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September 6, 2006

MS. ILLONA A. JEFFCOAT-SACCO  
EXECUTIVE SECRETARY  
PUBLIC SERVICE COMMISSION  
600 EAST BOULEVARD, DEPT 408  
BISMARCK ND 58505-0480

Re: TransCanada - Keystone Pipeline Project  
Letter of Intent Prior to Construction

Dear Ms. Jeffcoat-Sacco:

TransCanada Keystone Pipeline, L.P., (Keystone), hereby submits its Letter of Intent Prior to Construction which is required pursuant to Section 49-22-07.1 of the North Dakota Century Code. Additionally, Keystone intends to make an application pursuant to Section 49-22-07.2 of the North Dakota Century Code for a waiver of the time schedule regarding the one year period before an application may be submitted following the filing of the Letter of Intent. If the waiver is approved, Keystone intends to submit an application for this project in the Spring of 2007.

The Keystone Pipeline Project involves the construction and operation of a pipeline and related facilities for the purpose of transporting Canadian crude oil from the Western Canadian Sedimentary Basin (WCSB) to markets in the United States. The project would commence at the crude oil supply hub near Hardisty, Alberta, Canada, and extend to existing terminals in Wood River and Patoka, Illinois. If adequate shipper interest is demonstrated, the pipeline could be extended to a terminal at Cushing, Oklahoma (the Cushing Extension). The Keystone Pipeline Project will be capable of transporting an initial nominal capacity of 435,000 barrels of oil per day (bpd). If market conditions warrant in the future, additional pumping capacity could be added to increase the nominal capacity to 591,000 bpd.

In accordance with Section 69-06-03-02 of the North Dakota Administrative Code, the following information is provided regarding the proposed Keystone Pipeline Project:

## **1. Description of the size and type of facility, and the area to be served.**

The total length of the proposed Keystone Pipeline is 1,830 miles. Approximately 1,073 miles of new pipeline will be constructed in the U.S. of which 217 miles will be in North Dakota. The counties crossed by the pipeline in North Dakota include Pembina, Cavalier, Walsh, Nelson, Steele, Barnes, Ransom, and Sargent. The estimated property taxes will be \$US 5.3 million per year.

If the Cushing Extension is constructed, it will consist of an additional 291 miles of pipeline. The Canadian portion of the proposed project includes the construction of approximately 233 miles of new pipeline and the conversion of approximately 536 miles of existing TransCanada pipeline from natural gas to crude oil transmission. The new pipeline will be 30 inches in diameter except for the 55 miles downstream of the Wood River, Illinois refinery interconnection heading in an easterly direction to Patoka, Illinois, where the diameter would be 24 inches.

The pipeline will be buried with a minimum depth of cover of four feet, depending on land use. Keystone intends to construct the 30-inch pipeline within a 110-foot corridor, consisting of both a 60-foot wide temporary construction right-of-way (ROW) and a 50-foot permanent ROW. Twenty-three (23) pump stations will be required in the U.S. to transport the crude oil, with approximately five (5) pump stations located in North Dakota. If the Cushing Extension is constructed, this segment would require three pumping stations. The operating pressure of new pipeline will be 1,440 psi.

## **2. A map of the study area for the proposed site or corridor.**

- A. Map of Keystone Pipeline Project entire route attached as Exhibit 1; and
- B. Maps of Keystone Pipeline Project for North Dakota attached as Exhibits 2 and 3.

## **3. The anticipated construction and operation schedule.**

- 2005 - Project announcement and public consultations
- 2006 - Prepare regulatory applications; begin assessments and field studies and engineering design
- 2007 - Engineering design, material procurement and receive approvals and licenses
- 2008 & 2009 - Construction of pipeline and facilities
- Q4 - 2009 Pipeline In-service

## **4. An estimate of the total cost of construction.**

- A. The overall estimated cost for the Keystone project is US \$2.1 billion; and
- B. The estimated capital cost for North Dakota is US \$277 million.

Please accept this as TransCanada's Letter of Intent Prior to Construction for the Keystone Pipeline Project. If you require any additional information please feel free to contact our local counsel, Todd D. Kranda or Thomas Kelsch of the Kelsch Kelsch Ruff & Kranda law firm or me.

Also, for additional information about TransCanada and the Keystone Pipeline Project please see the State Overview outline attached as Exhibit 4 and feel free to refer to our web site located at <http://www.transcanada.com/keystone/index.html>.

Respectfully submitted the day and year set forth above.

Dean Cowling  
Director – Operations & Engineering, Keystone

Encs