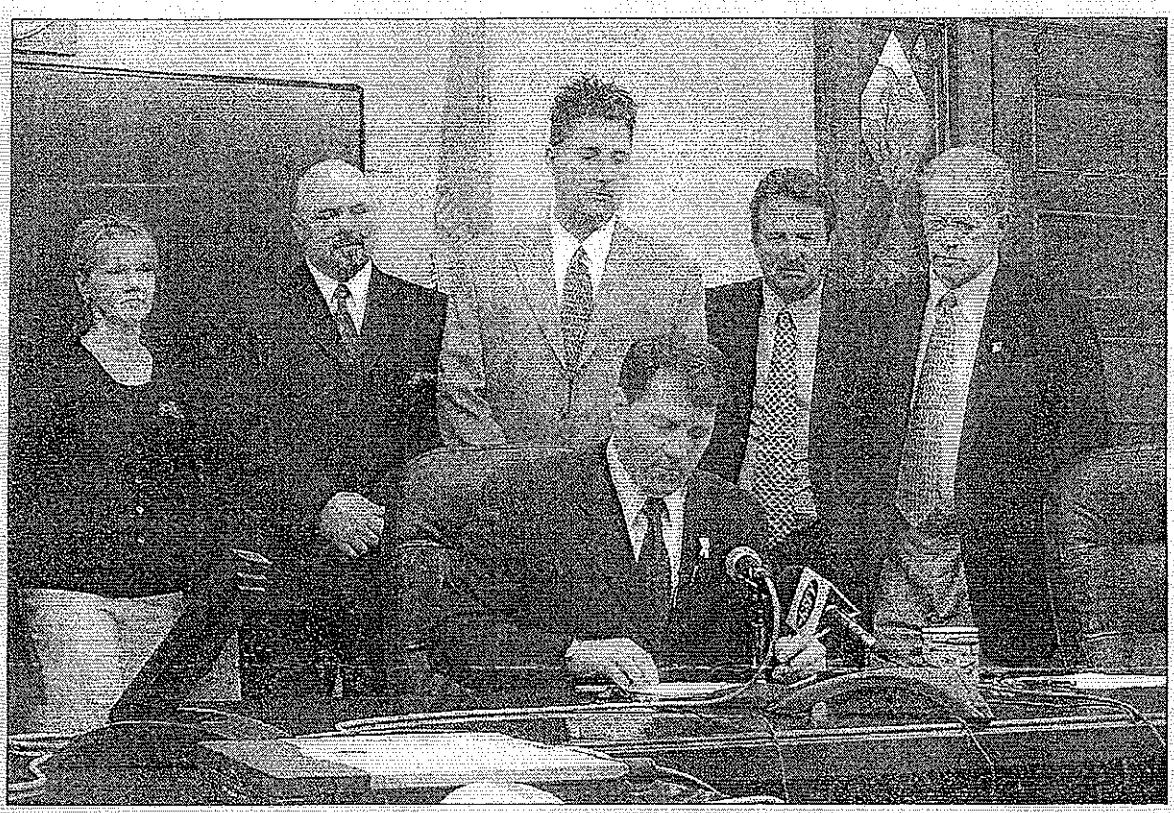
Cost, tax revenue: Jones said the estimated cost of construction in South Dakota is $300 million. He said sales and use taxes would normally be about $18 million, but a state law allows a 75 percent refund that would result in TransCanada paying about $4.5 million.

He expects the pipeline to generate about $6.5 million in taxes in the first year after construction.

The pre-filed testimony from TransCanada officials is the first step in the process leading up to the December hearing. Opponents will prefile their testimony next, followed by rebuttals from each side.

The purpose of the prefiled testimony is to allow the three PUC members to better consider the written statements and to accelerate the hearing process.

WEB Exhibit # 13



JENNY MICHAEL / AP

Gov. Mike Rounds signs a bill giving tax breaks to agriculture expansion projects, while members of the agricultural community stand by Friday in Pierre.

Rounds approves two tax breaks

THE ASSOCIATED PRESS

PIERRE – Gov. Mike Rounds signed two business-related bills Friday that he had requested.

One will give state tax refunds to agricultural processors that spend at least $4.5 million to expand their operations.

State law already allows full refunds of the 2 percent contractor's excise tax and 4 percent state sales tax on construction costs of new agricultural processing plants exceeding $4.5 million. The new law will allow existing ethanol plants and other agricultural facilities to get the tax breaks if they expand in present locations.

"Long term, it means better jobs. It means more jobs, and it means more of our basic commodities being processed within our borders," Rounds said.

Another bill will provide exemptions from local property taxes for power companies that spend at least $10 million on equipment to meet pollution standards.

The new law will help the Big Stone I power plant update environmental controls that also will be used by the planned Big Stone II project.

Rounds signed the bills in a ceremony attended by members of the agricultural and energy industries.

Other bills the governor has signed will:

- let the South Dakota crime lab, sheriffs and police sell firearms seized from criminals;
- exempt water pipelines from a South Dakota law forbidding waterways from being built within 250 feet of homes, other buildings, orchards and gardens without the consent of property owners. The law will allow the Lewis & Clark Rural Water System to use eminent domain powers to put its pipeline closer to buildings;
- give state money to help build National Guard armories in Mobridge and Watertown.

November 27, 2007

Paul Kinsman, Secretary
SD Department of Revenue & Regulation
445 East Capitol Avenue
Pierre, South Dakota 57501

RE: Taxes & TransCanada-Keystone Pipeline

Dear Secretary Kinsman,

Enclosed is a copy of a portion of testimony presented by John Muehlhausen of Merjent Inc., a witness on behalf of South Dakota Public Utilities Commission, regarding taxes and the TransCanada-Keystone Pipeline. Also enclosed is a copy of page 3 of a flier that was released over the weekend by TransCanada. We have several questions for you regarding the information provided in both documents.

It's our understanding that your agency either handles or is involved in the central assessment of taxes paid on pipelines and that your agency is responsible for the collection of sales tax and contractor's excise tax on large construction projects of this kind. I'm sure you know that the South Dakota Public Utilities Commission will be holding hearings on this project the week of December 3, 2007. We would ask that you provide a written response to this letter and send it to me by 5:00 pm, Tuesday, December 4, 2007 by U.S. mail and by email to chohn@webwater.org and by fax to (605) 229-4492.

1. Was the information in Table 7 of the Merjent testimony or the TransCanada flier reviewed and approved by the SD Department of Revenue? To your knowledge was it reviewed and approved by each County Assessor of the ten counties that will be crossed by the pipeline? Please provide us with copies of any reports, emails or letters you or others in your agency have received or sent regarding taxes paid by TransCanada and the information provided in Merjent's testimony and the TransCanada flier.

2. The Merjent testimony includes the following statement..."*Assuming the value of the pipeline system would be roughly equivalent to the cost of construction, the proposed pipeline would have total taxable value of about $300,000,000.*" Has your agency received any information as to the estimated construction cost of the TransCanada pipeline through South Dakota being $300 million? Does that estimate take into account the 86% cost increase that was reported recently in the news media that the total project cost has went from $2.7 billion to $5.4 billion? How will your agency determine and confirm what the actual final cost of the project is through South Dakota since the project is being built with private funds by a foreign oil company?

3. What is the depreciation schedule that TransCanada or your agency has estimated for the TransCanada-Keystone Pipeline? What will be the amount of taxes paid for the next 25 years? The next 50 years? What is the break down by county, school district, fire district,

etc. What portion of the taxes will the State receive?

4. The Merjent testimony includes the following statement..."*Generally, the assessment would decrease over time.*" TransCanada owns and operate gas pipelines in South Dakota so they should be familiar with how taxes are applied in South Dakota. TransCanada is a part owner and currently the operating partner of the Northern Border Pipeline. What was the total value of that portion of the Northern Border Pipeline built in South Dakota? What has the depreciation schedule and the taxable value of the Northern Border Pipeline been since 1982? What has been the amount of taxes paid by the Northern Border Pipeline each year since 1982? What is the break down by county, school district, fire district, etc, per year. What portion of the taxes will be received by the State, each county, each school district and other special districts?

5. Does State law allow for the taxable value of the Northern Border Pipeline and the TransCanada-Keystone Pipeline be depreciated down or devalued to the point that no taxes will be paid on the pipeline to State and local government?

6. Table 7of the Merjent testimony apparently represents the estimate of the tax revenue that TransCanada will pay for the first year of operation? Have you reviewed this table and do you agree with the estimate shown? Table 7 fails to show where the tax revenues will end up and who will get the money. Please provide a revised Table 7 which shows what your agency thinks the tax revenue will be per county for the first year of operation and where the estimated tax revenues will end up going; (1) State of South Dakota, (2) County government, (3) School Districts, (4) Fire Districts and other entities.

7. It's our understanding that the property tax that will be collected on the TransCanada-Keystone Pipeline will be "centrally assessed" by state government in Pierre? What portion of the taxes collected by the state on the TransCanada-Keystone Pipeline will go directly back to local school districts that are crossed by the pipeline? Will the "per pupil amount" remitted by the state to the school districts crossed change from previous years because of the taxes collected on the Keystone Pipeline and if so how much per each of the school districts crossed? What will the "net change" be for each school district from 2007, 2008 and 2009? School officials tell us that the money each school district receives will not change materially because state funding for schools is distributed on a per student basis. Is that correct?

8. Enclosed is a news story dated September 28, 2007 in which TransCanada VP Robert Jones states that ..."***sales and use taxes would normally be about $18 million, but a state law allows a 75 percent refund that would result in TransCanada paying about $4.5 million***". Has the Department of Revenue and the State of South Dakota agreed to refund $13.5 million dollars in sales and contractor excise tax that would normally be paid on a pipeline construction project like the TransCanada-Keystone Pipeline? What is the legal basis for allowing a tax waiver or credit of this kind? Please provide the State law(s) that would allow such a refund or waiver.

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produce and the jobs they create jobs (see news clip attached). However, TransCanada will employ only 3 employees stationed at Yankton and will generate no power in South Dakota. Why would the State of South Dakota offer a special waiver or tax break of this kind to a private oil company from a foreign country? If it's intended to be an incentive to encourage the construction of the pipeline through South Dakota it wouldn't appear to be necessary. The pipeline would be built with or without the tax incentive. Please provide us with copies of all correspondence related to the waiver of sales tax and excise tax for TransCanada.

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    Yet a private oil company from a foreign country gets a 75% tax break when oil is $100 per barrel? TransCanada must have been laughing all the way back to Alberta, Canada in their corporate jet. The Governor has said the annual tax revenue would be $6,400,000. TransCanada VP Robert Johnson confirmed that in testimony filed with the SDPUC dated September 21, 2007. A flier TransCanada distributed in daily news papers on Sunday, November 25, 2007 claimed the amount will be $7,005,094.37. A TransCanada ad published in daily newspapers on Monday, November 28, 2007 raised the amount to $9,142,013.93. What is the correct amount?

Sincerely,

Curt Hohn
WEB General Manager
Email: chohn@webwater.org

Fax (605) 229-4492

Cc: Division Administrator
Department of Revenue
419 Moccasin Drive
Aberdeen, South Dakota 57401

(the following was taken from pages 35 and 36 of the Merjent testimony filed with the SDPUC. The full testimony is available on the PUC website under pre-filed testimony)

Taxes

As of 2005, South Dakota had the lowest per capita total state tax rate in the United States. The state does not levy inheritance tax, personal or corporate income tax, or tax on intangible personal property. However, sales tax is applied to the gross receipts of all retail sales in South Dakota, including the selling, leasing, and renting of tangible personal property or the sale of services. A use tax of the same rate as the sales tax applies to all goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid. The purchaser or consumer of the goods or services is responsible for reporting and remitting the use tax in the filing period in which they receive the goods or services. The state sales and use tax rate is 4%.

In addition to state sales and use tax, municipalities may impose sales and use tax of up to 2% and gross receipts tax of up to 1%. Within the project area, the proposed project avoids municipalities (except perhaps for a small corner of Yankton), which is consistent with the general pipeline routing goal of avoiding populated areas. South Dakota also imposes a contractors' excise tax on the gross receipts resulting from construction services or realty improvements, The contractors' excise tax is 2%.

The proposed project would be subject to 4% sales and use tax and 2% contractors' excise tax, for a total of 6% tax. TransCanada estimates the taxable value of the project in South Dakota at $300 million. The taxable value of the project is higher than the total cost of purchases from firms located within the region. This is due to the fact that items purchased outside of South Dakota, but used in South Dakota (e.g., pipe, pump motors, *etc,)* are subject to use tax. Based on the taxable value of the project in South Dakota, the state would collect about $18 million from construction. Compared to statewide sales and use tax and contractors' excise tax collected in 2006 of about $926 million, the proposed project would *have* a modest benefit on state tax revenues of about 2%. Spread *over* two years, the benefits would be less noticeable.

New and expanded business facilities (with the exception of retail. housing, and health care facilities and any facility that is exempt from property tax) may be eligible for partial sales and use tax and contractors' excise tax refund if project

costs are greater than $10 million. Refunds are based on the following project cost scale: (see footnote 53 below)

- $0 to $10 million =0%
- $10 to $15 million =25%
- $15 to $20 million =33%
- $20 to $40 million =50%
- $40 to $60 million =67%
- $60 to $600 million =75%
- $600 million and up =90%

In accordance with the value of the project in South Dakota, **TransCanada may be eligible for up to a 75% refund, thereby effectively dropping the cumulative sales and use tax and contractors' excise tax rate to 1.5%, or $4.5 million.** Compared to the statewide taxes collected in 2006 of about $926 million, the proposed project would have a minor benefit on tax revenues of about 0.5%. Spread over two years, the benefit would appear still less significant.

During operation, crude oil shipped in the pipeline would not be retailed within the state; therefore, no sales or use tax would be generated by the product in the pipeline. However, the electricity (as well as other goods and services) purchased by TransCanada would be subject to a 4% sales and use tax. TransCanada estimates that it would purchase about $10.1 million in local electricity annually to operate its pump stations in South Dakota.[22] This equates to $404,000 of annual tax revenue. Other goods and services purchased locally might exceed $500,000 annually and could add more than $20,000 to annual tax revenue.[20, 22]

The state also taxes the operation of pipelines (as well as railroads, airlines, and public utilities). Pipelines are taxed via ad *valorem* property tax, which is a tax based on the assessed value of the pipeline. The phrase ad *valorem* is Latin for "according to value." Ad *valorem* taxes such as this are incurred through ownership of an asset, and contrast to transactional taxes such as sales taxes, which are incurred only at the time of transaction.

53 South Dakota Department of Revenue and Regulation. 2007. *South Dakota's Tax Refund* and *Tax Delay Payment Program, Seven Great Reasons* to do Business in *South Dakota.*

Official: Pipeline, refinery not linked

By Bob Mercer
American News Correspondent

PIERRE — The Keystone crude-oil pipeline that TransCanada wants to build through South Dakota is not intended to serve the Hyperion oil refinery project proposed near Elk Point, according to sworn testimony filed with the state Public Utilities Commission.

Robert Jones, vice president for TransCanada Pipelines, said Keystone has firm contracts to deliver 495,000 barrels per day to customers at Wood River and Patoka, Ill., and Cushing, Okla.

"Hyperion is not included as a firm shipper. Keystone has not negotiated any shipping contracts or connection contracts with the proposed Hyperion project or any other proposed refinery," Jones said in his prefiled testimony.

Jones said there are sufficient commitments to lead TransCanada to increase the pipeline's capacity to 591,000 barrels per day.

"Keystone is not dependent on the construction of the Hyperion

See OIL, *Page 10A*

Oil: Cost estimated at $300 million

Continued *from Page 1A*

refinery or any other proposed refinery," he added.

Opponents of the pipeline have charged that TransCanada and Hyperion are linked.

The PUC will have a hearing in December on whether to grant TransCanada the necessary state permit to construct the pipeline through South Dakota. The 220-mile route would cross 10 counties.

Interstate 29: A project consultant said TransCanada never considered running the pipeline down the Interstate 29 corridor because such a route wouldn't be allowed for safety reasons.

The consultant, Michael Troski, said TransCanada also rejected the option of running the pipeline on property adjacent to I-29 because that route would need to loop around interchanges, overpasses and residential and commercial areas of development.

Opponents have urged the project be relocated from the James River Valley to the I-29 corridor.

Jones in his testimony said Keystone will have three full-time employees in South Dakota after construction is complete, along with 50 to 60 part-time contractual positions.

TransCanada wants to start construction in 2008 and have the project in operation by late 2009.

Cost, tax revenue: Jones said the estimated cost of construction in South Dakota is $300 million. He said sales and use taxes would normally be about $18 million, but a state law allows a 75 percent refund that would result in TransCanada paying about $4.5 million.

He expects the pipeline to generate about $6.5 million in taxes in the first year after construction.

The pre-filed testimony from TransCanada officials is the first step in the process leading up to the December hearing. Opponents will prefile their testimony next, followed by rebuttals from each side.

The purpose of the prefiled testimony is to allow the three PUC members to better consider the written statements and to accelerate the hearing process.

WEB Exhibit # 13

Ethanol Developers Receive Special Tax Breaks From The SD Legislature & The Governor

ARGUS LEADER, SATURDAY FEBRUARY 23, 2006

Legislature
2006

JENNY MICHAEL / AP

Gov. Mike Rounds signs a bill giving tax breaks to agriculture expansion projects, while members of the agricultural community stand by Friday in Pierre.

Rounds approves two tax breaks

THE ASSOCIATED PRESS

PIERRE – Gov. Mike Rounds signed two business-related bills Friday that he had requested.

One will give state tax refunds to agricultural processors that spend at least $4.5 million to expand their operations.

State law already allows full refunds of the 2 percent contractor's excise tax and 4 percent state sales tax on construction costs of new agricultural processing plants exceeding $4.5 million. The new law will allow existing ethanol plants and other agricultural facilities to get the tax breaks if they expand in present locations.

"Long term, it means better jobs. It means more jobs, and it means more of our basic commodities being processed within our borders," Rounds said.

Another bill will provide exemptions from local property taxes for power companies that spend at least $10 million on equipment to meet pollution standards.

The new law will help the Big Stone I power plant update environmental controls that also will be used by the planned Big Stone II project.

Rounds signed the bills in a ceremony attended by members of the agricultural and energy industries.

Other bills the governor has signed will:

- let the South Dakota crime lab, sheriffs and police sell firearms seized from criminals;
- exempt water pipelines from a South Dakota law forbidding waterways from being built within 250 feet of homes, other buildings, orchards and gardens without the consent of property owners. The law will allow the Lewis & Clark Rural Water System to use eminent domain powers to put its pipeline closer to buildings;
- give state money to help build National Guard armories in Mobridge and Watertown.

From: GEORGE PIPER
To: Walsh, Brian;
CC:
Subject: Pipeline Task Force
Date: Friday, September 12, 2008 7:20:44 AM
Attachments:

TO: Pipeline Task Force
FROM: George Piper, 818 - 9th ST SW, Huron, SD
DATE: 9/12/08

During the permitting process for the Keystone Crude Oil Pipeline held by the PUC, a large body of evidence showed that oil pipelines leak sometimes with dramatic adverse impacts on land and water resources.

I believe that the State of South Dakota should require that the pipeline owners be assessed a fee to build a fund to clean up spills and compensate property owners for damages from crude oil spills. During this time of record crude oil prices a fee at 15 cents per barrel would be very reasonable.

1123 Northeast Drive
Rapid City, S. Dak. 57701
September 8, 2008

Mr. Brian Walsh
Hydrology Specialist
S.D. Dept. of Environment & Natural Resources
523 E. Capitol
Pierre, S. Dak. 57501

Dear Mr. Walsh:

I am writing you to provide written input in advance of the Task Force meeting on proposed legislation and regulations concerning oil pipelines which are being built and proposed across the state of South Dakota.

Clearly, there are environmental and public safety risks involved in the construction of oil pipelines. Apparently, the oil from the pipelines is primarily destined for other parts of the United States. At a minimum, any oil pipeline which is constructed across our state should pay a "per barrel" fee, perhaps 15 or 20 cents. This fee should be used to clean up any accidental spills, and also to reimburse property owners for damages to their land. Otherwise, a pipeline company could go bankrupt in a few years, leaving taxpayers holding the bag for potentially millions of dollars in damages.

Thank you for your consideration in this matter.

Sincerely,

Jay Davis

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