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October 12, 2007

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

HAND DELIVERED

Re: TransCanada - Keystone Pipeline Project
Case No: PU-06-421
OAH File No. 20070181
Our File No. 11815

Dear Ms. Jeffcoat-Sacco:

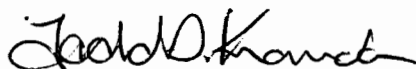
Enclosed for filing in the above-entitled matter are 8 (eight) copies of the following:

1. October 11, 2007 Keystone Pipeline response letter by Robert Jones regarding City of Fargo Mayor Walaker's October 4, 2007 letter to Commissioner Tony Clark; and
2. Affidavit of Service.

An electronic copy of these documents will be forwarded to your office as well.

Please feel free to contact me should you have any questions.

Sincerely,

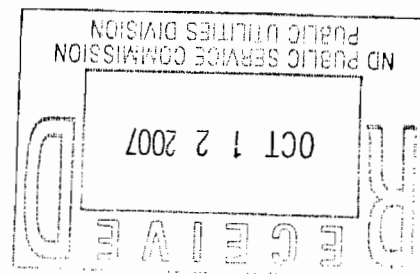


Todd D. Kranda

TDK;dr

Encs

c: TransCanada Keystone
Attorney Nicholas R. Delaney
Attorney Bill Binek
John and Janie Capp





October 11, 2007

Hon. Dennis R. Walaker
Mayor
City of Fargo
200 3rd Street North
Fargo, ND 58102

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.2033
fax 403.920.2325
email robert_jones@transcanada.com
web www.transcanada.com/keystone

Re: 10/4/07 Letter to North Dakota Public Service Commissioner Clark

Dear Mayor Walaker,

We have been provided with a copy of your letter to the North Dakota Public Service Commission in which you request that the PSC deny a permit for a "Canadian pipeline...unless and until there are significantly greater protections added and Manitoba private and governmental entities adopt a realistic and practical approach to cross border activities."

While we are not in a position to comment on intergovernmental affairs between North Dakota and Manitoba or projects the City of Fargo may be planning, TransCanada would welcome the opportunity to discuss the proposed Keystone Pipeline Project with you.

TransCanada is developing the 2,148-mile Keystone Pipeline as a timely and innovative solution to meet the need for energy in the United States. Keystone will help meet the need for crude oil in the Midwest by providing a direct pipeline connecting these markets to growing Canadian oil sources. In these times of global uncertainty affecting traditional offshore crude oil supplies, markets in the U.S. have expressed strong interest in accessing reliable and secure onshore oil sources.

As you may know, Canada is the largest supplier of crude oil to the United States. Significant new Canadian crude oil supplies are becoming available now, tapping the world's second-largest oil reserves. Keystone makes these strategic global resources available to meet market needs and is supported by 495,000 barrels per day of firm contracts to meet increasing demand of U.S. Midwest markets and to displace oil from offshore imports.

With regard to the Keystone Pipeline Project, we are committed to environmental protection in siting, construction and operation of the Keystone Pipeline. Specifically, you requested that possible impacts on the Sheyenne River be evaluated prior to approval of construction. Extensive environmental review is a major part of the project reviews in progress at the state and federal levels.

In North Dakota, reviewing entities include the PSC, the Department of Health and Human Services, and the Industrial Commission. The Department of Health, Division of Water Quality staff testified before the PSC that it is comfortable with the route.

At the federal level, a coordinated review is in progress in accordance with the requirements of the National Environmental Policy Act by agencies including:

- Advisory Council on Historic Preservation (ACHP)
- Environmental Protection Agency (EPA)
- Natural Resource Conservation Service (NRCS)
- Rural Utilities Service (RUS)
- U.S. Army Corps of Engineers (USACE)
- U.S. Department of Agriculture – Farm Service Agency (USDA - FSA)
- U.S. Department of Energy (DOE)
- U.S. Fish and Wildlife Service (USFWS)
- Bureau of Indian Affairs (BIA)
- Council on Environmental Quality (CEQ)

- Department of Homeland Security (DHS)
- Department of Transportation-Federal Highway Administration (FHWA)
- Department of Transportation-Office of Pipeline Safety (DOT-OPS)
- Federal Energy Regulatory Commission (FERC)
- National Park Service (NPS)
- Western Area Power Administration (WAPA)

While the reviews continue, early results are coming in. The Keystone Draft Environmental Impact Statement published August 10, 2007 indicated Keystone would have "limited adverse environmental impacts during both construction and operation, and would be an environmentally acceptable action" (Draft Environmental Impact Statement for the Keystone Oil Pipeline Project, Executive Summary, Section ES.6.16, "Conclusions").

The record created in the review of the project at the state level includes acknowledgement of the specific benefits the project will bring to the state of North Dakota. For instance, Mark Makelky, Director of the North Dakota Pipeline Authority testified that the Authority and the North Dakota Industrial Commission support the project, in part because it stands to relieve pipeline bottlenecks that have been constraining delivery of North Dakota oil. He has also provided his professional opinion on the safety of pipelines like Keystone and has pointed out the other economic benefits the project will bring to the state.

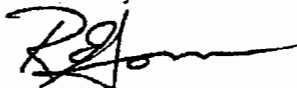
With regard to comments about Lake Ashtabula, we understand that although the City of Fargo utilizes the Red River for its primary drinking water supply, the Sheyenne River provides back-up.

The record in the PSC proceeding includes information regarding potential impacts to Lake Ashtabula. Keystone has specifically evaluated the risk to the lake and the Sheyenne River from a hypothetical spill from the pipeline. The only way for oil to reach Lake Ashtabula is for the leak to be large and to travel through one of a few intermittent stream channels at a time when water is flowing through these normally dry channels. The closest channel capable of transporting a spill to Lake Ashtabula is 15 miles north of the Baldhill Dam, where the City of Fargo intake is located. Analysis indicates the chance of any spill in the specific area near one of the seven channels capable to transporting oil to Lake Ashtabula while water is flowing is no more than once in 13,000 years. The combined probability of a spill large enough to reach Lake Ashtabula from one of these stream channels is even more remote. Even then, Keystone's emergency response plan would be activated to help contain and clean up the spill before it had the chance to travel down Lake Ashtabula to reach the intake for the City of Fargo's back-up water supply. In the unlikely event that contaminants made it to the intake, Keystone and the City of Fargo would have opportunity to implement protective measures long before the water traveled approximately 50 miles to the City.

In summary, technical reviews of the project are proceeding at the state and federal levels and the specific results of reviews in North Dakota address the issues mentioned in your letter. Technical analysis to date attest to the safety of the proposal, the appropriateness of the route and the benefits Keystone stands to bring to the U.S. and to the State of North Dakota.

Keystone would be happy to meet with you to further discuss the project. If you are interested in arranging a meeting or have any questions about the project please contact us toll-free at: 1-866-717-7473.

Sincerely



Robert Jones
Vice President
Keystone Pipeline

cc: Governor John Hoeven
Tony Clark, ND PSC
Pat Zavoral, Fargo City Administrator
Bruce Furness, LAWA

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

TRANSCANADA KEystone PIPELINE, LP) CASE NO. PU-06-421
30-INCH CRUDE OIL PIPELINE/CAVALIER TO)
SARGENT COUNTIES SITING APPLICATION)

STATE OF NORTH DAKOTA)
) ss. **AFFIDAVIT OF SERVICE**
COUNTY OF MORTON)

IRENE MERCK, being first duly sworn, on oath, deposes and says: That she is a citizen of the United States, over the age of eighteen and not a party to the above-entitled action.

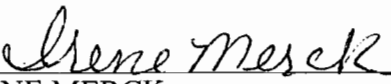
That on the _____ day of October, 2007, this affiant deposited in the United States Post Office at Mandan, North Dakota, a true and correct copy of the following document(s) in the above-captioned action:

October 11, 2007 Keystone Pipeline response letter by Robert Jones regarding City of Fargo Mayor Walaker's October 4, 2007 letter to Commissioner Tony Clark

That a copy of the above document(s) was securely enclosed in an envelope with postage duly prepaid, and addressed as follows:

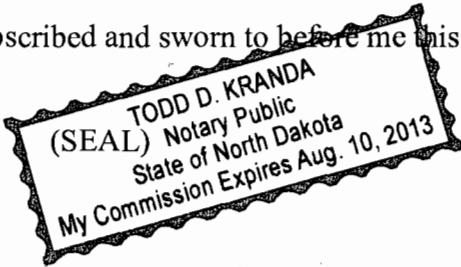
NICHOLAS R DELANEY
ATTORNEY AT LAW
PO BOX 1497
ST CLOUD MN 56302-1497

JOHN & JANIE CAPP
12466 60TH ST NE
LANKIN ND 58250



IRENE MERCK

Subscribed and sworn to before me this 12th day of October, 2007.





Notary Public, State of North Dakota