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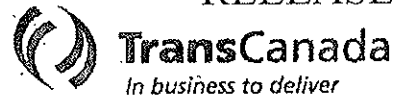
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MEMORANDUM

TO: Interested Parties
FROM: TransCanada Government Relations
SUBJECT: Canadian Crude Oil and Gasoline Price
DATE: Wednesday, January 26, 2011

TransCanada's 2009 market assessment report for Keystone XL to Canadian regulators (Market Assessment Report) is currently being grossly misrepresented.

Any increased prices for Canadian crude oil will not lead to increased gasoline prices for consumers at the pump. Prices at the pump will drop when America's largest refining region (the Gulf Coast) becomes less dependent on the world's highest priced crude (OPEC).

The Market Assessment Report findings include:

- o Canadian production is growing and periodically exceeds the needs of the available market in the U.S. Mid-west
- o When crude oil supply exceeds what refiners are willing to buy, severe price discounts result
- o Access to the Gulf Coast market will allow surplus Canadian crude production to be sold competitively to other refiners in this region that are currently reliant on less secure and more costly international suppliers of crude oil.
- o Access to the Gulf Coast market may reduce this price discount that Canadian producers presently experience but Canadian Crude will remain the cheapest source of supply for US refineries.

The increase of \$3 per barrel referred to in the Market Assessment Report will not increase the price of gasoline at the pumps in the US. What it will do is reduce the significant price discounts that Mid-west refiners have enjoyed when purchasing Canadian crude oil. The price that US consumers pay for gasoline on the other hand, is determined by Gulf Coast refiners who have to pay for higher priced OPEC crude. Gulf Coast refiners currently export significant quantities of Gasoline and Diesel to other US states, including the Mid-West and have a significant influence on refined product pricing.

Issue Summary

- 1) TransCanada and the Keystone Pipeline project do not determine the price of crude oil. Oil is a commodity traded in numerous international markets most notably the NYMEX (New York Mercantile Exchange) whereby traders set the dialing price. For example West Texas Intermediate (WTI) yesterday traded for \$86.44. WTI is a type of crude oil used as a benchmark in oil pricing and is the underlying commodity of NYMEX's oil futures contracts. These oil futures contracts represent US domestic crude oil prices.

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Canadian Crude Oil and Gasoline Price

- 2) The most influential organization that impacts the price of oil is OPEC. OPEC crude production, adjusted for quality, typically trades above WTI prices in the range of \$2-\$7 per barrel.
- 3) The US refiners import over 2 million barrels every day at the Gulf Coast from offshore sources such as Venezuela and Middle Eastern countries. Keystone XL has the potential to displace nearly 40% of this oil thereby reducing the amount of American dollars leaving the continent and reduce the volatility associated with America's reliance on OPEC and other offshore sources of oil.
- 4) American refiners and energy companies have committed to nearly 1 million barrels per day in long term shipping contracts supporting the construction of Keystone and the Keystone XL expansion to the Gulf Coast to get access to secure reliable and lowest cost Canadian, Montana and North and South Dakota crude oils.
- 5) Independent economists like Washington D.C.'s Energy Policy Research Foundation Inc. (EPRInc) and the Perryman Group can verify these claims.
- 6) Western Canadian crude oil is the lowest cost for American refineries. Producers in Alberta, Montana and North Dakota sell their crude at a large discount due to a lack of pipeline capacity and limited market access. Once Keystone XL is constructed that access is improved and the discounts will be reduced while at the same time providing lower cost choices to new American buyers relative to existing offshore foreign imports.

Cost of Oil

The \$3 per barrel increase referenced in the Market Assessment Report simply represents a reduction in the discount that American refiners currently are experiencing when purchasing Canadian crude oil, down from approximately a \$25 discount to the benchmark domestic WTI to a discount of \$22. Even after factoring in the impact of reducing the discount by \$3 per barrel, Canadian crude is still the cheapest crude U.S. refiners can buy - a lot cheaper than foreign crude oil from the Middle East - around \$65 for a Canadian barrel versus \$90 for a barrel of foreign oil.

Gasoline Prices

Gasoline prices are kept low by keeping refining costs low when extracting the gas and diesel from the oil. When refineries buy cheaper oil, they will produce cheaper gas for the American public. Keystone XL will allow Gulf Coast refiners to buy cheaper oil from Canada and also oil from Montana and the Dakotas that will flow on our pipeline. Expanding access to Canadian crude to more refiners ensures that current refiners who benefit from access to cheaper crude have greater competition and pass their savings on to the American consumer.

Pipeline Capacity

American based Refiners and Energy companies have committed nearly one million barrels per day in long term contracts for crude oil they want shipped to the United States for refining. These U.S. companies understand that the largest oil refining hub in North America - the Gulf Coast in Texas - needs their oil.

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Canadian Crude Oil and Gasoline Price

Volumes from Mexico and Venezuela are dropping off so Keystone XL oil will simply displace this higher priced foreign oil. This is all very positive for the United States as it increases the country's energy security with Keystone XL having the ability to displace 40% of foreign crude oil.

Issue Conclusion

- Oil prices are fundamentally set by OPEC
- Canadian oil is the cheapest oil American refineries can buy; refiners secure Canadian crude oil at a discount - approximately \$65 per barrel of Canadian crude versus \$90 per barrel for oil from the Middle East
- Keystone XL will provide more access to cheaper Canadian oil by displacing higher priced foreign oil from the Middle east and Venezuela
- If American refiners purchase more low cost western Canadian oil and U.S. crude oil from Montana and the Dakotas through Keystone XL, they can be more competitive and could then afford to sell gasoline and diesel at lower prices to American consumers.

Verloop, Marja D

From: Paul Elliott [paul_elliott@transcanada.com]
Sent: February 02, 2011 9:51 AM
To: Paul Elliott
Subject: Study Shows Keystone XL Pipeline Will Reduce Middle East Oil Dependence
Attachments: DOE Report Issue Briefing February 2011.pdf

RELEASED IN FULL

Wednesday, February 2, 2011

Issue Briefing

Study Shows Keystone XL Pipeline Will Reduce Middle East Oil Dependence

A U.S. Department of Energy study available today finds that the Keystone XL pipeline would help reduce U.S. imports of foreign oil from sources outside of North America. The study finds that growing Canadian oil sands imports and U.S. demand reduction have the potential to substantially reduce U.S. dependency on non-Canadian foreign oil, including oil from the Middle East.

The U.S. Department of Energy commissioned the analysis for the U.S. Department of State as part of the environmental review of the application for a Presidential Permit for the Keystone XL pipeline.

Other findings of the study include:

- The construction of Keystone XL would not change global refinery CO2 and total life cycle greenhouse gas emissions (GHGs)
- The principal choice for Western Canadian crude oil exporters over the next 20 years is between moving increasing oil volumes to the U.S. or Asia. If more oil is shipped to Asia instead of the U.S., this would lead to higher U.S. imports of crude oil from non-Canadian sources, notably the Middle East
- Capacity to move Western Canadian Sedimentary Basin crudes via pipeline to the U.S. Gulf Coast remains limited to less than 100,000 barrels per day. The Gulf Coast region represents the major U.S. growth market, with the potential to process up to two million barrels per day of Western Canadian Sedimentary Basin crudes by 2030 from less than the 100,000 barrels per day being processed today
- A market opportunity exists for pipeline capacity to deliver heavy Western Canadian Sedimentary Basin crudes to the U.S. Gulf Coast to fill a gap being created by declining supply from traditional heavy crude suppliers such as Mexico and Venezuela. It is projected this gap would otherwise be filled by increasing supplies from non-Canadian sources such as the Middle East

With the recent announcements of the Bakken and Cushing Marketlink projects, TransCanada will also have the ability to transport 250,000 barrels per day of American crude oil from Montana, North Dakota and West Texas supplying American refineries in the U.S. mid-continent and along the U.S. Gulf Coast. As noted in the study, these projects would add capacity to bring U.S. Bakken crudes to market and/or reduce congestion at Cushing by increasing capacity to take domestic U.S. crudes to the U.S. Gulf Coast.

The Keystone XL project is a 1,661-mile, 36-inch crude oil pipeline that would begin at Hardisty, Alberta and extend southeast through Saskatchewan, Montana, South Dakota and Nebraska. The pipeline will then continue on through Oklahoma and Texas to delivery terminals near Houston, to serve Gulf Coast refineries.

The Department of Energy report can be found at <http://www.keystonepipeline-xl.state.gov/clientsite/keystonexl.nsf/AssmtDrftAcpt.pdf?OpenFileResource>

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The study was prepared by EnSys Energy for the Department of Energy Office of Policy and International Affairs. EnSys was asked to conduct an evaluation of the impacts on U.S. and global refining, trade and oil markets of the Keystone XL project to bring additional Canadian crudes, including oil sands, into the U.S.

- 30 -

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Verloop, Marja D

From: Paul Elliott [paul_elliott@transcanada.com]
Sent: February 04, 2011 4:30 PM
To: Paul Elliott
Subject: President Obama, Prime Minister Harper and Keystone XL

RELEASED IN FULL

At approximately 3:10 PM EST today President Obama and Canada's Prime Minister Harper held a press availability where the topic of the Keystone XL Pipeline was a matter of discussion. Below is a rush transcript of that exchange:

PRESS QUESTION: [Directed to President Obama] Is it conceivable to you that the genuine process of democratic reform can begin in Egypt while President Mubarak remains in power or do you think his stepping aside is needed for reform to even begin? **And to you Prime Minister Harper, on the energy issue, did you discuss Canada's role as a secure source of oil for the United States, and in particular, did you receive any assurances the US Administration looks favorably on TransCanada's proposed Keystone pipeline to the Gulf Coast? Thank you.**

[OBAMA responded only to the question on Egypt, which was directed to him.]

HARPER: You asked me about the question of energy. Yes we did discuss the matter you raised, and let me just say this in that context. I think it is clear to anyone who understands this issue that the need of the US for fossil fuels - far in excess of its ability to produce such energy - will be the reality for sometime to come. And the choice that the US faces in all of these matters is whether to increase its capacity to accept such energy from the most secure, most stable and friendliest location it can possibly get that energy, which is Canada, or from other places that are not as secure, stable or friendly to the interest and values of the US.

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Verloop, Marja D

From: Paul Elliott [paul_elliott@transcanada.com]
 Sent: February 16, 2011 6:39 PM
 To: Paul Elliott
 Subject: Keystone XL Safety and Diluted Bitumen Oil
 Attachments: Issue Briefing XL Safety and Diluted Bitumen February 2011.pdf

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Issue Briefing: Keystone XL Pipeline Transportation of Crude Oil
 Washington, DC
 Wednesday, February 16, 2011

On February 16, 2011 the Natural Resources Defense Council (NRDC) released a report that contained false and misleading statements on the safety of the proposed Keystone XL pipeline and the characteristics of Diluted Bitumen. The following facts are provided to correct these false and misleading statements.

Issue summary: Keystone XL and Crude Oil

- o The chemical composition of oil sands crude is comparable to other types of crude oils produced in northern California, Nigeria, Russia, and Venezuela which are currently transported and refined in the U.S.
- o There are specific guidelines spelled out in Keystone's tariff, which has been approved by FERC, as to what type of oil is shipped through the Keystone XL pipeline. Those tariff specifications dictate such things as sediment and water content (not to exceed one-half of one percent), temperature (38°C) and the fact that the petroleum cannot contain sand, dust, dirt, impurities or other objectionable substances'.
- o The proposed Keystone XL pipeline will move all types of crude oil that meet the quality guidelines in Keystone's tariff as determined by U.S. refineries. Bitumen is either refined to a synthetic specification which is similar to West Texas light (Synthetic Crude) or blended with other types of crude in a similar manner to heavy oil from Mexico and Venezuela (Diluted Bitumen or DilBit).
- o Diluted Bitumen is created by blending Bitumen with Synthetic Crude, conventional crude oil or condensate. Condensate is a by-product of natural gas production. We have provided the Department of State (DOS) with the full spectrum information on a range of crude oils we expect to transport.
- o Trace element concentrations in Alberta crude oils were compared to other crude oils derived from sources in the United States and worldwide. This comparative evaluation concludes that Alberta crude oils contain concentrations of sulphur, vanadium, nickel, mercury, and arsenic that are comparable to, or less than, those from other regions of the world. It is reasonably assumed that the same is true for lead concentrations. While each crude oil differs slightly from another, the physical and chemical properties of the crude oils transported by the Keystone System are not unique and are similar to those already being transported and processed by other pipelines and refineries across the United States.
- o Once in service, the Keystone pipeline is maintained as a permanent asset. Under the requirements of federal safety standards (including 49 CFR Part 195), TransCanada is required to monitor and maintain integrity of the pipeline throughout its operation. Internal

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inspections with sophisticated instrumentation and technology (commonly called "smart pigs") are one way that the ongoing condition of the pipe is monitored. This in-line inspection technique provides precise data about the integrity of every inch of the pipeline, identifying any changes in thickness and shape. When anomalies are detected, these sections of pipe are evaluated thoroughly and, if necessary, repaired or replaced. Pipelines that are maintained to this standard using today's advanced material technology have a virtually unlimited life.

Codes and Standards Covering the Construction and Operation of Keystone XL

The design of the Keystone XL pipe must meet U.S. Federal code and regulatory requirements designed to ensure safe transport of crude oil. These codes and standards are based on a combination of historical experience and testing. In addition, the Keystone XL Pipeline has agreed to comply with 57 additional pipeline safety and integrity conditions developed by the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration, which go over and above the existing federal regulations. The operating parameters of the pipeline are within a range representative of both operating experience and industry research that spans decades. Pipes with similar design have been in use for many years and have demonstrated superior safety performance. Additionally, the Keystone XL pipeline will not go into service until a specified testing regimen has been completed and the results are shown to meet or exceed regulatory and project specifications.

Chemical Composition and Physical Properties of Crude Oil to be Shipped on Keystone

The NRDC report stated that "(T)here are many indications that DilBit is significantly more corrosive to pipeline systems than conventional crude". This statement is incorrect and misleading. On February 16, 2011 Alberta's Energy Resources Conservation Board (ERCB), the provincial regulator charged with regulating Alberta's hazardous material pipelines, responded to the NRDC report in a statement dated February 16, 2011 (ERCB Report). The ERCB Report states that:

"Analysis of pipeline failure statistics in Alberta has not identified differences in failure frequency between pipelines handling conventional crude versus pipelines carrying crude bitumen, crude oil or synthetic crude.

Diluent by nature is a lower viscosity, higher vapour-pressure solvent. It could then be considered to be more volatile in its natural state, as it consists of lighter end hydrocarbons. However when blended with bitumen, the resulting blend is a new product consisting of thinned bitumen that more closely resembles conventional crude oil. Once mixed with diluent, DilBit should behave in the same manner as other crude oils of similar characteristics."

Keystone is a common carrier pipeline that will ship crude oil types that meet U.S. refinery specifications. Neither TransCanada nor any of its affiliates like Keystone owns the crude oil or refinery assets. TransCanada does not add chemicals or heat the crude oil except where the oil may warm up due to friction from being physically moved in the pipe. The Keystone XL Pipeline will transport a variety of crude oil types originating from the Western Canadian Sedimentary Basin (WCSB). Additionally, Keystone XL will transport U.S. crude oils, including those from the Bakken Formation in North Dakota and Montana and production that is accumulated in Cushing, Oklahoma.

The primary Canadian crude types likely to be transported by the Keystone XL Pipeline include conventional, Synthetic Crude and Diluted Bitumen and synthetic crude oils. Diluted Bitumen is created by combining a combination of light conventional, condensate and Synthetic Crude with heavy crude or bitumen to create a crude oil with a viscosity and density to meet industry specifications and satisfy U.S. refinery requirements. Combining condensate or synthetic crude oils with heavy crudes or bitumen is a common industry practice meeting U.S. refinery requirements for

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many decades. Once diluted in this manner, Diluted Bitumen exhibits chemical and physical properties that closely resemble conventional crude oil.

Keystone XL will transport crude oil, not solvents. As noted above, condensate and Synthetic Crude are commonly combined with bitumen to create Diluted Bitumen. Keystone has evaluated the risk of Diluted Bitumen and Synthetic Crudes in various soil types as discussed within the environmental risk assessment provided to the Department of State. More information can be found here: <http://www.keystonepipeline-xl.state.gov/clientsite/keystonexl.nsf?Open>.

Incidents of pipeline failure in Alberta

The NRDC report stated that Alberta's pipelines have a higher failure rate than the U.S. due to leaks caused by internal corrosion from transportation of Diluted Bitumen. These allegations are incorrect and misleading. The ERCB report responded to these allegations in a statement dated February 16, 2011 by stating that the NRDC allegations:

"(A)re factually inaccurate. The NRDC's comparison of ERCB data with that collected in the U.S. is flawed as it selected data from a much broader array of ERCB pipelines than those included in U.S. data as hazardous liquid pipelines. Additionally the NRDC did not recognize that the ERCB requires all incidents to be reported, regardless of whether or any product is spilled, and also regardless of spill volume, whereas in the U.S. only spills of five barrels of liquids or more are required to be reported.

It should also be noted that pipelines in Alberta have never been safer. In 2009 Alberta posted a record-low pipeline failure rate of 1.7 pipeline failures per 1,000 km of pipeline (considering all substances), bettering the previous record-low of 2.1 set in both 2008 and 2007."

Pipeline design pressure and temperature

The oil is not directly heated; rather its temperature is an artifact of the energy imparted to the oil as it is pumped. As such, temperature varies along the line and with flow rates as well as with seasonal ambient temperatures.

Pipeline pressure will range from a maximum of 1440 psi when the oil leaves a pump station and will decline to approximately 50 psi when the oil arrives at the next pump station approximately 50 miles downstream.

Conclusion: Crude from the oil sands

The composition of crude oil varies widely, depending on the source and processing, most crude oils are more than 95 percent carbon and hydrogen, with small amounts of sulphur, nitrogen, oxygen, and traces of other elements.

Much of the crude oil expected to be transported by Keystone XL is derived from the Western Canadian Sedimentary Basin region in Canada. Certain of the oil to be transported can come from the Alberta oil sands. The oil extracted from the oil sands is called bitumen, which is highly viscous. In order for the bitumen to be transported by pipeline, it is either mixed with a diluent and is transported as Diluted Bitumen or upgraded to Synthetic Crude. Multiple types of crude oil will be shipped on the pipeline, and the precise composition of diluted Bitumen and Synthetic Crude will vary by shipper. Diluted Bitumen is similar to other crude oils derived from various locations throughout the world, such as portions of California, Mexico, Venezuela, Nigeria, and Russia. The physical and chemical properties of the crude oils transported by the Keystone System are not unique and are similar to those already being transported and processed by other pipelines and refineries across the United States.

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After construction the Keystone pipeline will be continuously maintained and monitored. Modern crude oil pipelines such as Keystone have a virtually unlimited life if maintained and inspected in this manner.

The Keystone pipeline will be built in compliance with technical and operating standards far more stringent than the existing U.S. Federal Code. It will be the safest crude oil pipeline in North America.

There is no evidence that pipelines transporting the types of crude oil that will be transported on Keystone will have any higher incidence of failure frequency than pipelines handling conventional crude.

Canadian pipelines presently transporting oil sands crude have experienced failure frequencies over time lower than U.S. conventional crude pipelines.

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Issue Briefing: Keystone XL Pipeline Transportation of Crude Oil
Washington, DC
Wednesday, February 16, 2011

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- o The chemical composition of oil sands crude is comparable to other types of crude oils produced in northern California, Nigeria, Russia, and Venezuela which are currently transported and refined in the U.S.
- o There are specific guidelines spelled out in Keystone's tariff, which has been approved by FERC, as to what type of oil is shipped through the Keystone XL pipeline. Those tariff specifications dictate such things as sediment and water content (not to exceed one-half of one percent), temperature (38°C) and the fact that the petroleum cannot contain sand, dust, dirt, impurities or other objectionable substances'.
- o The proposed Keystone XL pipeline will move all types of crude oil that meet the quality guidelines in Keystone's tariff as determined by U.S. refineries. Bitumen is either refined to a synthetic specification which is similar to West Texas light (Synthetic Crude) or blended with other types of crude in a similar manner to heavy oil from Mexico and Venezuela (Diluted Bitumen or DilBit).
- o Diluted Bitumen is created by blending Bitumen with Synthetic Crude, conventional crude oil or condensate. Condensate is a by-product of natural gas production. We have provided the Department of State (DOS) with the full spectrum information on a range of crude oils we expect to transport.
- o Trace element concentrations in Alberta crude oils were compared to other crude oils derived from sources in the United States and worldwide. This comparative evaluation concludes that Alberta crude oils contain concentrations of sulphur, vanadium, nickel, mercury, and arsenic that are comparable to, or less than, those from other regions of the world. It is reasonably assumed that the same is true for lead concentrations. While each crude oil differs slightly from another, the physical and chemical properties of the crude oils transported by the Keystone System are not unique and are similar to those already being transported and processed by other pipelines and refineries across the United States.

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Issue Briefing: Keystone XL Pipeline Transportation of Crude Oil

- o Once in service, the Keystone pipeline is maintained as a permanent asset. Under the requirements of federal safety standards (including 49 CFR Part 195), TransCanada is required to monitor and maintain integrity of the pipeline throughout its operation. Internal inspections with sophisticated instrumentation and technology (commonly called "smart pigs") are one way that the ongoing condition of the pipe is monitored. This in-line inspection technique provides precise data about the integrity of every inch of the pipeline, identifying any changes in thickness and shape. When anomalies are detected, these sections of pipe are evaluated thoroughly and, if necessary, repaired or replaced. Pipelines that are maintained to this standard using today's advanced material technology have a virtually unlimited life.

Codes and Standards Covering the Construction and Operation of Keystone XL

The design of the Keystone XL pipe must meet U.S. Federal code and regulatory requirements designed to ensure safe transport of crude oil. These codes and standards are based on a combination of historical experience and testing. In addition, the Keystone XL Pipeline has agreed to comply with 57 additional pipeline safety and integrity conditions developed by the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration, which go over and above the existing federal regulations. The operating parameters of the pipeline are within a range representative of both operating experience and industry research that spans decades. Pipes with similar design have been in use for many years and have demonstrated superior safety performance. Additionally, the Keystone XL pipeline will not go into service until a specified testing regimen has been completed and the results are shown to meet or exceed regulatory and project specifications.

Chemical Composition and Physical Properties of Crude Oil to be Shipped on Keystone

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Issue Briefing: Keystone XL Pipeline Transportation of Crude Oil

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Keystone XL will transport crude oil, not solvents. As noted above, condensate and Synthetic Crude are commonly combined with bitumen to create Diluted Bitumen. Keystone has evaluated the risk of Diluted Bitumen and Synthetic Crudes in various soil types as discussed within the environmental risk assessment provided to the Department of State. More information can be found here: <http://www.keystonepipeline-xl.state.gov/clientsite/keystonexl.nsf?Open>.

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Issue Briefing: Keystone XL Pipeline Transportation of Crude Oil

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Pipeline design pressure and temperature

The oil is not directly heated; rather its temperature is an artifact of the energy imparted to the oil as it is pumped. As such, temperature varies along the line and with flow rates as well as with seasonal ambient temperatures.

Pipeline pressure will range from a maximum of 1440 psi when the oil leaves a pump station and will decline to approximately 50 psi when the oil arrives at the next pump station approximately 50 miles downstream.

Conclusion: Crude from the oil sands

The composition of crude oil varies widely, depending on the source and processing, most crude oils are more than 95 percent carbon and hydrogen, with small amounts of sulphur, nitrogen, oxygen, and traces of other elements.

Much of the crude oil expected to be transported by Keystone XL is derived from the Western Canadian Sedimentary Basin region in Canada. Certain of the oil to be transported can come from the Alberta oil sands. The oil extracted from the oil sands is called bitumen, which is highly viscous. In order for the bitumen to be transported by pipeline, it is either mixed with a diluent and is transported as Diluted Bitumen or upgraded to Synthetic Crude. Multiple types of crude oil will be shipped on the pipeline, and the precise composition of diluted Bitumen and Synthetic Crude will vary by shipper. Diluted Bitumen is similar to other crude oils derived from various locations throughout the world, such as portions of California, Mexico, Venezuela, Nigeria, and Russia. The physical and chemical properties of the crude oils transported by the Keystone System are not unique and are similar to those already being transported and processed by other pipelines and refineries across the United States.

After construction the Keystone pipeline will be continuously maintained and monitored. Modern crude oil pipelines such as Keystone have a virtually unlimited life if maintained and inspected in this manner.

The Keystone pipeline will be built in compliance with technical and operating standards far more stringent than the existing U.S. Federal Code. It will be the safest crude oil pipeline in North America.

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Issue Briefing: Keystone XL Pipeline Transportation of Crude Oil

There is no evidence that pipelines transporting the types of crude oil that will be transported on Keystone will have any higher incidence of failure frequency than pipelines handling conventional crude.

Canadian pipelines presently transporting oil sands crude have experienced failure frequencies over time lower than U.S. conventional crude pipelines.

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Verloop, Marja D

From: Greenwood, Scotty [sgreenwood@mckennalong.com]
Sent: February 16, 2011 9:52 AM
To: Giffin, Gordon; paul_elliott@transcanada.com; Verloop, Marja D;
susan.e.carter@exxonmobil.com
Subject: Fw: Preview of Lugar energy remarks

RELEASED IN FULL

Sen Lugar calls for approval of kxl ...

Maryscott Greenwood
(202)496-7157 (o)
(202)496-7756 (f)
sgreenwood@mckennalong.com

From: Brown, Neil (Lugar) <Neil_Brown@lugar.senate.gov>
To: Brown, Neil (Foreign Relations) <Neil_Brown@foreign.senate.gov>
Sent: Wed Feb 16 09:28:43 2011
Subject: Preview of Lugar energy remarks

Good morning:

You may be interested in a speech Senator Lugar will give this morning at an event hosted by the Alliance to Save Energy. He describes the urgency, opportunity, and bipartisan appeal of his two top energy priorities: reducing need for foreign oil and saving money by saving energy. I've copied those remarks below.

More information on our energy efforts, including analysis of the Practical Energy Plan, can be found at www.lugar.senate.gov/energy

All the best, Neil

Neil Brown
Senior Professional Staff Member
Senator Richard G. Lugar
Senate Foreign Relations Committee
202-224-1162

For more information on energy security, see www.lugar.senate.gov/energy

For more information on meeting the nuclear, chemical, and biological threat, see: www.lugar.senate.gov/nunnlugar

Senator Richard G. Lugar

Address to the Alliance to Save Energy

February 16, 2011

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I appreciate the opportunity to address this gathering of leading entrepreneurs, innovators, and advocates who are concerned about our energy future. I want to thank Kateri Callahan and the staff of the Alliance to Save Energy for their ongoing partnership in helping to spread the message that saving energy means saving money.

I also want to thank Bruce Ray from Johns Manville for his kind introduction. In Washington, we often hear about jobs in the new energy economy. Johns Manville in Richmond, Indiana is an example of what this can mean for individuals and their community. In Richmond, Johns Manville employs 85 people in the manufacture of insulation products, with an annual payroll of four million dollars.

Some in the energy community believe that the U.S. political environment is no longer conducive to major progress on energy security. They are concerned that environmental activists will continue to reject incremental measures, leaving the low hanging energy security fruit on the tree. They also are concerned that those of us who see urgency in addressing the U.S. budget crisis will demote energy security to a lower priority.

I remain optimistic about what can be achieved. In this time of fiscal and economic uncertainty, we have an opportunity to prioritize what can unite us. We can think about new energy solutions that are fiscally sustainable. We can reform energy subsidies that needlessly prolong government dependence in favor of programs that encourage cost competitiveness. We can emphasize technology-neutral policies that will facilitate innovation and entrepreneurship. We can learn the lesson that the energy we do not use is the cleanest and cheapest energy of all.

Progress will require uniting Americans behind a political consensus on the direction of our energy future. Today, I offer two priorities that should have broad bipartisan appeal.

First, we must reduce the security and economic vulnerabilities inherent in our over-dependence on foreign oil. In the first week of February, Americans consumed more than 19 million barrels of petroleum fuels per day. Nearly 12 million of those barrels derived from imported oil. The largest global oil reserves are in Saudi Arabia, Iran, Iraq, Kuwait, Venezuela, the United Arab Emirates, Russia, Libya, and Nigeria. Though we have good relationships with some of these nations, none of them are fully functioning, transparent, and stable democracies. Unconventional sources such as Canada's oil sands could help shift the global outlook somewhat. Yet even with new supplies coming online, OPEC's share of global oil production is expected to grow from 40 percent today to 50 percent by 2035.

As a nation, we are importing more oil now than we were prior to September 11, 2001. This is especially concerning when you consider that some of the hundreds of billions of dollars we spend on oil each year are diverted to governments and groups that do not share our interests. Governments rich in oil from Iran to Venezuela are emboldened or insulated by their dominant position in oil markets. For example, we continue to pressure Iran to stop its nuclear weapons program, yet other nations are hesitant to endanger their access to Iran's oil and natural gas supplies. In many oil rich countries, revenues are used to entrench corruption and authoritarianism even as citizens live in dire poverty.

Oil market price volatility also threatens our economy and strains American's finances. In the first three quarters of 2010, Americans sent approximately \$927 million per day overseas for oil. That number will rise as oil prices increase. On February 1, Brent crude prices topped \$100 a barrel.

There is growing recognition of the enormous risks associated with our oil dependence, yet few understand how markets have shifted to make Americans even more vulnerable to price spikes and supply disruptions.

Because oil is a globally traded commodity, the price Americans pay at the pump is directly impacted by the supply and demand decisions of diverse international players. After a reprieve caused by the global economic downturn, oil demand is once again accelerating, particularly in China, India, and the Middle East. The International Energy Agency projects oil demand will grow by 24 percent between now and 2035. At the same time, production in conventional oil fields is declining at faster rates than expected. This means that we can expect oil markets to be tighter, causing higher prices and greater volatility.

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The key to understanding our vulnerability is spare capacity, or the amount of oil that producers could put into the market but are holding back. Adequate spare capacity is essential for giving confidence to markets that an unexpected disruption in oil supplies or increase in demand could be met swiftly.

In general, as spare capacity decreases, oil prices will increase. However, most experts believe that when spare capacity falls below 2 million barrels per day, the effect on prices is especially acute, with prices reacting violently to even small disruptions in supply. Lack of transparent data from major oil producing nations makes projecting exact levels of spare capacity difficult. However, experts at The Rapidan Group estimate that, today, spare capacity is about 4.5 million barrels concentrated in just three countries – Saudi Arabia, Kuwait, and the United Arab Emirates. Eight-four percent of that spare capacity is in Saudi Arabia alone.

Growing demand for oil and production decline rates are expected to erode spare capacity in coming years, but this margin could be cut more abruptly by man-made or natural events. A loss of Iranian exports, amounting to about 2.5 million barrels per day, would propel the world to the volatile 2 million mark. Loss of an even larger oil producer, such as Saudi Arabia's 10 million barrels per day would be catastrophic for the global economy.

We are living in an age when every American motorist relies upon production decisions in the Middle East. It is an age of extreme vulnerability to oil supply disruptions from war, political instability, terrorism, or embargo. It is an age in which every barrel produced, every barrel replaced with an alternative, and every barrel saved by efficiency has outsized importance.

Although Americans and their leaders are embracing the idea of changing our energy destiny, we have not committed ourselves to the action steps required to achieve an alternative future. American industry has made progress in commercializing ethanol as a major alternative fuel and pushed improvements in vehicle efficiency, but in the context of our larger energy vulnerability, progress has not been sufficient. If our economy is crippled by an oil embargo, if terrorists succeed in disrupting our oil lifeline, or if we slide into a war because oil wealth has emboldened anti-American regimes, it will not matter that before disaster struck, the American public and its leaders began to gain an understanding of our vulnerability.

Solving our over-dependence on oil requires innovation, wise use of natural resources, and diplomacy. As Americans, we must maximize the fuel efficiency of the combustion engine even as we accelerate new propulsion technology breakthroughs for individual vehicles and mass transit. We must develop new forms of liquid fuels from domestic feedstocks like biomass and coal. We must reverse the Obama Administration's de facto prohibition on new oil drilling and reinvest in enhanced oil recovery. We must work with foreign partners to improve transparency in markets and diversify supply routes. Boosting trade with Canada offers tremendous opportunity to improve our energy security, and I encourage the State Department to expeditiously approve the permit for the Keystone XL pipeline. This pipeline is critical to American efforts to enhance the reliability of our oil supplies.

Even as we work to protect our security and economy from oil-driven threats, we also should encourage investment in energy upgrades that will improve U.S. competitiveness and save Americans money. The United States can and should be the most energy efficient economy in the world. We have improved the energy intensity of our economy, which measures the amount of energy we consume compared to economic output. But the United States still trails other advanced economies such as Germany and Japan.

Improved technologies and practices exist today that can dramatically cut our energy bills. I am proud that a growing number of Hoosier businesses, local governments, and schools are reaping financial dividends from energy efficiency investments.

For example, recently I visited the Metropolitan School District of Warren Township in Indianapolis to support their energy efficiency efforts. Lisa Darger, the Energy Education Manager, said, "It all started when budgets were getting cut years ago. The simplest place to cut costs was in the utilities budget." The school district installed energy

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efficient lighting, digital thermostats, computer-controlled lighting systems, and improved electric motors. These steps have yielded almost \$3 million in savings since 2001. That is money that can be reinvested in education.

A 2009 study by McKinsey & Company found that end-use energy efficiency measures using current technologies could save \$1.2 trillion by 2020. These savings are roughly double the amount of money that energy consumers would need to invest to realize those gains.

Energy efficiency is gaining ground, as evidenced by continued improvement in the energy intensity of our economy. Even without policy action, increases in electric rates stemming from required reinvestment in our aging power sector will spur additional efficiency. Gains will be boosted by innovations such as the energy performance contracts pioneered by the Vectren Corporation's Energy Systems Group of Newburgh Indiana. ESG provides financing and energy expertise, while guaranteeing savings to partners, including Vigo County schools and the City of Bloomington, Indiana.

Saving money always will be the chief motivation for improved energy efficiency. However, local, state, or federal government action may be required to reduce barriers to investment and correct specific market failures when price signals are dispersed, obscured, or cannot be acted upon.

The challenges to enhanced investment in energy efficiency upgrades are as diverse as are the opportunities. For some businesses, near-term earnings goals deter longer-term investments. For many small businesses affordable financing is not available. Many homeowners cannot afford the up-front costs of home renovation even when it will pay off in just a few years. The Federal Housing Finance Agency has exacerbated this problem by blocking state and local initiatives to provide financing through PACE programs. In some cases, there are regulatory disincentives, such as New Source Review for power plant upgrades and lack of rate decoupling in many states. Perhaps the most frequent market failure is that the people who will be paying electric bills are not the ones who are making design decisions.

Absent a national focus on efficiency, American families and businesses will continue to leave money on the table -- most without even knowing it.

The Practical Energy Plan that I offered last year with Senators Lisa Murkowski and Lindsey Graham would accelerate energy savings. By favoring flexible standards and making available financially self-sustaining programs, it would maximize energy savings with little fiscal burden. If implemented, the nation's need for energy would be cut by 11 percent by 2030, and the average American household would save 15 percent on their electric bill. That is real money in people's pockets. We are in the process of reviewing how to proceed on this legislation.

Making wise use of our energy resources is about more than saving money. As a grandfather, farmer, and forester, I am keenly aware of our responsibility to be good stewards of the Earth. We can fulfill these responsibilities even as we lay the foundation for renewed economic leadership and bolster America's security.

Progress will require openness to a broad range of ideas. Next week, I will join with a bipartisan, bicameral group of lawmakers and energy experts to discuss these and other proposals. Uniting around the goals of reducing our need for foreign oil and saving money by saving energy can be the basis for a successful energy policy.

Thank you for this opportunity to speak to you today.

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From: Yuan, Alexander W
Sent: February 18, 2011 3:55 PM
To: KeystoneEIS
Subject: State Dept reverses FOIA decision on Paul Elliott

027

Interesting how we at State learn about these decisions.... Wendy needs to go over there and talk to them in person.

State Dept. reverses FOIA refusal on Keystone XL

By Ed Brayton | 02.18.11 | 2:06 pm

After a coalition of environmental groups threatened legal action, the State Department has reversed its decision and decided to comply with a Freedom of Information Act request for email communications between Hillary Clinton and a former campaign official.

Secretary of State Clinton is charged with approving or rejecting a plan to build the Keystone XL pipeline to carry tar sands oil from Alberta, Canada to the U.S. Gulf Coast. But the chief lobbyist for the company that owns that pipeline is Paul Elliott, formerly the Deputy National Campaign Director for her 2008 presidential campaign.

A coalition of groups opposed to the Keystone project submitted a FOIA request for any communications between Clinton's office and Elliott regarding the pipeline project but the State Department rejected that request. Under threat of a federal lawsuit they would almost certainly have lost, the agency has now reversed itself and will turn over those communication records. The agency sent a letter to those groups last week saying they would start to process the request.

"I hope this move by the State Department is a sign of more transparency to come," said Alex Moore, dirty fuels campaigner at Friends of the Earth, one of three watchdog groups that filed the FOIA request. "We are still waiting to see if the State Department indeed releases these documents, which will shed important light on whether it is oil lobbyists or the people this pipeline would endanger who truly have the agency's ear."

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Verloop, Marja D

From: Paul Elliott [paul_elliott@transcanada.com]
 Sent: March 04, 2011 11:05 AM
 To: Paul Elliott
 Subject: AMERICAN VETERANS ENDORSE KEYSTONE XL PIPELINE
 Attachments: American Veterans Endorse Keystone XL-SecClinton Letter 030411.pdf

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AMERICAN VETERANS ENDORSE KEYSTONE XL PIPELINE

66 American Veterans Urge Secretary of State Hillary Rodham Clinton to Approve Keystone XL Permit

Washington, D.C. (March 3, 2011) – TransCanada Corporation today added a distinguished group of 66 American veterans to a growing list of public supporters for its Keystone XL Pipeline project. In a letter to the Secretary of State, veterans from the United States Army, Navy, Marine Corps and Air Force called for the approval of this critical project to help ensure a secure energy future for America.

As they call on Secretary Hillary Rodham Clinton to approve the Keystone XL permit, the American veterans noted that:

"Having dedicated our lives to protecting and serving this great country, we feel it is incumbent upon us to reinforce how vital the Keystone XL Pipeline is to reducing America's dependence on oil from less stable regions of the world.

"One only needs to consider the recent events unfolding in the Middle East to understand the vulnerabilities our nation faces and the need for a more domestic, secure supply of oil from a friendly and reliable trading partner such as Canada."

"As a retired captain with the Lord Strathcona's Horse (Royal Canadians) I understand a soldier's dedication and service to one's country," said Sean McMaster, executive vice-president, Corporate and General Counsel. "TransCanada and I are proud to be associated with these dedicated individuals who feel so strongly about strengthening energy security for their country."

McMaster added that Keystone will be a safe, modern and state-of-the art pipeline that will significantly bolster America's energy security, provide thousands of high-quality jobs for Americans and invest billions of dollars from the private sector, at no cost to taxpayers. Keystone XL is designed to transport oil from both Canada and U.S.-based fields in Montana, North Dakota and Oklahoma.

The Keystone XL pipeline is projected to:

- Increase the supply of safe, secure and reliable oil from Canada, a friendly neighbor,
- Spur more than \$20 billion in new spending for the U.S. economy,
- Create at least 20,000 high-quality jobs during the pipeline's construction phase,
- Generate \$6.5 billion in new personal income for U.S. workers and their families, and
- Stimulate more than \$585 million in new state and local taxes in states along the pipeline route.

The Perryman Group of Texas conservatively estimated that the Keystone XL will add more than 250,000 permanent jobs for U.S. workers and \$100 billion in annual total expenditures to the U.S. economy. Their estimates were based on the 2007 average price per barrel of oil (US \$66.52).

In the letter the American veterans urge Secretary Clinton to make the Keystone XL Pipeline project a priority by approving the necessary permit as soon as possible. They concluded their letter by noting:

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"A viable solution to this vexing problem stands at the ready: the Keystone XL Pipeline. The pipeline will help ensure that Americans have oil when we need it now and in the future. Canada's oil sands reserves are the second largest proven oil reserves on earth. As such, Canada can become an ever more important source of secure supplies for our nation's energy needs in the future. But this won't happen without the support of our government to facilitate the expansion of trade with Canada for this energy resource by approving the Keystone XL pipeline project."

The 66 American veterans who signed the letter to Secretary Clinton include:

- Admiral T. Joseph Lopez, US Navy (Ret.), Powellton, WV
- Lieutenant General Brett M. Dula, USAF (Ret.), Austin, TX
- Vice Admiral Diego Hernandez, US Navy (Ret.), Miami Lakes, FL
- Lieutenant General George D. Miller, USAF (Ret.) South Natick, MA
- Major General Matthew P. Caulfield, USMC (Ret.), New York, NY
- Major General Drennan A. Clark, B.S., M.S., J.D., USAF (Ret.), Reno, NV
- Major General Ken Hagemann, USAF, (Ret.), Aurora, CO
- Major General John F. Phillips, USAF (Ret.), Dallas, TX
- Major General Robert L. Sentman, US Army (Ret.), Tiffin, IA
- Major General Darwin H. Simpson, US Army (Ret.), Spartanburg, SC
- Major General Stanhope S. Spears, SC Army & Air National Guard (Ret.), Columbia, SC
- Major General Joseph L. Thompson, US Army (Ret.), St. Louis, MO
- Major General Randall L. West, USMC (Ret.), Washington, D.C.
- Brigadier General Russell A. Eggers, US Army (Ret.), Des Moines, IA
- Brigadier General Harvey M. Haakenson, US Army (Ret.), Bismark, ND
- Brigadier General Lawrence A. Mitchell, USAF (Ret.), Mineral, VA
- Brigadier General Maurice H. Phillips, US Army (Ret.), Newton, IA
- Colonel Weldee A. Baetsch, US Army (Ret.), Bismark, ND
- Colonel William H. Ernst, USAF (Ret.), Bellevue, NE
- Colonel Michael F. Klappholz, US Army (Ret.), Cedar Rapids, IA
- Colonel Joseph A. Lackey, US Army (Ret.), Trafalgar, IN
- Colonel Keith C. Magnusson, US Army (Ret.), Bismark, ND
- Colonel Daniel R. Peterson, USAF (Ret.), Bellevue, NE
- Colonel John Taylor, USAF (Ret.), Bellevue, NE
- Colonel James W. Thomas, USAF (Ret.), Bellevue, NE
- Lieutenant Colonel Rod Burnett, USMC (Ret.), Jefferson City, MO
- Commander Jason Carter, US Navy (Ret.), Pacific, MO
- Commander Robert B. Gibbons, Jr., American Legion Department of South Carolina (Ret.)
- Lieutenant Colonel Barney Fischer, USMC (Ret.), Richards, MO
- Lieutenant Colonel Stanley Gustafson, USMC (Ret.), Cumming, IA
- Lieutenant Colonel Wendy Rogers, USAF (Ret.), Tempe, AZ
- Major Gary D. Belcher, USAF (Ret.), San Angelo, TX
- Major Harold Kunnen, USAF (Ret.), Tempe, AZ
- Captain James F. Bard, Jr., USAF (Ret.), Tempe, AZ
- Captain Favil West, USAF (Ret.), Sun City, NV
- Command Chief Master Sergeant Terry Thomas, USAF (Ret.), Royse City, TX
- Sergeant Major Paul Chevalier, USMC (Ret.), Hudson, NH
- Master Sergeant Drexel R. Biddle, USAF (Ret.), Colorado Springs, CO

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- *Master Sergeant Ivan Chestnutt, USAF (Ret.), San Antonio, TX*
- *Master Sergeant William G. Guager, USAF (Ret.), Kansas City, MO*
- *Master Sergeant Jerry E. Lawrence, USAF (Ret.), Bellevue, NE*
- *Master Sergeant Norman Siedentop, USMC (Ret.), Wilmington, NC*
- *Master Sergeant Maurice Taylor, US Army (Ret.), Arkansas*
- *Mr. Ed Auger, Veteran, US Navy, Wilsall, MT*
- *Mr. William K. Boe, Veteran, US Army, Gainesville, FL*
- *Mr. Stan Cox, Veteran, US Army, Sedalia, MO*
- *Mr. George Cunkelman, Veteran, US Army, Johnstown, PA*
- *Mr. David W. Demmy, Sr., Veteran, US Army, Dillsburg, PA*
- *Mr. Randall Driscoll, Veteran, US Army (Ret.), Laguna Niguel, CA*
- *Mr. George Edwards, Veteran, US Army, Smyrna, TN*
- *Mr. Roy Loflin, Veteran, US Army, Huntersville, NC*
- *Ms. Betty Geigla, Veteran, US Navy, Billings, MT*
- *Mr. Al Hacker, Veteran, US Army, Nashville, TN*
- *Mr. George W. Hadley, Veteran, USAF, Sun City, NV*
- *Mr. Donald J. Hritz, Veteran, USMC, Johnstown, PA*
- *Mr. Timothy John Keegan, Veteran, US Army, Miami, FL*
- *Mr. Keith L. Lee, Veteran, US Army, Reno, NV*
- *Mr. Robert Lester, Veteran, US Navy, Harrisburg, PA*
- *Mr. William C. McMullen, Veteran, US Army, Northern Cambria, PA*
- *Mr. Marcelo Mejia, Veteran, US Army, Tallahassee, FL*
- *Mr. Brian Nieves, Veteran, US Navy, Washington, MO*
- *Mr. Ron O'Connor, Veteran, US Army, Belleville, IL*
- *Mr. Mike Parson, Veteran, US Army, Bolivar, MO*
- *Mr. Michael J. Stevko, Veteran, US Navy, Chicago, IL*
- *Mr. Rick Stream, Veteran, US Navy, St. Louis, MO*
- *Mr. Jeremy Winfield, Veteran, US Navy, Chillicothe, OH*

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With more than 50 years' experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and oil pipelines, power generation and gas storage facilities. TransCanada's network of wholly owned natural gas pipelines extends more than 60,000 kilometres (37,000 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with approximately 380 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns, or has interests in, over 10,800 megawatts of power generation in Canada and the United States. TransCanada is developing one of North America's largest oil delivery systems. TransCanada's common shares trade on the Toronto and New York stock exchanges under the symbol TRP. For more information visit www.transcanada.com/.

To read the full letter sent to Secretary Clinton, please open this embedded link: [American Veterans Endorse Keystone XL-SecClinton Letter 030411.pdf](#)

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Paul Elliott
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0204

March 4, 2011

The Honorable Hillary Rodham Clinton
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, D.C. 20520

Dear Madam Secretary,

As proud veterans of the United States of America, we respectfully request that you seize the power vested in the Department of State to help make America a more secure nation by expeditiously issuing a final environmental impact statement for the Keystone XL Pipeline project. While we understand that the federal government seeks to develop a balanced policy to address our nation's energy needs and the environmental challenges we face, the recent efforts of the project's opponents to block the Keystone XL Pipeline only undermine this goal, as well as the very important goals related to strengthening our national security. Having dedicated our lives to protecting and serving this great country, we feel it is incumbent upon us to reinforce how vital the Keystone XL Pipeline is to reducing America's dependence on oil from less stable regions of the world.

Earlier this month, a publicly released Department of Energy report concluded that the Keystone XL Pipeline would help reduce U.S. imports of foreign oil from sources outside of North America. In addition, the U.S. Council on Foreign Relations has found that "[p]erhaps the greatest impact of expanded oil sands exploitation would be a diversion of revenues away from adversarial governments."

Today, the United States consumes 15 million barrels of oil per day and imports more than 9 million. Despite a laudable focus on renewable energy, the reality is that America is going to need all energy sources - including oil and natural gas - for decades to come. It is also a reality that our reliance on foreign sources of oil can make our economic and energy security vulnerable to volatile and unfriendly governments with the potential to leverage their resources in a manner that threatens the U.S. economy and the ability of our military to protect our country. One only needs to consider the recent events unfolding in the Middle East to understand the vulnerabilities our nation faces and the need for a more domestic, secure supply of oil from a friendly and reliable trading partner such as Canada.

www.AmericasEnergyForum.com

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029

Verloop, Marja D

From: Paul Elliott [paul_elliott@transcanada.com]
 Sent: March 31, 2011 5:59 PM
 To: Paul Elliott
 Subject: Congressional Hearing Spotlights Keystone XL

RELEASED IN FULL

**U.S. HOUSE FOREIGN AFFAIRS SUBCOMMITTEE ON THE WESTERN HEMISPHERE
 HEARS TESTIMONY REGARDING THE IMPORTANCE OF KEYSTONE XL PIPELINE**

Policy Experts Testify About the Crucial Need for Pipeline Project

Washington, D.C. - March 31, 2011 - At a public hearing of the House Foreign Affairs Subcommittee on the Western Hemisphere this afternoon, members of the U.S. House of Representatives heard testimony from policy experts on the "Rising Oil Prices and Dependence on Hostile Regimes: The Urgent Case for Canadian Oil." The hearing, which Representative Connie Mack (R-FL) chaired, highlighted the important economic, energy and national security benefits of Keystone XL Pipeline.

"[F]rom a national and energy security perspective, the importance of Keystone XL to U.S. energy security is fundamental and irrefutable," said the Honorable David L. Goldwyn, President of Goldwyn Global Strategies and former U.S. Department of State Coordinator and Special Envoy for International Energy Affairs.

Goldwyn further testified to his belief that "permitting Keystone XL is in the U.S. national interest," citing the following reasons:

- Keystone XL will enhance U.S. supply security;
- Keystone XL will provide infrastructure security;
- Economic rents from payments made by U.S. refiners to Canadian suppliers are likely to be recycled back to the U.S. through trade;
- Permitting Keystone XL will create significant employment; and
- Keystone XL will enhance U.S. national security.

"The XL pipeline should be allowed to go forward for energy security, economic security, and national security reasons. Energy security is a vital part of national security, and it is a requirement for economic security," testified Paul Sullivan, Ph.D., Professor of Economics at National Defense University and Adjunct Professor of Security Studies and of Science, Technology, and International Affairs at Georgetown University.

The Keystone XL Pipeline is projected to:

- Increase the supply of safe, secure and reliable oil from Canada, a friendly neighbor,
- Spur more than \$20 billion in new spending for the U.S. economy,
- Create at least 20,000 high-quality jobs during the pipeline's construction phase,
- Generate \$6.5 billion in new personal income for U.S. workers and their families, and
- Stimulate more than \$585 million in new state and local taxes in states along the pipeline route.

"[I]t would be a moment of energy security and national security folly to stop this pipeline from being built and operated," testified Professor Sullivan.

"Immediate approval of TransCanada's Keystone Expansion pipeline is of increasing importance given the declining production in Venezuela and Mexico, extensive volatility in the Middle East, rising oil prices, and growing constraints in efficiently moving crude oil to major refining centers in the mid-

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continent and on the Gulf Coast," testified Lucian Pugliaresi, President, Energy Policy Research Foundation, Inc.

Lucian further noted that "TransCanada is expanding Keystone XL's capability by offering Bakken oil producers, located in North Dakota and Montana, a chance to link into the pipeline and send their crude to Gulf Coast refineries for the first time. By increasing transport efficiency and allowing Bakken producers to tap into new Gulf Coast refinery markets, the Keystone XL project will have the added benefit of improving wellhead values for oil production from the Bakken formation. EPRINC estimates that the Keystone expansion would provide net economic benefits from improved efficiencies in both the transportation and processing of crude oil of as much as \$600 million annually, in addition to an immediate boost in construction employment."

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Verloop, Marja D

From: Paul Elliott [paul_elliott@transcanada.com]
 Sent: April 04, 2011 2:49 PM
 To: Undisclosed recipients
 Subject: The New York Times: Made Up Facts

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Below are a few key points to consider when weighing The New York Times recent editorial on the Keystone XL project:

Reaction to Editorial

- The New York Times Editorial Board was selective in its use of the facts when presenting an opinion on the Keystone XL pipeline and the environmental issues that are connected to the project

Department of Energy study - other side

- TransCanada can reduce America's dependence on oil from Venezuela and the Middle East by up to 40 per cent with the Keystone XL pipeline
- This view is backed up by a December, 2010 U.S. Department of Energy study which states: *"Increased Canadian oil imports will help reduce U.S. imports of foreign oil from sources outside of North America"*
- A recent U.S. Department of Energy study found that a market opportunity exists for pipeline capacity to deliver heavy crudes from Canada to the U.S. Gulf Coast to fill a gap being created by declining supply from traditional heavy crude suppliers such as Mexico and Venezuela. The study added this gap would otherwise be filled by increasing supplies from non-Canadian sources such as the Middle East.

'Corrosive' oil - factually incorrect

- Oil is oil. The oil that is already being delivered on Keystone is no different than other crude oils. The same is true for oil that would be shipped on keystone XL. Specifically, the chemical composition of oil sands crude is comparable to other types of crude oils produced in northern California, Nigeria, Russia, Mexico and Venezuela and are currently transported and refined in the U.S. **
- Oil from the oil sands has been shipped in and around the United States for decades
- There are specific requirements spelled as to what type of oil is shipped through our pipeline. These rules dictate such things as sediment and water content (not exceed one-half of one per cent), temperature (38°C) and the fact that the 'petroleum cannot contain sand, dust, dirt, impurities or other objectionable substances'
- The oil that would be shipped through Keystone is a blended crude that is very similar to other oil from Alberta. This is not a new product
- The proposed Keystone XL pipeline will move all types of crude oil that's determined by US refineries. Bitumen is either refined to a synthetic spec which is similar to West Texas light or blended with other types of crude
- Bitumen is blended with synthetic, conventional crude oil and condensate commonly referred as WCS (Western Canadian Select) or CLK Cold Lake Blend. Condensate is a by-product of natural gas production. We have provided the Department of State (DOS) information on a range of crude oils we expect to receive

Keystone XL 'spills' - factually incorrect

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- Keystone has been operating since July 2010 delivering 435,000 Bbl/d to the U.S. Midwest and there have been no issues with the pipeline in the ground - period
- Since may 2010 there have been nine incidents above ground. All occurred on our property mainly involving valve seals. The oil sprayed into gravel and was cleaned up. The average amount was five gallons - about the same about as changing the oil in your pickup three times
- Keystone operates at the same pressure as other oil pipelines in the U.S.
- The oil is not heated - it simply flows through the pipeline just like the 200,000 other miles of oil pipe in the U.S.

Ogallala Aquifer concerns

- We understand the importance of Nebraska's special resources including the Sand Hills and the vast Ogallala aquifer
- The Ogallala aquifer is not at risk. TransCanada recognizes the significance of this critical resource and we will not jeopardize it
- There is currently 21,000 miles of pipelines crossing Nebraska, including 3,000 miles of hazardous liquid pipelines. Many miles of these pipelines co-exist within the Ogallala aquifer
- Six thousand barrels of oil is produced daily in Nebraska and tens of thousands of barrels are produced in adjacent states through the Ogallala aquifer. In Nebraska, 17 of 18 oil producing counties sit atop the aquifer.

Jim Goeke, Conservation and Survey Division University of Nebraska Lincoln - School of Natural Resources - Nebraska Legislature's Natural Resources Committee meeting, Nov. 2010

"A leak of the Keystone XL pipeline would not affect the majority of the Ogallala Aquifer...those who think that a leaking pipeline will destroy the aquifer in Nebraska need to understand that it would be localized to an area of 10's of 100's of feet around the pipeline."

Keystone XL Route

- The regulatory process for the Keystone XL pipeline included a comprehensive and objective review of the environmental impacts of the project, a process that has been ongoing for over two years
- Route selection for sitting pipelines is a comprehensive process. The route selection process for Keystone XL follows the conditions under the National Environmental Protection Act
- We provided comprehensive route alternatives for the XL route and a summary of route alternative analysis was included in the Draft Environmental Impact Study
- The route we have chosen is the shortest route, which means the least environmental impact and the fewest landowners impacted
- TransCanada has experience constructing and operating pipelines in environmentally sensitive areas such as the Sandhills in Oregon, Saskatchewan and South Dakota
- Numerous pipelines, highways and railways current operate safely over the Sandhills region of Nebraska

Oil sands

- 80 per cent of the resource extracted through drilling wells - the oil sands are essentially steam cleaned
- Since 1990 GHG emissions per barrel of oil sands crude produced have been reduced by 39 per cent
- 75 percent of oil-related CO2 comes from combustion - automobile exhaust
- If you measure CO2 emissions from the start of oil production through to combustion - this is a life-cycle analysis

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- Oil sands crude is similar CO2 emissions to other heavy crudes - California heavy and Venezuelan crude - 5-15 per cent more intensive than light crude
- It currently takes a half barrel of water to produce one barrel of oil sands crude - in situ
- Mining requires 2-4 barrels for every barrel of oil
- The oil sands industry used less than one per cent of the Athabasca total river flows in 2008

Keystone XL Support

- April 4, 2011 - 24 Mayors from across the United States sent a letter to Secretary Clinton urging her to approve Keystone XL.
- March 31, 2011 - Consumer Energy Alliance issues news release of support for Keystone
- March 31, 2011 - Ports-to-Plains Alliance issues letter to Secretary Clinton; news release in support of Keystone
- March 23, 2011 - Texas Association of Manufacturers sends letter to Secretary Clinton regarding American economic and energy security
- March 22, 2011 - South Dakota Trucking Association sends letter of support to Secretary Clinton, urging approval of Keystone - sends letter of support to Secretary Clinton, urging approval of Keystone - energy security, unstable/hostile nations and economic security
- March 18, 2011 - Montana Contractors' Association sends letter of support to Secretary Clinton - sends letter of support to Secretary Clinton, urging approval of Keystone - energy security, unstable/hostile nations and economic security
- March 17, 2011 - Texas Motor Transportation sends letter of support to Secretary Clinton, urging approval of Keystone - energy security, unstable/hostile nations and economic security
- March 16, 2011 - 14 U.S. Senators send a letter to Secretary Clinton calling on her to help end America's reliance on unstable foreign oil by approving Keystone XL.
- March 4, 2011 - 66 American veterans called for the approval of Keystone XL to help ensure a secure energy future for America.
- February 11, 2011 - 30 members of the House of Representatives urged Secretary Clinton to approve Keystone XL and 'move this vital project forward'.
- December 23, 2010 - 39 members of the House of Representatives urged Secretary Clinton to approve Keystone XL so Americans could benefit from the thousands of jobs and the billions in economic benefits.
- November 9, 2010 - two influential members of the U.S. Senate (Kay Bailey Hutchinson, John Cornyn) wrote a letter to Secretary Clinton urging her to approve Keystone XL, citing the benefits of jobs and economic stimulus.
- July 16, 2010 - 35 Members of Congress wrote letter to Secretary Clinton urging her to approve Keystone XL so Americans could access oil from a country 'not at odds with our principles'.

Paul Elliott
Government Relations
TransCanada Corporation
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031

Verloop, Marja D

RELEASED IN FULL

From: Paul Elliott [paul_elliott@transcanada.com]
Sent: April 07, 2011 1:07 PM
To: Verloop, Marja D
Subject: RE: Texas Governor Rick Perry Supports Presidential Permit for Keystone XL

I got caught up yesterday trying to put together a response to the possible Federal Trade Commission investigation into the project.
In the end, the lawyers told me to stand down.
I'm sure it was a lot more fun in Ottawa.
I hope you are doing well.

Paul Elliott
Government Relations
TransCanada Corporation
Telephone: (646) 823-7026
Cell: (917) 828-3983

From: Verloop, Marja D [mailto:VerloopMD@state.gov]
Sent: Thursday, April 07, 2011 1:03 PM
To: Paul Elliott
Subject: RE: Texas Governor Rick Perry Supports Presidential Permit for Keystone XL

No show last night ☺

From: Paul Elliott [mailto:paul_elliott@transcanada.com]
Sent: April 06, 2011 3:56 PM
To: Paul Elliott
Subject: Texas Governor Rick Perry Supports Presidential Permit for Keystone XL

Below is the text of the attached from Texas Governor Rick Perry in support of a Presidential Permit for Keystone XL.

April 6, 2011

The Honorable Hillary Rodham Clinton
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, D.C. 20520

Dear Secretary Clinton:

I write to respectfully request that the U.S. Department of State complete its review and consideration of a Presidential Permit for the Keystone XL Pipeline Project.

An independent analysis of the economic impact of construction of Keystone XL in Texas reached compelling conclusions. In Texas, the study estimates the project is expected to stimulate:

- o 2.3 billion in new spending for the state economy;
- o more than 50,300 person years of employment;
- o increased personal income of \$1.6 billion;
- o additional state and local tax revenues of more than \$48 million; and

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ALAN H FLANIGAN
DATE/CASE ID: 13 SEP 2011 201101495

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or 1.9 billion in increased gross state product.

The study further concluded that once the pipeline is operational, Texas would see nearly \$1.1 billion in property taxes to county and other local governments during the operating life of the pipeline.

It is important to note the pipeline will benefit not only Texas, but a good portion of the United States. A review of Keystone XL's potential economic impact on the nation finds that during the construction period the pipeline will stimulate \$20 billion in new spending for the U.S. economy, spur the creation of 20,000 jobs and generate more than \$585 million in state and local taxes for the states along the pipeline route. When Keystone XL is operational, the states along the pipeline route are expected to receive an additional \$5.2 billion in property taxes during the operating life of the pipeline, according to the analysis.

Given the unrest in the Middle East, turning to Canada for a secure oil supply is logical. Keystone XL will transport crude petroleum from the sands of northwest Canada, providing a safer and more reliable supply of oil than the product currently imported from unstable regions of the world. It is safe to assume that Keystone XL has the ability to replace a number of oil tankers a year currently delivering oil to the Gulf Coast from these sources. In addition, Keystone XL recently announced that as much as 25 percent of the pipeline's capacity will be used for U.S.-produced oil from Texas, Oklahoma, Montana and North Dakota.

Keystone XL provides job growth completely funded by private sector dollars, a key source of energy from a stable trade partner, new private sector spending and much needed business tax revenue for state and local governments. As such, I urge you to approve a Presidential Permit for Keystone XL as soon as possible.

Sincerely,

Rick Perry
Governor

Paul Elliott
Government Relations
TransCanada Corporation
Telephone: (646) 823-7026
Cell: (917) 828-3983

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Verloop, Marja D

082

RELEASED IN FULL

From: Paul Elliott [paul_elliott@transcanada.com]
 Sent: April 13, 2011 11:09 AM
 To: Paul Elliott
 Subject: CONGRESSMAN DENNY REHBERG CALLS FOR APPROVAL OF KEYSTONE XL PIPELINE PERMIT
 Attachments: Montana Congressman Denny Rehberg Support Keystone XL Letter April 12 2011.pdf

CONGRESSMAN DENNY REHBERG CALLS FOR APPROVAL OF KEYSTONE XL PIPELINE PERMIT

Montana's At-Large Congressman "Strongly" Urges Secretary of State Hillary Rodham Clinton to Issue Permit Given Pipeline's "Clear Benefits"

Washington, D.C. (April 13, 2011) - TransCanada Corporation today welcomed the support of U.S. Representative Denny Rehberg of Montana for the Keystone XL pipeline project. Rehberg, the sole member representing the entire state of Montana in the U.S. House of Representatives, joins a growing list of state and federal officials, labor unions, military veterans, energy experts, economists, landowners, business leaders and other supporters in urging the Department of State to conclude its review process and take favorable action on the Presidential Permit application for this project. In a letter to Secretary of State Hillary Rodham Clinton, Representative Rehberg called for approval of the vital Keystone XL pipeline in light of the project's clear economic benefits, as well as its ability to help strengthen America's energy and national security.

Stating in his letter to Secretary Clinton that any further permitting delays with respect to the Keystone XL pipeline project "*threaten to undermine America's energy and national security,*" Representative Rehberg noted that:

"[a]fter its completion, Keystone XL will supply approximately half the volume of oil that we currently import from the Middle East, further enhancing our energy security by reducing our dependence on oil from politically hostile states. As recent events in the Middle East and North Africa demonstrate, America needs an all-of-the-above energy approach that utilizes domestic sources, in addition to imports from our energy-rich northern neighbor.

The Keystone XL pipeline will also include an access point for oil produced in Montana's Bakken region—America's only onshore source of crude currently experiencing growth. Montana's producers are constrained by a lack of infrastructure, which results in their product being sold at a discount or being transported using inefficient and expensive means. The access point will give producers the ability to safely and efficiently transport their product from Baker, Montana to refiners in Oklahoma and Texas."

Representative Rehberg also highlighted the enormous economic benefits of the Keystone XL pipeline project, stating that:

"an independent study has concluded that, after Keystone XL is constructed and operational, Montana could see nearly \$2.1 billion in property taxes to counties and other local governments during the lifespan of the pipeline. During the construction phase of the project, Montana is projected to see \$421 million in new spending, the creation of nearly 6,000 new jobs, and increased personal income of \$286 million."

Overall, the Keystone XL Pipeline is projected to:

- Increase the supply of safe, secure and reliable oil from Canada, a friendly neighbor,

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- Spur more than \$20 billion in new spending for the U.S. economy,
- Create at least 20,000 high-quality jobs during the pipeline's construction phase,
- Generate \$6.5 billion in new personal income for U.S. workers and their families, and
- Stimulate more than \$585 million in new state and local taxes in states along the pipeline route.

The Perryman Group of Texas conservatively estimated that the Keystone XL Pipeline will add more than 250,000 permanent jobs for U.S. workers and \$100 billion in annual total expenditures to the U.S. economy. Their estimates were based on the 2007 average price per barrel of oil (US \$66.52).

Please find attached the full letter.

Paul Elliott
Government Relations
TransCanada Corporation
Telephone: (646) 823-7026
Cell: (917) 828-3983

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Denny Rehberg
State of Montana

Appropriations Committee
Labor, Health and Human
Services, and Education
Chairman
Energy and Water Development
Legislative Branch

Congress of the United States
House of Representatives

April 12, 2011

032A

RELEASED IN FULL

Honorable Hillary Rodham Clinton
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, D.C. 20520

Dear Secretary Clinton:

After nearly three years, the Department of State continues to review the Presidential Permit application for the Keystone Gulf Coast Expansion Pipeline ("Keystone XL") project. Further permitting delays threaten to undermine America's energy and national security.

After its completion, Keystone XL will supply approximately half the volume of oil that we currently import from the Middle East, further enhancing our energy security by reducing our dependence on oil from politically hostile states. As recent events in the Middle East and North Africa demonstrate, America needs an all-of-the-above energy approach that utilizes domestic sources, in addition to imports from our energy-rich northern neighbor.

The Keystone XL pipeline will also include an access point for oil produced in Montana's Bakken region—America's only onshore source of crude currently experiencing growth. Montana's producers are constrained by a lack of infrastructure, which results in their product being sold at a discount or being transported using inefficient and expensive means. The access point will give producers the ability to safely and efficiently transport their product from Baker, Montana to refineries in Oklahoma and Texas.

Furthermore, an independent study has concluded that, after Keystone XL is constructed and operational, Montana could see nearly \$2.1 billion in property taxes to counties and other local governments during the lifespan of the pipeline. During the construction phase of the project, Montana is projected to see \$421 million in new spending, the creation of nearly 6,000 new jobs, and increased personal income of \$286 million.

In expressing my support for this project, it should be noted that I've encouraged TransCanada to work with landowners in a manner that does not impose condemnations of private property. Agriculture will continue to be the backbone of eastern Montana's

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(406) 543-0550

105 Stuber Avenue, NE
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Great Falls, MT 59404
(406) 454-1060

rehberg.house.gov www.facebook.com/denny.rehberg www.twitter.com/dennyrehberg

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economy, and TransCanada must make every effort to respect property rights and ensure that stringent emergency plans are in place should an accident occur.

Given the clear benefits and extensive review undertaken by the Department, I strongly urge your approval of the Keystone XL Pipeline. Thank you for your consideration, and please don't hesitate to contact me should you have any further questions:

Sincerely,


Denny Rehberg
Member of Congress

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Verloop, Marja D

From: Paul Elliott [paul_elliott@transcanada.com]
Sent: April 15, 2011 3:20 PM
To: Paul Elliott
Subject: State Releases Supplement Environmental Impact Statement
Attachments: 03 KXL SDEIS Executive Summary April 2011.pdf

RELEASED IN FULL

The Department of State has delivered the Keystone XL Supplemental Environmental Impact Statement to the Environmental Protection Agency and posted the Supplemental Environmental Impact Statement on its website:

<http://www.keystonepipeline-xl.state.gov/clientsite/keystonexl.nsf?Open>

The Notice of Availability will issue in next Friday's Federal Register.

The public comment period will run through June 6.

Please find attached the executive summary of the State Department's Keystone XL Supplemental Environmental Impact Statement.

Paul Elliott
Government Relations
TransCanada Corporation
Telephone: (646) 823-7026
Cell: (917) 828-3983

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EXECUTIVE SUMMARY

TransCanada Keystone Pipeline, LP (Keystone) applied to the U.S. Department of State (DOS) for a Presidential Permit for the proposed construction, connection, operation, and maintenance of a pipeline and associated facilities at the United States border for importation of crude oil from Canada. The Keystone application is for its proposed Keystone XL Project (the proposed Project). Keystone also filed a right-of-way application under Section 28 of the Mineral Leasing Act of 1920 (MLA), as amended with the Bureau of Land Management (BLM) for the proposed Project across federal lands. DOS served as the lead federal agency for the environmental review of the proposed Project under the National Environmental Policy Act (NEPA), and issued a draft environmental impact statement (EIS) for public review on April 16, 2010. The public comment period for the draft EIS closed on July 2, 2010.

After the draft EIS was issued, new information and additional information became available on the proposed Project and on issues and resources related to the potential impacts of the proposed Project. To provide the public with the opportunity to review this information and to ensure openness and transparency in the NEPA environmental review process of the proposed Project, DOS has issued this supplemental draft EIS (SDEIS). While Secretarial Order 3310 *Protecting Wilderness Characteristic on Lands Managed by the BLM* was issued after publication of the draft EIS by Interior Secretary Salazar on December 22, 2010, the analysis of the implications of the Order on the proposed Project is ongoing. BLM will comply with the Order implementation in its processing of the Keystone application under the MLA.

Adequacy of the Draft EIS

The draft EIS was developed in compliance with the scoping process required under NEPA and in compliance with the Council on Environmental Quality (CEQ) NEPA regulations. It includes relevant issues raised by the public and the agencies during the scoping period. DOS received thousands of comments on a wide variety of topics addressed in the draft EIS during the draft EIS comment period. Some commenters expressed concern that the draft EIS did not provide a sufficient analysis of the impacts of the proposed Project and requested that DOS issue an SDEIS for public review.

As part of its continuing evaluation of the adequacy of the draft EIS, DOS analyzed the new and additional information that became available after the draft EIS was issued and made a preliminary determination that there are no significant new circumstances or information concerning the proposed Project or its potential impacts not already considered in the draft EIS. The analysis further noted that while the range of alternatives to the proposed action considered in the draft EIS was sufficient to meet the requirements of NEPA, additional alternatives should be considered in response to public comments on the draft EIS. DOS therefore determined that submitting the portions of the EIS that were revised to address the new and additional information and to address related comments on the draft EIS for public and agency review would further the purposes of NEPA. As a result, DOS prepared and issued this SDEIS.

Contents of the SDEIS

The SDEIS has been prepared and circulated in compliance with CEQ NEPA regulations and DOS guidelines (*Using Existing Environmental Analyses*). It includes copies of new reports and other documents relevant to the proposed Project and revisions to portions of the draft EIS.

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Keystone XL Project

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To focus public attention on the topics that DOS determined would be of value for additional review, the SDEIS provides only information directly or indirectly related to those topics and does not include all sections that were presented in the draft EIS. However, the SDEIS incorporates the draft EIS by reference in compliance with CEQ NEPA regulations. The draft EIS is available for download from the DOS Keystone XL Project related website (www.keystonepipeline-xl.state.gov). The SDEIS addresses the following key issues:

Revised information on proposed Project facilities; design, construction and maintenance, regulatory requirements; and potential connected actions

- Information on changes to the proposed Project facilities and construction of those facilities associated with withdrawal of the special permit application by Keystone and incorporation of the 57 Project-specific Special Conditions recommended by the U.S. Department of Transportation, Pipeline and Hazardous Material Safety Administration (PHMSA) that would apply for the lifetime of the proposed Project (e.g., lower maximum throughput and lower operating pressure than in the draft EIS, revised pipe wall thicknesses, change to the distance between mainline valves, and changes to construction procedures addressed by the Special Conditions);
- Relocation of the tank farm from Steele City, Nebraska to Cushing, Oklahoma;
- Revisions to Operations and Maintenance information due to incorporation of the 57 Project-specific PHMSA Special Conditions and in response to comments on the draft EIS, including additional information on the development and review of a Project-specific Emergency Response Plan;
- Two additional non-federal connected actions, the Bakken Marketlink Project and the Cushing Marketlink Project, that were developed after the draft EIS was issued, and the potential impacts of implementation of those projects based on currently available information; and
- Additional information on future plans and decommissioning.

Additional information on groundwater, potential spill impacts, alternatives to the proposed Project, and environmental justice considerations

- Additional information on potential impacts to groundwater due to an unintentional release of crude oil from the proposed Project, including additional information on the Northern High Plains Aquifer (NHPAQ) system, which includes the Ogallala aquifer, and the Sand Hills topographic region of Nebraska;
- Assessments of additional potential alternatives developed after the draft EIS was issued, including additional system alternatives, additional route alternatives (including alternative routes developed to avoid or minimize the distances through the Sand Hills topographic region and areas overlying the NHPAQ system), pipeline design alternatives, and alternatives to the locations of aboveground facilities; and
- Expanded information on environmental justice issues in response to EPA comments on the draft EIS.

Additional information on crude oil composition, potential refinery emissions, and greenhouse gas (GHG) and climate change considerations

- Additional information on the composition of the crude oil that would be transported by the proposed Project and comparisons of that crude oil to other crude oils currently being refined in Petroleum Administration Defense District (PADD) II and PADD III and revisions to the Oil

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Spill Risk Assessment and Environmental Consequences section (that section has also been renamed to “Potential Releases from Project Construction and Operation and Environmental Consequence Analysis”); and

- Additional information on GHG emissions associated with the proposed Project based on information provided in recently completed reports (described below).

The main body of the SDEIS includes portions of sections of the EIS that have been revised to address the new and additional information, and in some cases, the entire section. To provide the proper context for the expanded, updated, and new information relevant to the NEPA environmental review of the proposed Project, the following sections are included in their entirety:

- Section 3.13 (Potential Releases from Project Construction and Operation and Environmental Consequences Analysis); and
- Section 4.0 (Alternatives).

Other sections of the SDEIS provide portions of revised EIS sections relevant to the topics listed above, including expansions of assessments of key environmental concerns that were included in the draft EIS and new information that was developed in response to comments on the draft EIS. Section 1.0 has been reorganized to include new sections for the Presidential Permit review process (Section 1.3) and an overview of the crude oil market (Section 1.4). Sections 1.2 (Purpose and Need), 1.3 and 1.4 of the SDEIS replace Section 1.2 of the draft EIS.

The portions of the EIS that are not included in the SDEIS have not been substantively revised. They will be included in the final EIS with minor revisions, including edits for clarification, corrections of typographical errors, minor expansion of existing information, and updates where appropriate. The final EIS will also include responses to comments on the draft EIS and responses to comments on the SDEIS.

The SDEIS also includes the following documents as appendices:

- A 2010 report prepared by EnSys Energy and Systems, Inc. (EnSys) contracted by the U.S. Department of Energy (DOE), Office of Policy & International Affairs. DOE contracted EnSys to evaluate different North American crude oil transport scenarios through 2030 to assist DOS in better understanding the potential impacts of the presence or absence of the proposed Project on U.S. refining and petroleum imports and also on international markets. The study also assessed global life-cycle GHG impacts of the scenarios evaluated. Although the study is a contractor report and does not necessarily represent the views of any U.S. government agency, it was conducted in close collaboration with and had significant input from DOE. The EnSys report, presented in Appendix A, was previously made available for public review on the DOS website as described in the notice of availability in the Federal Register on February 14, 2011 (Volume 76, Number 30);
- A 2011 report by ICF International (ICF) that was requested by DOS to assist in addressing concerns relative to GHG emissions. The report provides a detailed review of key studies in the existing literature that address life-cycle GHG emissions of petroleum products, particularly petroleum products derived from WCSB oil sands. The ICF report is presented in Appendix B;
- A set of 57 Project-specific Special Conditions developed in close consultation with PHMSA. Originally, PHMSA began development of these conditions in consideration of a special permit request from Keystone that, if granted, would have allowed Keystone to operate the proposed Project at a maximum operating pressure higher than that specified in 49 CFR 195.106. On

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August 5, 2010, Keystone withdrew its application to PHMSA for a special permit. However, DOS continued to work with PHMSA and Keystone to develop Special Conditions in response to comments on the draft EIS regarding pipeline construction, operation, and maintenance. Keystone agreed to incorporate the Special Conditions into the proposed Project and if it is authorized and implemented, Keystone will include those conditions in its manual for operations, maintenance, and emergencies that is required by 49 CFR 195.402. The Special Conditions are presented in Appendix C;

- Information provided by Keystone in response to a Data Request from DOS regarding proposed construction procedures through the Sand Hills topographic region and consultation with the appropriate experts on the Sand Hills topographic region. This information is presented in Appendix D; and
- Water well data along the Proposed Keystone XL Project Route that was obtained by the DOS third-party contractor to expand information on existing groundwater conditions along the proposed route as a part of understanding the potential impacts of an unintentional release of crude oil from the proposed Project. This information is presented in Appendix E.

Status of the DOS Review Process

Environmental Review Process

This SDEIS was prepared by revising portions of the text of the draft EIS in response to comments on the draft EIS and (as required) to address the information available after the draft EIS was issued. In addition, portions of the text of the draft EIS were updated using information that became available after the draft EIS was issued and portions of the text were edited to provide greater clarity. DOS invites interested parties to comment on this SDEIS during the 45-day comment period, which will begin on April 22, 2011 when EPA publishes a Notice of Availability (NOA) in the Federal Register and will end on June 6, 2011. DOS requests that comments be limited to the subject matter addressed in this SDEIS. DOS will consider all comments received during the comment period in preparation of the final EIS. Commenters do not need to resubmit their earlier comments on the draft EIS. Comments postmarked after the close of comment period will be considered to the extent practicable.

Comments on the SDEIS can be submitted to DOS using any of the following methods:

- DOS Keystone XL Project website: <http://www.keystonepipeline-xl.state.gov>
- Email: kestonexl@cardno.com
- Mail: Keystone XL EIS Project, P.O. Box 96503-98500, Washington, D.C. 20090-6503
- Fax: 206-269-0098

National Interest Determination

After receipt of comments on the SDEIS and subsequent publication of a final EIS, DOS will begin a 90-day period for consultations with other federal agencies to determine if issuing a Presidential Permit for the proposed Project is in the National Interest. In addition, for the first 30 days after the final EIS is published, the public will also have the opportunity to comment on the National Interest Determination (NID). DOS plans to conduct another public meeting during this 30-day comment period. DOS expects a decision on whether to grant or deny the permit before the end of 2011.

Conclusions

The draft EIS provided information on key environmental issues to allow a full understanding of the analysis of environmental effects. Although DOS received thousands of comments on a wide variety of topics addressed in the draft EIS during the comment period, no new issues of substance emerged from the comments received. DOS nonetheless determined that submitting the portions of the EIS that were revised to address the new and additional information and to address comments on the draft EIS for public and agency review would further the purposes of NEPA and prepared and issued this SDEIS. However, the information provided in this SDEIS does not alter the conclusions reached in the draft EIS regarding the need for and the potential impacts of the proposed Project.

Verloop, Marja D

134
RELEASED IN FULL

From: Paul Elliott [paul_elliott@transcanada.com]
 Sent: April 21, 2011 11:44 AM
 To: Paul Elliott
 Subject: Oklahoma's Governor and U.S. Senators Urge Secretary of State Hillary Rodham Clinton to Approve Keystone XL
 Attachments: Oklahoma Governor Senators Support Keystone XL April 2011.TIF

Oklahoma's Governor and U.S. Senators Urge Secretary of State Hillary Rodham Clinton to Approve Keystone XL

Fallin, Inhofe and Coburn United in Support for Keystone XL Pipeline

Oklahoma City, OK (April 21, 2011) – TransCanada Corporation (TSX, NYSE: TRP) (TransCanada) today welcomed support for the Keystone XL pipeline project from Oklahoma Governor Mary Fallin and Oklahoma's two U.S. Senators James Inhofe and Tom Coburn. With millions of barrels of crude oil flowing each day into the Cushing distribution hub ("Cushing Hub"), Oklahoma plays a key role in the delivery and pricing of America's energy supplies.

In their joint letter to Secretary Clinton, Governor Fallin and U.S. Senators James Inhofe and Tom Coburn called for an expeditious approval of a cross-border permit for the Keystone XL pipeline. They are joined in their support for the Keystone project by U.S. Representatives Frank Lucas, Dan Boren, Tom Cole and John Sullivan, as well as the State Chamber of Oklahoma, Oklahoma Trucking Association, Continental Resources, Mid-Continent Oil and Gas Association of Oklahoma, Kay County, Ponca City Development Authority and Oklahoma City Mayor Mick Cornett.

As Oklahoma's senior political leaders noted:

"...the Keystone XL pipeline presents a tremendous opportunity to America...Keystone XL represents an opportunity to restore marketplace transparency in a way that could eliminate arbitrage opportunities and positively affect the price consumers ultimately pay for refined products."

Oklahoma's senior political leaders also underscored the crucial need for the proposed Keystone XL pipeline to open up supply routes for Oklahoma, Montana and North Dakota producers while helping bolster America's energy security.

"[C]rude oil supplies at the Cushing Hub have outpaced outgoing pipeline capacity, glutting local oil markets and distorting crude oil prices throughout the U.S. The proposed Keystone XL pipeline can provide a beneficial solution.

The proposed pipeline will be capable of providing the U.S. with an additional 500,000 barrels of crude oil each day. These additional volumes of North American crude oil are vital to America as it looks to secure its future."

TransCanada will construct the Cushing to Gulf Coast leg of the Keystone XL project upon earning the cross-border Presidential Permit, an application that the Department of State is currently reviewing.

An independent economic study estimates that during construction in Oklahoma, Keystone XL is expected to stimulate:

- \$1.2 billion in new spending for the Oklahoma economy
- More than 14,400 person years of employment

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Verloop, Marja D

From: Schnitker, John P
Sent: May 19, 2011 10:24 AM
To: Yuan, Alexander W; KeystoneEIS2
Subject: RE: State Dept Sued over KXL
Attachments: Complaint.pdf

RELEASED IN FULL

Here is a copy of the complaint. L/M (Jeremy Freeman) is looking into the status of processing the request and is coordinating with DOJ. Regards, John

From: Yuan, Alexander W
Sent: Thursday, May 19, 2011 1:01 AM
To: KeystoneEIS2
Subject: State Dept Sued over KXL

From: Alex [<mailto:sandcounty@gmail.com>]
Sent: Thursday, May 19, 2011 12:24 AM
To: Yuan, Alexander W
Subject: State Dept Sued over KXL

Oil Pipeline Foes Sue State Department for Release of Documents

By ELANA SCHOR of

Opponents of a pipeline that would nearly double U.S. imports of Canadian oil-sands crude sued the State Department today in a bid to force speedy disclosure of any contacts it made with a lobbyist for the pipeline's sponsor.

The suit stems from a December Freedom of Information Act (FOIA) request by three advocacy groups seeking to view potential communications between the department -- which is set to decide on a permit for the Keystone XL pipeline by year's end -- and Paul Elliott, a lobbyist for its sponsor, TransCanada Corp.

Elliott's past work as an adviser to Secretary of State Hillary Rodham Clinton prompted the push by the three groups-turned-plaintiffs, all of which have criticized Clinton for appearing partial in previous remarks on the merits of Keystone XL.

After initially rejecting the FOIA request from the three groups, the State Department reversed course in February and indicated that it would search for the data sought by the three groups -- Friends of the Earth, Corporate Ethics International and the Center for International Environmental Law (*Greenwire*, Feb. 22). But the State Department later denied the trio's push for expedited processing, sending the advocates to court -- and giving them an opening to publicly press the Obama administration on the pipeline.

UNITED STATES DEPARTMENT OF STATE
 REVIEW AUTHORITY: ALAN H FLANIGAN
 DATE/CASE ID: 13 SEP 2011 201101495

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"Why is the State Department refusing to release these communications?" Friends of the Earth President Erich Pica said in a statement on the lawsuit. "This calls into question the agency's decision to rush the review of the Keystone XL pipeline, despite its massive environmental risks and bipartisan opposition to it."

Indeed, the focus on Elliott's link to Clinton is one thread of a larger Keystone XL drama that pits environmental groups and liberal Democrats against the oil industry, the Canadian government and a bipartisan passel of lawmakers who see the pipeline as an economically valuable way to secure crude from a stable ally.

Yet the crude that would flow through Keystone XL and across six U.S. states carries a larger greenhouse gas footprint than conventional fuel, making further ties to the Canadian oil sands anathema to lawmakers and groups that hope to wean the nation off fossil fuels.

A supplemental environmental review of Keystone XL released last month brings the \$7 billion pipeline one step closer to a final ruling by the department but did little to mollify the concerns of the project's opponents (*Greenwire*, April 18).

Calgary, Alberta-based TransCanada noted earlier this year that Elliott's activity for the company is hardly unique, telling *E&E Daily* his is "a role performed in Washington by many individuals for dozens of companies and organizations."

[Click here \(pdf\)](#) to read the green groups' suit filed today.

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