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December 20, 2007

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



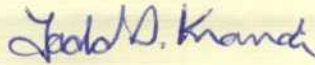
Re: TransCanada - Keystone Pipeline Project
Case No: PU-06-421
OAH File No. 20070181
Our File No. 11815

Dear Ms. Jeffcoat-Sacco:

Enclosed for filing is the Settlement Stipulation which contains the original signature pages from Fargo and Keystone with regard to the copy of the Settlement Stipulation entered into between TransCanada Keystone Pipeline, and The City of Fargo that was forwarded to your office on December 19, 2007.

If you have any questions, please feel free to contact me.

Sincerely,



Todd D. Kranda

TK:ls

Enc

c: TransCanada Keystone



331 PU-06-421

Pages: 8

Settlement Stipulation between TransCanada
Keystone Pipeline and City of Fargo
by TransCanada Keystone Pipeline, LP by Todd Kranda, A
12/21/2007

SETTLEMENT STIPULATION

THE PARTIES to this Settlement Stipulation are:

1. TransCanada Keystone Pipeline, LP (Keystone); and
2. The City of Fargo (Fargo).

Recitals

The following recitals shall be deemed a part of this Settlement Stipulation, and the parties agree that they accurately set forth the circumstances and basis upon which this Settlement Stipulation has been executed.

1. Keystone has filed an application for designation of a corridor and route before the North Dakota Public Service Commission (Commission) to construct a 30-inch crude petroleum pipeline in Cavalier to Sargent Counties, Case No. PU-06-421.
2. Fargo intervened in the above case and requested the hearing in Case No. PU-06-421 be reopened.
3. The Commission granted Fargo's motion to intervene and issued an Order to reopen the proceeding limited to the safety and public health issues relating to the water supply of Fargo from Lake Ashtabula and the Sheyenne River.
4. On November 28, 2007, the parties commenced confidential settlement negotiations in an attempt to resolve Fargo's intervention in Case No. PU-06-421.
5. The parties intend by this Settlement Stipulation to settle Fargo's intervention in Case No. PU-06-421.

6. The parties agree that at this time, neither party is aware of any provision in state or federal pipeline law which would prohibit TransCanada Keystone Pipeline or Fargo from performing the promises set forth in this Settlement Stipulation.
7. Fargo does not have regulatory authority over the pipeline, its siting, construction or operations; however, the Public Service Commission of the State of North Dakota has some regulatory authority over the siting of pipelines.
8. Both parties agree that good, adequate and valuable consideration has been exchanged and is sufficient to support each and every promise or agreement made by each party, without exception, in this Settlement Stipulation.

Settlement Stipulation

NOW, THEREFORE, In consideration of the premises, the parties agree as follows:

1. Design Review:
 - a. Keystone agrees to present information, by June 1, 2008, regarding Keystone's pipeline safety and integrity management program specifically for the Lake Ashtabula / Sheyenne River area.
 - b. Keystone agrees to provide Fargo with plans for the pipeline in the Lake Ashtabula / Sheyenne River area that show the features agreed to by the parties at Term #4 - Keystone Design, by June 1, 2008.
 - c. Keystone agrees to provide Fargo with the crossing method Keystone intends to use in crossing the Sheyenne River prior to commencement of construction work at the crossing, or no later than, March 31, 2008.
 - d. Fargo agrees to present information by June 1, 2008, regarding Fargo's current and long term water use plans.
2. Emergency Response Planning:

- a. Keystone agrees to permit Fargo to review and provide comment on the development of Keystone's emergency response planning in the area of Lake Ashtabula and the Sheyenne River.
- b. Keystone will provide Fargo with an initial opportunity to review the status of its emergency response planning no later than March of 2008.
- c. Keystone will complete its Emergency Response Plan in the first quarter of 2009.
- d. Keystone agrees to place Emergency Response resources in the Lake Ashtabula / Sheyenne River area.

3. Notice of Future Pipeline Infrastructure:

- a. Keystone agrees to provide Fargo with specific notice of any application seeking regulatory approval of Keystone pipeline expansions: (i) in the Lake Ashtabula / Sheyenne River drainage basin, (ii) crossing the McClusky Canal, (iii) crossing the Red River Valley Water System pipeline running from the McClusky Canal to Lake Ashtabula, or (iv) any combination of said locations. Notice to Fargo will be provided at the time of such regulatory filing.

4. Keystone Design:

- a. Keystone will install an additional valve at or near mile post marker 131; and
- b. Keystone will implement additional pipeline integrity measures at the contributory pipeline segments associated with the seven intermittent stream crossings between milepost 104.9 and 128 [specifically at or near milepost 104.9, 111, 112.8, 113.2, 126.8, 127.5, and 128] identified in Exhibit T - 24, as follows:
 - I. A Cathodic Protection test station will be installed, subject to the approval of the landowner, at each of the identified seven intermittent stream crossings.
 - II. Keystone will perform high resolution in-line inspection of the identified pipeline segments for internal and external corrosion within the first three years of operation. Keystone will re-inspect within five years of the initial inspection.

5. Water Quality Research Program:

- a. Keystone agrees to fund the North Dakota Water Education Foundation a sum of \$ 100,000 to be paid over two years beginning in 2008 and ending in 2009.
- b. Fargo will use best efforts to solicit funding from other sources for additional funding to the North Dakota Water Education Foundation.

- c. Fargo will direct that the funding be utilized to study and monitor the overall quality of all of Fargo's primary and secondary water sources and this program will not be used to oppose the Keystone pipeline.

6. Dispute Resolution:

- a. Resolution of any dispute arising out of the terms of this Settlement Stipulation will be by arbitration.
- b. Arbitration will be conducted by an arbitrator or arbitrators. After a party serves notice of a request for arbitration, the parties shall have thirty (30) days to agree to a single arbitrator. If the parties cannot agree on a single arbitrator, then each party may have an additional ten (10) days to select an arbitrator, and those two arbitrators shall, within thirty (30) days after the later of the two is selected, select a third arbitrator, who shall be an engineer with field and management experience in the long-term operation of high pressure crude oil pipelines over 24 inches in diameter. If the two arbitrators selected by the parties cannot agree within the specified time to a third arbitrator, then a judge of the State of North Dakota shall designate the third arbitrator in accordance with the Uniform Arbitration Act in effect in the State of North Dakota on the date the arbitration is requested.
- c. In the event of arbitration the parties agree that they have a right to have oral hearings, which will be held in Bismarck, North Dakota, unless the parties agree to a different site. Hearings will be conducted in English.
- d. The decision of the arbitrator(s) subject to state and federal regulation will be legally enforceable in accordance with the provisions of the Uniform Arbitration Act as in effect in the State of North Dakota on the date the arbitration is requested.

7. Settle Intervention and Public Press Release:

- a. Fargo agrees to withdraw its intervention in Case PU-06-421, and to publicly support Keystone's route and corridor in the Lake Ashtabula / Sheyenne River area.
- b. Fargo agrees not to file any comments with respect to the Section 404 U.S. Army Corp of Engineers permit application, and agrees to file with the Department of State a letter indicating that the concerns noted by the City of Fargo in its prior filing have been resolved by a Settlement Stipulation entered into with Keystone.
- c. Keystone and the City of Fargo agree to issue a joint press release describing the settlement of the City of Fargo's intervention in the Keystone project in North Dakota.

- d. The parties agree that they will both affirmatively seek expedited approval of this Settlement Stipulation by the North Dakota Public Service Commission, and that neither party will take any action contrary to the terms of this Settlement Stipulation.
- e. The parties agree that after the issuance of a certificate of corridor compatibility and route permit to Keystone, if the North Dakota Public Service Commission commences a proceeding to modify or revoke the permit, Fargo will have the right to intervene in the proceeding, and Keystone will stipulate and agree to the intervention. Fargo agrees that the provisions contained in this Settlement Stipulation will control any future intervention and that the issues settled by this Settlement Stipulation may not be re-litigated in a future proceeding,

8. Timing:

- a. The Settlement Stipulation is to be approved, and the joint press release of settlement issued by December 17, 2007.

9. Compliance with Governing Laws and Regulation.

- a. Nothing in this Settlement Stipulation shall supersede Keystone's obligation to comply with all applicable federal and state laws and regulations.
- b. The parties agree to be contractually bound by the terms of the Settlement Stipulation if not prohibited by state or federal pipeline regulations, but the fact that said laws and regulations may permit shorter periods of notification or no specific notification, alternate design standards, fewer valves, or other variations from the provisions of this Settlement Stipulation shall not be asserted to defeat the performance of the provisions of this Settlement Stipulation.
- c. The Settlement Stipulation terms are binding on the parties, their successors and assigns. The parties agree to inform their successors or assigns of the terms of this Settlement Stipulation.

Miscellaneous

- 1. This Settlement Stipulation supersedes and merges all previous written and oral negotiations and commitments of the parties with respect to the matters addressed.
- 2. This Settlement Stipulation may be waived or amended only by written

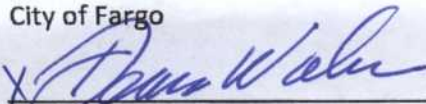
agreement of both parties.

3. This Settlement Stipulation may be executed in counterparts, each of which shall be deemed an original.

4. This Settlement Stipulation shall be construed in accordance with the laws of the State of North Dakota and the United States of America, and all parties consent to the jurisdiction of the Courts of this State, and venue shall be in the County of Burleigh, and said provisions for venue and jurisdiction include but are not limited to disputes about the scope of arbitration and arbitrability itself, if not legally resolvable by the arbitrator; disputes concerning the enforceability of any arbitration awards, and any other disputes related to arbitration of disputes arising out of this Settlement Stipulation.

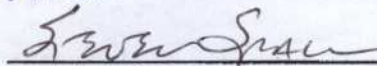
THIS SETTLEMENT STIPULATION shall be binding upon and inure to the benefit of the parties hereto, their agents, employees, successors and assigns, and is executed this 18 day of December, 2007.

City of Fargo

X 
by Dennis Walaker

Its Mayor

Attest:


by Steven Sprague
Its City Auditor

TransCanada Keystone Pipeline LP

by Robert Jones

Its Vice President

by Vern Meier

Its Vice President

agreement of both parties.

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4. This Settlement Stipulation shall be construed in accordance with the laws of the State of North Dakota and the United States of America, and all parties consent to the jurisdiction of the Courts of this State, and venue shall be in the County of Burleigh, and said provisions for venue and jurisdiction include but are not limited to disputes about the scope of arbitration and arbitrability itself, if not legally resolvable by the arbitrator; disputes concerning the enforceability of any arbitration awards, and any other disputes related to arbitration of disputes arising out of this Settlement Stipulation.

THIS SETTLEMENT STIPULATION shall be binding upon and inure to the benefit of the parties hereto, their agents, employees, successors and assigns, and is executed this ____ day of December, 2007.

City of Fargo

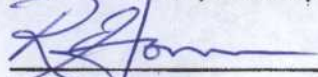
by Dennis Walaker

Its Mayor

by _____

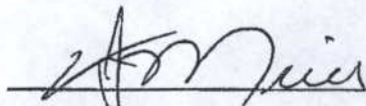
Its _____

TransCanada Keystone Pipeline LP



by Robert Jones

Its Vice President



by Vern Meier

Its Vice President