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Energy and Utilities

H-3 Keystone Pipeline System in Kansas

The Keystone Pipeline System includes several crude oil pipelines proposed or built by TransCanada, a Canadian energy company. The first phase of the Keystone Pipeline System originates in Hardisty, Alberta, and connects to Steele City, Nebraska, before turning east to serve refineries in Illinois. A portion of this pipeline crosses Kansas for approximately 100 miles, running through Marshall, Brown, Nemaha, and Doniphan counties. This first phase of the Keystone Pipeline System went into service in June 2010.

Keystone Cushing, the second phase of the Keystone Pipeline System, connects Steele City, Nebraska to Cushing, Oklahoma. The extension crosses Kansas for approximately 210 miles, through Washington, Clay, Dickinson, Marion, Butler, and Cowley counties. Keystone Cushing went into service in February 2011.

Keystone XL

In 2008, TransCanada proposed a major pipeline referred to as the Gulf Coast Expansion Project or Keystone XL, which would be a 1,179 mile, 36-inch diameter crude oil pipeline beginning in Hardisty, Alberta, and extending southeast through Saskatchewan, Montana, South Dakota, and Nebraska. It would incorporate the Keystone Cushing Pipeline before continuing through Oklahoma to a delivery point near existing terminals in Houston and Port Arthur, Texas.

In February 2012, TransCanada announced it was dividing the Keystone XL project into two parts – the Gulf Coast Project (from Cushing, Oklahoma, to the Gulf) and Keystone XL (Canada to Cushing, Oklahoma). Construction of the Gulf Coast Project began in August 2012, with an in-service date of mid-to-late 2013.

Approval from President Obama and the Department of State regarding the Presidential Permit for Keystone XL continues to be an ongoing issue.

Timeline

2008

- TransCanada proposes Keystone XL Pipeline and submits an application to the Department of State for a Presidential

Permit. The Department of State begins conducting an Environmental Impact Statement (EIS).

2009

- The Department of State conducts public meetings and collects public comments.

2010

- Canadian National Energy Board gives regulatory approval for the Pipeline and the Department of State issues its Draft Environmental Impact Statement (DEIS). The Environmental Protection Agency (EPA) determines the DEIS is inadequate and asks the Department of State to provide new analysis to address pipeline safety issues and greenhouse gas emissions. TransCanada announces it no longer seeks an exemption that would enable it to operate the pipeline at a higher pressure (a possible risk for tar sands pipelines).

2011

- January – TransCanada agrees to 57 safety measures requested by the Department of State and the Pipeline and Hazardous Materials Safety Administration relating to the construction, operation, and design of the pipeline.
- April – The Department of State releases a Supplemental EIS (SEIS) and requests public comments.
- June – The EPA issues a critical comment letter regarding the SEIS.
- August – Department of State issues the Final EIS, seeking public comments on it, and begins the National Interest Determination process (a special process for trans-boundary energy pipelines). Federal and state agencies are given until November 25 to provide input. Nebraska Governor Dave Heineman joins Nebraska's U.S. Senators in opposing the proposed route of Keystone XL over the Ogallala Aquifer and through the Nebraska Sandhills. Governor Heineman

asks the Department of State to reject TransCanada's proposal.

- November – President Obama and the Department of State announce the decision for Keystone XL will not occur until 2013 (an 18-month delay), citing the need to assess alternative routes in Nebraska and environmental concerns. Nebraska enacts a law codifying a process for approving the route and directing the Nebraska Department of Environmental Quality (NDEQ) to cooperate in moving Keystone XL forward.
- December – The U.S. Congress passes legislation that contains an unrelated provision to force President Obama to make a decision on Keystone XL by February 12, 2012. President Obama signs the legislation into law.

2012

- January – President Obama denies TransCanada's application for a Presidential Permit.
- February – TransCanada announces it is dividing the Keystone XL project into two parts – the Gulf Coast Project (from Cushing, Oklahoma, to the Gulf) and Keystone XL (Canada to Oklahoma). In addition, TransCanada announces it will proceed with construction on the Gulf Coast Project, as this portion does not cross an international border, negating the need for a Presidential Permit.
- April – TransCanada submits alternative routing corridors to the NDEQ. The NDEQ begins the public comment and review process to determine an acceptable route.
- May – TransCanada submits a new Presidential Permit application to the Department of State for Keystone XL, including a new proposed route through Nebraska.
- June – Department of State issues notice of preparation on a Supplemental EIS and plans to hold a 45-day public comment period.
- August – TransCanada begins construction of the Gulf Coast Project,

with an anticipated in-service date of mid-to-late 2013.

- September – Department of State receives an environmental report from TransCanada.

2013

- January – Department of State receives notice from Governor Heineman of Nebraska that he accepts the route recommended by the NDEQ.
- March – Department of State releases documents for public review, including environmental impact statements and environmental resources information. The EPA announces the availability of the Draft version of the Supplemental EIS on its website, starting the 45-day public comment period.
- April – Department of State holds a public meeting in Grand Island, Nebraska. The comment period on Draft SEIS closes.
- May – U.S. Fish and Wildlife Service issues a biological opinion for the Keystone XL Pipeline to the Department of State, which is prepared consistent with the Endangered Species Act. The Department of State posts online the first set of approximately 100,000 comments, out of the more than 1.2 million received, on the Draft SEIS.
- September – President Obama and the Department of State continue to review the Keystone XL application for the Presidential Permit. No final date for a decision on the Presidential Permit has been released to the public.

Kansas Property Tax Exemption for Qualifying Pipelines

In May 2006, Kansas enacted the Kansas Energy Development Act (House Sub. for 303), which provided a property tax exemption for certain

types of energy-related projects, including crude oil and natural gas pipelines. The exemption can be claimed for the period of construction and for 10 years after construction is completed. To qualify for the property tax exemption, a crude oil or natural gas pipeline must be located in Kansas and must meet the following criteria:

- It must be used primarily for transportation of crude oil and natural gas liquids;
- It must have a length of more than 190 miles in Kansas; and
- It must be accessible to refineries or natural gas liquid processing facilities in Kansas.

In October 2010, TransCanada filed a request with the Division of Property Valuation (Division), Kansas Department of Revenue, for a property tax exemption for Keystone Cushing, the second phase of the Keystone Pipeline System. Division officials did not recommend the approval of the tax exemption; however, the Court of Tax Appeals granted the exemption in April 2012 and subsequently denied a request by the Division to reconsider that decision. The Division filed for judicial review by the Kansas Court of Appeals, which upheld the 2012 ruling affirming a property tax exemption for TransCanada on April 20, 2013. The Division filed a petition for review in May 2013. TransCanada responded to the petition for review on June 19, 2013, which is most current action as of the date of this publication's printing.

TransCanada is paying property taxes for the portion of the first phase of the pipeline that runs through Northeast Kansas in Marshall, Brown, Nemaha, and Doniphan counties.

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