

STATE OF NORTH DAKOTA

IN DISTRICT COURT

COUNTY OF BURLEIGH

SOUTH CENTRAL JUDICIAL DISTRICT

Dakota Resource Council, Janie and John)
Capp, Ramona Klein, Linette and Merle)
Kratochvil, and Mark Novak ,)
)
Appellants,)

CIVIL NO. 08-08-C-0814
Agency Case No. PU-06-421

vs.)

Public Service Commission and)
TransCanada Keystone Pipeline LP,)
)
Appellees.)

**TESTIMONY OF DEAN COWLING
IN SUPPORT OF KEYSTONE'S
RETURN TO APPELLANTS'
MOTION FOR STAY ON APPEAL OF
THE NORTH DAKOTA PUBLIC
SERVICE COMMISSION
CERTIFICATE**

DEAN COWLING, BEING FIRST DULY SWORN, ON OATH, DEPOSES AND STATES, AS FOLLOWS

1. I am the Project Director for TransCanada Keystone Pipeline Project (Keystone) responsible for the implementation of Keystone in Canada and the United States. I have attached a copy of my resume and educational background and qualifications. (reference: Resume and Educational Background - Exhibit A)
2. I have eighteen years experience in the areas of pipeline commercial and project development, project implementation, and pipeline and power operations, which includes a number of leadership roles within TransCanada. These roles included Manager Eastern Business Development; Director Field Operations; and Director Keystone Pipeline Project.
3. I have provided both written and oral testimony to the North Dakota Public Service Commission supporting both Keystone's Public Need and Necessity and the Route Permit and Corridor Compatibility applications.
4. The purpose of Keystone is to transport crude oil from Hardisty, Alberta, Canada to Wood River and Patoka, Illinois and Cushing Oklahoma
5. Keystone has secured 495,000 barrels of long term contracts from crude oil shippers with an average contract term of 18 years
6. The initial nominal capacity of the Keystone pipeline will be 435,000 barrels per day in 2009. The capacity will be expanded to a nominal capacity of 590,000 per day in 2010.

7. Keystone will be constructed and placed into service in two phases: (i) the initial phase to Wood River and Patoka, Illinois, scheduled to be in-service in November 2009; and (ii) the expansion phase, which includes extending the pipeline to Cushing, Oklahoma, is scheduled to be in-service in November 2010.
8. The total estimated capital cost of the Keystone project in the United States and Canada is US\$5.2 billion. The project includes three 350,000 barrel operating tanks; 1,600 miles of new pipeline (30-inch and 36-inch diameter pipe); approximately 540 miles of pipeline (34-inch diameter) converted from natural gas service to crude oil service in Canada; 50 pump stations; and other associated facilities located along the entire length of the pipeline. (reference: Keystone System Map - Exhibit B)
9. Of the \$5.2 billion, Keystone has contracted or conditionally awarded over \$3.0 billion for major materials and construction labor.
10. On February 9, 2007, the National Energy Board (NEB), the federal regulator in Canada, approved the conversion of the existing natural gas pipeline to oil service.
11. On September 20, 2007, the NEB approved Keystone's application to build and operate the initial phase of the pipeline in Canada.
12. On November 23, 2007, Keystone submitted an additional NEB application, seeking approval to expand the capacity of the pipeline in 2010 through the addition of pump stations and pumping capacity at previously-approved pump stations. Keystone expects approval of the expansion phase from the NEB in the summer of 2008.
13. On April 4, 2007, the Illinois Commerce Commission issued a Certificate of Good Standing authorizing Keystone to operate as a common carrier pipeline, to construct and operate the proposed pipeline and to exercise eminent domain along the proposed route in Illinois.
14. In April 2006, Keystone filed an application with the United States Department of State (DOS) for a Presidential Permit, authorizing construction, operation, and maintenance of a pipeline crossing of the international border. DOS then undertook an extensive environmental review of the entire project in the United States, as the lead responsible federal agency under the National Environmental Policy Act (NEPA). On August 10, 2007, DOS issued a Draft Environmental Impact Statement which stated that Keystone would result in limited adverse environmental impacts during both construction and operation.
15. On November 21, 2007, the North Dakota Public Service Commission issued its Findings of Fact, Conclusions of Law and Order in Case No. PU-07-152, granting Keystone a Certificate of Public Convenience and Necessity, (PCN). In its Order, the Commission found that pipelines are the safest method of transporting petroleum products, and that the Keystone Pipeline serves a national interest, will provide economic benefits for North Dakota, and is an additional delivery path for North Dakota produced crude oil.

16. On January 11, 2008, the DOS issued the Final Environmental Impact Statement (FEIS) for Keystone, which considered the impacts of the proposed project, as well as potential alternatives. The FEIS found that the pipeline would result in limited adverse environmental impacts.
17. On February 21, 2008, the North Dakota Public Service Commission issued its Findings of Fact, Conclusions of Law and Order in Case No. PU-06-421, unanimously granting Certificate of Corridor Compatibility No. 101 and Route Permit No. 111 for the Keystone Pipeline.
18. On February 28, 2008, the DOS issued a Record of Decision and National Interest Determination, which stated the construction and operation of Keystone would serve the national interest and the construction and operation of Keystone meets environmental protection policies.
19. On March 11, 2008, the South Dakota Public Utilities Commission unanimously approved the conditions to be included in a permit for the Keystone Pipeline under the South Dakota pipeline siting statute.
20. On March 14, 2008, the DOS issued a Presidential Permit to Keystone granting Keystone authority for the construction, maintenance, and operation of facilities at the United States and Canada border.
21. Keystone has received all Federal and State approvals required to begin construction of the initial phase of the pipeline to Patoka, Illinois, with the exception that the South Dakota Public Utilities Commission has approved the conditions to be included in Keystone's permit under the state siting act, and Keystone expects a permit to be issued imminently.
22. In Canada, Keystone will commence construction of the operating tanks, pump stations, conversion of pipe from natural gas service to oil service, and new pipeline construction, in May 2008. In the United States, Keystone will commence construction of the pump stations along the entire route and new pipeline construction in North Dakota and South Dakota in May 2008.
23. Construction of the Keystone Pipeline in North Dakota is scheduled to be undertaken in two spreads, each commencing work in May 2008. Two hundred and eighteen miles of pipeline are scheduled to be constructed and the entire construction season of May through November is required to complete that work.
24. I am advised by counsel that litigation of the pending appeal in this case is expected to take between four to six months. I am further advised by counsel that, if a further appeal was taken to the State Supreme Court, litigation could be extended for six to nine months. Therefore, if a stay of Keystone's permit authority is granted pending the outcome of the appeal, it is very unlikely that Keystone would be able to commence construction in North Dakota during the

2008 construction season, which ends in November. Furthermore, the uncertainty of the pipeline route in North Dakota would impact other engineering and construction related activities along the entire length of the project which would limit the amount of work completed in 2008 and shift work into 2009 and 2010.

25. Completion of the North Dakota portion of the pipeline in 2008 is critical to placing the initial phase of the project in service in 2009.
26. A stay of Keystone's permit authority pending an appeal would also result in a one-year delay in initiating and completing the conversion of pipe from natural gas service to oil service, as well as new pipeline construction in Canada, which is scheduled to begin in May 2008. In addition, a stay would delay the pump station construction program, which is scheduled to begin in May 2008, in both the United States and Canada.
27. A one year delay in initiating and completing construction in North Dakota, and in placing the initial phase of the project in service, will have significant negative impacts on: (a) Keystone; (b) North Dakota counties and residents; (c) North Dakota oil producers; (d) residents and counties in other states; (e) the public interest in North Dakota; and (f) the national interest.
28. A stay of the permit which negates Keystone's ability to conduct the construction work planned for North Dakota in 2008, and which delays the initial in-service date of the project by one year will have a total estimated construction cost impact of approximately \$425 to \$445 million
 - a. This includes an estimate of \$175 million for impacts to Allowance For Funds Used During Construction for a one year delay and as detailed in the Affidavit of Loys A. Gray III, the cost impact of deferring construction in North Dakota into 2009 will range from approximately \$50 to \$70 million.
 - b. In addition, a conservative estimate of the premium associated with shifting a significant amount of construction work in other States and Provinces along the pipeline route from 2008 to 2009 and 2010, would add an estimated \$200 million.
29. In the event that the pending appeal was resolved, and a stay lifted, by August 2008, Keystone may be able to salvage part of the 2008 construction season. Even in this scenario, however, significant incremental costs would be incurred.
 - a. As stated in Mr. Gray's affidavit, \$12.7 million in costs associated with canceling short-term pre-construction activities would be incurred in North Dakota.
 - b. In addition cost increases in the range of \$30 to \$40 million in order to expedite 2008 construction in North Dakota.
 - c. A similar range of costs would be incurred to expedite pipeline construction on the Canadian portion of the project ranging from \$30 to \$40 million. In addition,

costs in the range of \$30 to \$50 million to expedite the pump station construction program to recover from a late start.

- d. Accordingly, even if Keystone was able to recover from a late construction start and salvage its 2009 in-service date, incremental costs on the order of \$100 to \$140 million would be incurred.
- e. Moreover, even with these expenditures, Keystone's ability to meet its 2009 in-service date would be placed in jeopardy by an August 2008 construction start date. Assuming that the in-service date was late by the associated 3 month delay in starting construction from May to August an additional \$75 million is the estimated impact to Allowance For Funds Used During Construction.

30. In addition to the cost impacts to Keystone and its shippers, a stay of the Keystone's permit authorization from the PSC to construct the pipeline project will delay the substantial benefits that the project will bring to the State, counties, and citizens of North Dakota. Keystone's application cited the economic benefits brought about by construction activity. Keystone also estimated that pipeline operations would increase tax revenues to the state and counties crossed by the pipeline. Keystone estimated that the project would pay approximately \$5.3 million in property taxes in North Dakota in the first year of operations. This estimate was based on the capital costs of \$2.1 billion projected at that time. Recently, TransCanada issued a statement revising the overall projected capital costs of the project to \$5.2 billion. (Reference: Keystone Press Release - Exhibit C) A stay of the permit, which results in a one-year delay of the in-service date of the initial phase of the project, will cost the eight counties in the range of \$7.65 to \$9.38 million in tax revenues. The estimated tax revenues to North Dakota counties, based on the revised capital cost estimate, are set forth below:


State/County	Estimated Tax Dollars per state/county (\$US) July 2007
NORTH DAKOTA	\$7,650,000 to \$9,385,000
Pembina	\$800,000 to \$1,000,000
Cavalier	\$200,000 to \$250,000
Walsh	\$900,000 to \$1,100,000
Nelson	\$1,400,000 to \$1,700,000
Steele	\$1,000,000 to \$1,200,000
Barnes	\$1,450,000 to \$1,800,000
Ransom	\$950,000 to \$1,160,000
Sargent	\$950,000 to \$1,175,000

31. On October 30, 2007, North Dakota's Office of Management and Budget presented a report to the state legislature's Budget Section regarding the impact of price "discounts" imposed on oil

production in the state, caused by a shortage of pipeline capacity. The report stated that, as North Dakota's oil production began rising two years ago, a shortage of pipeline capacity helped to drive down prices. The report indicated that this discounting of oil prices cost North Dakota producers at least \$211.4 million between December 2005 and April 2007. As a result, the state's treasury lost \$16.6 million in tax collections over the same period, according to the OMB report. (Reference: OMB Report - Exhibit D)

32. A stay of the permit to construct the Keystone Pipeline project, which delays Keystone's 2009 in-service date by a year, would extend the shortage of pipeline capacity for another year. This would negatively impact North Dakota oil producers and exacerbate the revenue and tax losses that are being incurred due to the current oil pipeline capacity shortfall in the state and surrounding area.
33. A stay of the permit to construct Keystone that results in a one year delay of the initial in-service date would cost North Dakota oil producers in the order of \$170 million, taking into account the OMB estimate, on an annualized basis.
34. A stay of the permit to construct Keystone that results in a one year delay of the initial in-service date would cost the state's treasury an amount on the order of \$13 million in lost tax royalty revenue, taking into account the OMB estimate, on an annualized basis.
35. The Bismarck Tribune has reported that the President of the North Dakota Petroleum Council stated these figures are similar to the industry's own estimates of lost revenue and that more pipeline capacity is required to alleviate this price constraint. (Reference: Bismarck Tribune – Exhibit E)
36. A stay of the permit to construct Keystone jeopardizes timely completion of the project and creates uncertainty and confusion among the shippers who are relying on Keystone to transport oil to refineries and markets in the U.S. in 2009 and 2010.
37. The United States Department of State has found that the Keystone project is in the national interest. The North Dakota PSC has found that the project is in the public convenience and necessity. A stay of Keystone's permit authority, which delays or places the viability of the project at risk, would be contrary to those specific findings.

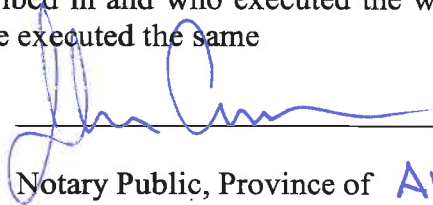
Dated this 18 day of April, 2008


DEAN COWLING

CITY OF CALGARY)
) ss.
PROVINCE OF ALBERTA)

On the 18 day of April, 2008, before me personally appeared DEAN COWLING, known to me to be the same person described in and who executed the within and foregoing instrument and acknowledged to me that he executed the same

(SEAL)


Notary Public, Province of Alberta

My Commission expires N/A

JOHN D. CAMERON
Barrister and Solicitor

QUALIFICATIONS AND RESUME FOR DEAN COWLING

QUALIFICATIONS

Seventeen years experience in the areas of pipeline project development and implementation; pipeline and power operations and maintenance; and pipeline business development.

EDUCATION SUMMARY

Bachelor of Science Degree in Business, 1989
Ferris State University at Big Rapids, Michigan, U.S.A.

CONTINUING EDUCATION

Executive Development Program, 2005
Richard Ivey School of Business – The University of Western Ontario

CAREER HISTORY

TransCanada Pipelines Ltd

2006 – Present Director, Keystone Pipeline Project

Responsible for the development and implementation of the Keystone Pipeline Project in both Canada and the United States, which includes oversight of permitting, engineering, land acquisition, community safety and environment, construction and commissioning.

2005– 2006 Director, Pipeline Projects Implementation

Responsible for development and implementation of pipeline projects in both Canada and the United States. These projects included pipeline; compressor station and meter station installations and improvements.

2003 – 2005 Director, Field Operations

Responsible for the operations and maintenance of pipeline, compressor stations, meter stations and power plants in Northern Alberta, Canada. Responsibilities included oversight of community, safety and environment, operating and capital budgets, and asset performance.

2000 - 2003 Manager, Eastern Business Development

Responsible for Business Development activities mainly focused in the New England and Mid Atlantic regions of the United States. Responsibilities included identifying business development opportunities and optimizing pipeline investments.

NOVA Gas Transmission Ltd

1998 – 2000 Manager, Program Planning and Estimating, Operations and Engineering

1997 - 1998 Customer Service Representative, Customer Service

1996 - 1997 Program Planner, Operations and Engineering

1994 - 1996 General Rate Application Coordinator, Regulatory Affairs

1992 - 1994 Employee Development Coordinator, Engineering

1990 - 1992 Business Systems Analyst, Information Technology

July 19, 2007

Keystone Oil Pipeline Project

United States:

- Phase 1: ~1082 miles of pipeline to Wood River and Patoka, IL
- Phase 2: ~294 miles of pipeline to Cushing, OK
- Construct 24 pump stations

Design Capacity:

- Nominal Capacity 435,000 bpd
- Ultimate Capacity 590,000 bpd



- Keystone – New
- Construction
- Keystone – Conversion
- Existing Oil Pipelines



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TransCanada advances Keystone Oil Pipeline Project Expects to commence construction in spring 2008

CALGARY, Alberta – October 30, 2007 – TransCanada Corporation (TSX, NYSE: TRP) (TransCanada) today announced that it continues to make significant progress on the Keystone Pipeline project. Based on strong industry support, TransCanada has entered into contracts or conditionally awarded approximately US\$3.0 billion for major materials and pipeline construction contractors and is continuing to secure land access agreements in preparation for the start of construction in the spring of 2008. Based on the increased size and scope of the project and the executed material and service construction contracts, the capital cost of Keystone is expected to be approximately US\$5.2 billion.

TransCanada intends to file an application with the National Energy Board (NEB) in November for additional pumping facilities required to expand Keystone from a nominal capacity of approximately 435,000 barrels per day to 590,000 barrels per day. Plans to expand Keystone were originally announced earlier this year following the successful completion of an open season during which an additional 155,000 barrels per day of firm contracts from Hardisty, Alberta to Cushing, Oklahoma were secured. In total, Keystone has secured firm long term contracts for a total of 495,000 barrels per day with an average duration of 18 years.

Producers and refiners continue to express an interest in contracting for additional volumes. In response, Keystone intends to hold a binding open season before the end of the year for the remaining capacity.

"The support from committed shippers and ongoing expressions of interest for additional capacity clearly confirms the value of Keystone as a competitive way to link growing oilsands supply to U.S. energy markets," says Hal Kvisle, TransCanada president and chief executive officer. "We remain committed to ensuring that timely new oil pipeline capacity is available to meet industry needs."

The 3,456-kilometre (2,148-mile) Keystone Pipeline will transport crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka, Illinois and to Cushing, Oklahoma. The Canadian portion of the project involves the conversion of approximately 864 kilometres (537 miles) of existing Canadian Mainline pipeline facilities from natural gas to crude oil transmission service and construction of approximately 373 kilometres (232 miles) of pipeline, pump stations and terminal facilities at Hardisty, Alberta. The U.S. portion of the project includes construction of approximately 2,219 kilometres (1,379 miles) of pipeline and pump stations. It is expected that on start-up in late 2009 Keystone will be capable of delivering 435,000 barrels per day to Wood River and Patoka, Illinois. It will be expanded to 590,000 barrels per day and extended to Cushing, Oklahoma in late 2010.

Keystone has received NEB approval for two major regulatory applications this year to construct and operate the Canadian portion of the project. Applications for U.S. regulatory approvals at federal and state levels are proceeding.

To view a map of the pipeline route and obtain other information about the Keystone Pipeline, please visit the project web page at www.transcanada.com/keystone.

ABOUT TRANSCANADA

With more than 50 years experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas pipelines, power generation, gas storage facilities, and projects related to oil pipelines and LNG facilities. TransCanada's network of wholly owned pipelines extends more than 59,000 kilometres (36,500 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with approximately 360 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns, or has interests in, approximately 7,700 megawatts of power generation in Canada and the United States. TransCanada's common shares trade on the Toronto and New York stock exchanges under the symbol TRP.

(Note: All financial figures are in Canadian dollars unless noted otherwise.)

FORWARD-LOOKING INFORMATION

This news release may contain certain information that is forward-looking and is subject to important risks and uncertainties. The words "anticipate", "expect", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward looking information. All forward-looking statements are based on TransCanada's beliefs and assumptions based on information available at the time such statements were made. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include, among other things, the ability of TransCanada to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the availability and price of energy commodities, regulatory decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy industry sectors, construction and completion of capital projects, access to capital markets, interest and currency exchange rates, technological developments and the current economic conditions in North America. By its nature, such forward-looking information is subject to various risks and uncertainties which could cause TransCanada's actual results and experience to differ materially from the anticipated results or other expectations expressed. For additional information on these and other factors, see the reports filed by TransCanada with Canadian securities regulators and with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this news release or otherwise, and TransCanada undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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Investor & Analyst Inquiries:

David Moneta/Myles Dougan
TransCanada
(403) 920-7911 or (800) 361-6522

"Discounting" of North Dakota Crude Oil

Period	Taxable Barrels	90% of NYMEX Posting (1)	Actual Average Price per Barrel for ND Crude	Average Discount Per Barrel (2)	Average Tax Rate	Estimated Total Tax Revenue Impact of "discount"
200507	3,015,182	\$53.12	\$54.42	No Discount	7.94%	
200508	3,087,385	\$58.49	\$60.46	No Discount	7.90%	
200509	2,991,460	\$59.00	\$60.27	No Discount	7.89%	
200510	3,137,326	\$56.04	\$57.50	No Discount	7.82%	
200511	3,111,399	\$52.51	\$53.42	No Discount	7.83%	
200512	3,180,454	\$53.50	\$52.82			
200601	3,015,986	\$58.98	\$56.60	(\$0.68)	7.81%	(\$170,088.65)
200602	2,871,909	\$55.82	\$49.81	(\$2.39)	7.96%	(\$573,347.83)
200603	3,302,965	\$56.60	\$45.17	(\$6.00)	7.94%	(\$1,368,880.03)
200604	3,080,670	\$63.09	\$56.63	(\$11.43)	8.03%	(\$3,030,336.94)
200605	3,325,107	\$63.78	\$60.59	(\$6.47)	7.86%	(\$1,566,950.25)
200606	3,312,199	\$63.92	\$61.75	(\$3.19)	7.68%	(\$815,260.35)
200607	3,389,118	\$67.01	\$65.86	(\$2.17)	7.71%	(\$554,496.86)
200608	3,440,636	\$65.80	\$64.71	(\$1.15)	7.64%	(\$296,516.92)
200609	3,353,332	\$57.86	\$55.93	(\$1.09)	7.62%	(\$285,470.43)
200610	3,467,670	\$53.30	\$49.81	(\$1.93)	7.73%	(\$498,952.84)
200611	3,436,275	\$53.22	\$47.97	(\$4.48)	7.83%	(\$1,217,034.67)
200612	3,503,041	\$56.00	\$50.60	(\$5.25)	7.85%	(\$1,416,380.47)
200701	3,591,508	\$49.23	\$44.65	(\$5.40)	7.85%	(\$1,484,109.28)
200702	3,175,016	\$53.57	\$50.01	(\$4.58)	7.85%	(\$1,291,649.40)
200703	3,636,530	\$54.71	\$52.10	(\$3.56)	7.83%	(\$884,849.22)
200704	3,538,662	\$57.79	\$56.24	(\$2.60)	7.87%	(\$744,128.43)
200705	3,682,143	\$57.24	\$57.68	(\$1.55)	7.86%	(\$431,956.76)
200706	3,607,198	\$60.68	\$62.94	No Discount	7.97%	
200707	3,488,283	\$66.71	\$69.61	No Discount	7.88%	
200708	3,838,319	\$65.16	\$67.40	No Discount	9.91%	
200709	3,779,655	\$71.20	\$71.38	No Discount	9.90%	
200710	3,961,124	\$77.25	\$75.71	(\$1.54)	9.87%	
200711	3,875,193	\$85.67	\$84.24	(\$1.43)	9.91%	(\$604,522.98)
200712	4,181,563	\$82.57	\$79.37	(\$3.20)	9.88%	(\$548,056.92)
200801	4,227,739	\$83.67	\$83.68	No Discount	9.81%	(\$1,312,676.26)
					9.76%	

- (1) Generally, the price of ND crude oil averages approx. 90% of the NYMEX price of West Texas Intermediate (WTI)
(2) The discount is the amount by which the actual price of ND crude is less than 90% of WTI price

The Bismarck Tribune

Oil pipeline glut cost producers

By DALE WETZEL
Associated Press Writer

As North Dakota's oil production began rising two years ago, a shortage of pipeline space helped drive down prices, costing producers more than \$200 million, industry officials and a new report say.

North Dakota's Office of Management and Budget, in a report presented to state legislators Tuesday, estimated the oil price "discounts" cost North Dakota's treasury \$16.6 million in tax collections from December 2005 through April 2007.

Calculations from the report's data show oil producers themselves lost at least \$211.4 million during the same period. The figures used the amount of taxable barrels of oil produced each month, multiplied by the state budget office's calculation of the average monthly discount.

Ron Ness, president of the North Dakota Petroleum Council, said Tuesday the figures were similar to the industry's own estimates of lost revenue.

The problem has begun to abate, helped by recent capacity expansions of oil pipelines that carry North Dakota crude, Ness said. If there is less pipeline space to transport oil to refineries than there is oil to sell, buyers of crude can demand reductions in its price.

"We will still be seeing a spike (in discounts) here and there as production varies, but the panic has subsided substantially over the last three to five months," Ness said.

Pam Sharp, the state budget director, said North Dakota oil usually sells at a 10 percent discount to the price quoted for West Texas Intermediate crude on the New York Mercantile Exchange, which is a commodity futures market.

The OMB report compared the average monthly price per barrel of North Dakota crude with 90 percent of the Nymex price. The comparison was done for each of the 24 months in state government's 2005-07 budget cycle.

For 17 of the 24 months, the North Dakota crude sold for less than the benchmark of 90 percent of the Nymex price, the report says. The discounts ranged from 68 cents to \$11.43 a barrel, and hovered above \$2 a barrel for most of the period.

Sharp presented the report Tuesday to the Legislature's Budget Section, an interim committee that includes legislative leaders and members of the North Dakota House and Senate appropriations committees.

She said the budget office calculated North Dakota's tax loss by applying an average tax rate to discounted monthly average prices. In March 2006 alone, the discounts meant \$3.03 million less in oil tax collections, the agency report said.