1.2 OVERVIEW OF PROPOSED PROJECT

TransCanada Keystone Pipeline, LP (Keystone) proposes to construct, connect, operate, and maintain a pipeline system and ancillary facilities (e.g., access roads, pump stations, and construction camps) that would transport Western Canadian Sedimentary Basin (WCSB) heavy crude oil from its existing facilities in Hardisty, Alberta, Canada, and Bakken crude oil from an on-ramp in Baker, Montana, to Steele City, Nebraska. The proposed pipeline would connect to the existing Keystone Cushing Extension pipeline, which extends from Steele City, Nebraska, to Cushing, Oklahoma. The Gulf Coast Project, which was recently completed, connects to the Cushing Extension, extending south to Nederland, Texas, in order to serve the Gulf Coast marketplace (see Figure 1.2-1).[1] In total, the proposed Project would consist of approximately 1,204 miles of new, 36-inch-diameter pipeline, with approximately 327 miles of pipeline in Canada and approximately 875 miles in the United States. The proposed Project would cross the international border between Saskatchewan, Canada, and the United States near Morgan, Montana, and would include pipeline generally within a 110-foot-wide temporary construction right-of-way (ROW) and a 50-foot-wide permanent ROW in Montana, South Dakota, and Nebraska.[2]

1.2.1 Proposed Project Delivery Amounts and Commitments

The proposed Project would have the capacity to deliver up to 830,000 barrels per day (bpd) of crude oil. Keystone has firm, long-term contracts to transport approximately 555,000 bpd of WCSB crude oil on the proposed Project to existing delivery points in the Gulf Coast area[3] and 155,000 bpd of WCSB crude oil to Cushing, Oklahoma. This 155,000 bpd is currently transported to Cushing, Oklahoma, via the existing Keystone pipeline, which includes the Keystone Mainline and the Keystone Cushing Extension (see Figure 1.2.1-1). If the proposed Project were approved and implemented, Keystone informs the department that it would transfer shipment of crude oil under those contracts to the proposed Project. In addition, Keystone represents that the proposed Project has firm commitments to transport approximately 65,000 bpd of crude oil, and could ship up to

[1] Although the Gulf Coast Project was part of Keystone's proposed project in the previous Keystone XL application, Keystone proceeded with that project independently; on February 27, 2012, Keystone informed the Department that the project was economically viable even if the current application for the proposed Project is not approved. Analysis of the Gulf Coast Project's independent utility relied on several factors, including: the current glut of crude oil in Cushing Oklahoma, which needs additional transport capacity to get to refinery markets; the projected increases in domestic crude oil production, particularly from tight oil formations (i.e., oil found in low-permeability and low porosity reservoirs such as the Bakken) that would be delivered into Cushing, potentially continuing the need for that additional transport capacity in the long term; the rapid increase in announced projects for crude oil transport to accommodate these new flows of crude oil from increased production (including projects to transport crude oil from Cushing to the Gulf Coast by Keystone competitors). This Final Supplemental EIS considers the potential impacts associated with the Gulf Coast Project, where relevant, in Section 4.15, Cumulative Effects Assessment.

[2] These ROWs may be modified to accommodate local conditions or regulatory requirements. These modifications are fully described in the appropriate resource area sections of this Final Supplemental EIS.

[3] Unless otherwise specified, in this Final Supplemental EIS the Gulf Coast area includes coastal refineries from Corpus Christi, Texas, through the New Orleans, Louisiana, region. See section 1.4, Market Analysis, for a description of refinery regions.

100,000[4] bpd of crude oil originating in the Williston Basin (Bakken formation) in Montana and North Dakota, which would be delivered to the proposed Project through the Bakken Marketlink Project in Baker, Montana.

1.2.2 Project-Specific Special Conditions

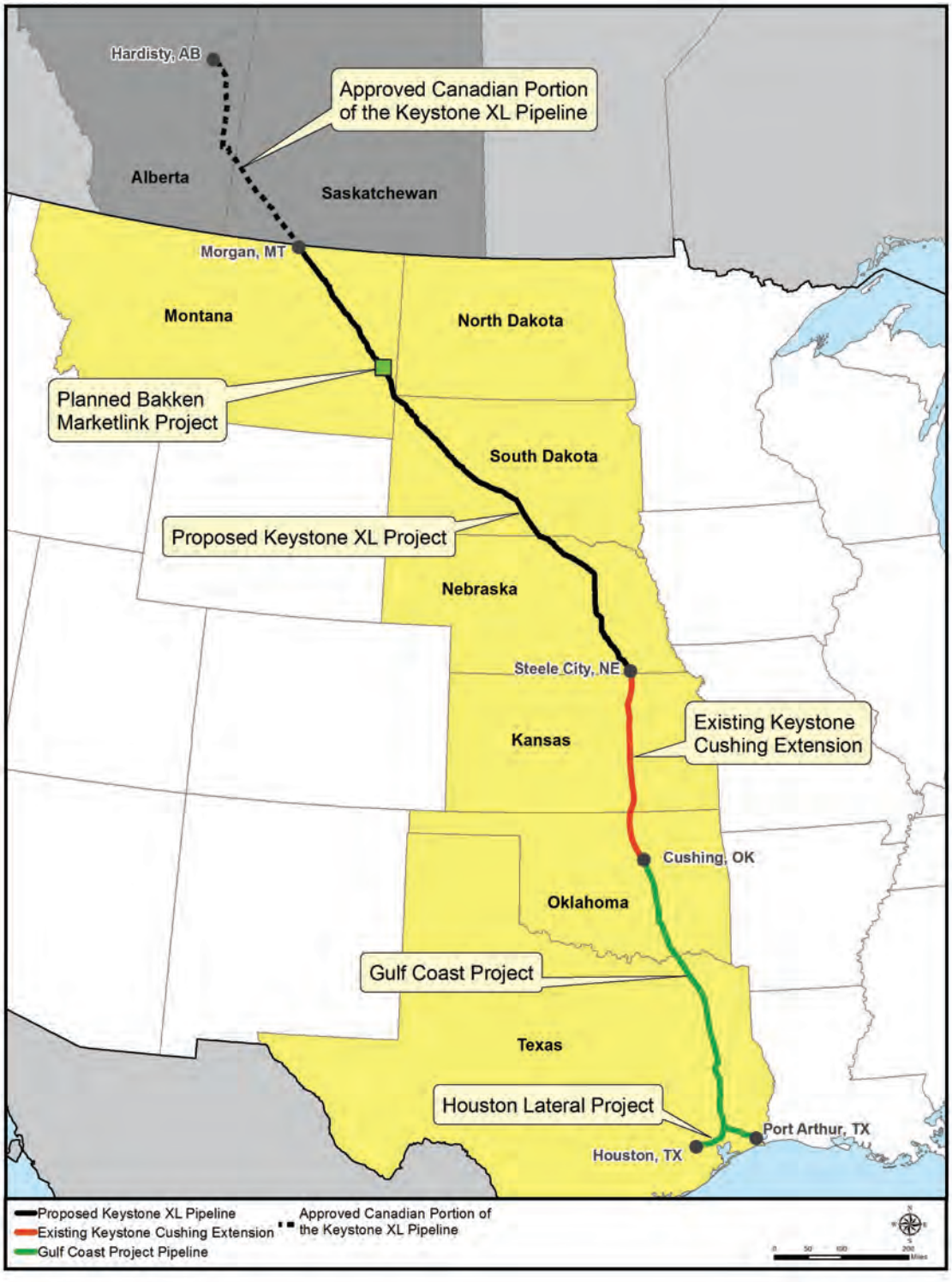
To enhance the overall safety of the proposed Project, the Department and the Pipeline Hazardous Material Safety Administration (PHMSA) have developed Project-specific Special Conditions. As a result, the proposed Project would be designed, constructed, operated, maintained, and monitored in accordance with the existing PHMSA regulatory requirements and in compliance with the more stringent Project-specific Special Conditions that Keystone agreed to incorporate into the proposed Project, including more specifically incorporating the conditions into Keystone's written design, construction, and operating and maintenance plans and procedures. Appendix B, Potential Releases and Pipeline Safety, presents the Special Conditions and a comparison of the conditions with the existing regulatory requirements.

1.2.3 References

Esri. 2013. World Imagery (Aerial Photography), USA Topo Maps (Topographic Mapping), and World Street Map (Administrative and Political Boundaries and Transportation). Contributing Data Sources, World Imagery: DigitalGlobe, GeoEye, i-cubed, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community. Contributing Data Sources, USA Topo Maps: DeLorme, Copyright © 2013 National Geographic Society, i-cubed, NAVTEQ, TomTom, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), swisstopo, and the GIS User Community. Contributing Data Sources, World Street Map: DeLorme, NAVTEQ, USGS, Intermap, iPC, METI, NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, 2013, Bing Maps.

exp Energy Services Inc. 2012. Pipeline information provided via shapefiles. Received December 4, 2012.

[4] The amount of crude transported via the proposed Project from the Williston Basin could be greater than 100,000 bpd depending on market conditions.



Source: Exp Energy Services 2012, Esri 2013

Figure 1.2-1 Proposed Keystone XL Project and Associated Project

Source: Exp Energy Services 2012, Esri 2013

Figure 1.2.1-1 Existing Keystone Pipeline and Proposed Keystone Expansions