

KEYSTONE PIPELINE PROJECT – Project Description

TransCanada Keystone Pipeline, LP (Keystone) proposes to construct and operate an interstate crude oil pipeline and related facilities from an oil supply hub near Hardisty, Alberta, in Canada to destinations in the United States (U.S.). The project, known as the Keystone Pipeline Project, initially will have the nominal capacity to deliver 435,000 barrels per day (bpd) of crude oil from the oil supply hub near Hardisty to existing terminals at Wood River (Madison County) and Patoka (Marion County), Illinois. If market conditions warrant expansion in the future, additional pumping capacity could be added to increase the average throughput to 591,000 bpd. Depending on shipper interest, Keystone also is considering the construction of two pipeline extensions to take crude oil from terminals at Fort Saskatchewan, Alberta, and deliver it to Cushing (Payne County), Oklahoma.

In total, the Keystone Pipeline Project will consist of approximately 1845 miles of pipeline, including about 767 miles in Canada and 1,078 miles within the U.S. These distances will increase if either or both of two potential pipeline extensions to Fort Saskatchewan, Alberta, or Cushing, Oklahoma, are constructed.

In Canada, the project will involve the transfer to Keystone of an existing 530-mile, 34-inch-diameter pipeline currently owned by TransCanada, and conversion of that line to crude oil service; the construction of a new 237-mile pipeline extension from Hardisty to the existing pipeline and the construction of a pipeline extension from the existing pipeline to the U.S.-Canada border (**Figure 1.1-1**). Conversion of the existing natural gas pipeline will significantly reduce environmental impacts and overall construction costs associated with the project. Appropriate regulatory authorities in Canada will conduct an independent environmental review process for the Canadian facilities.

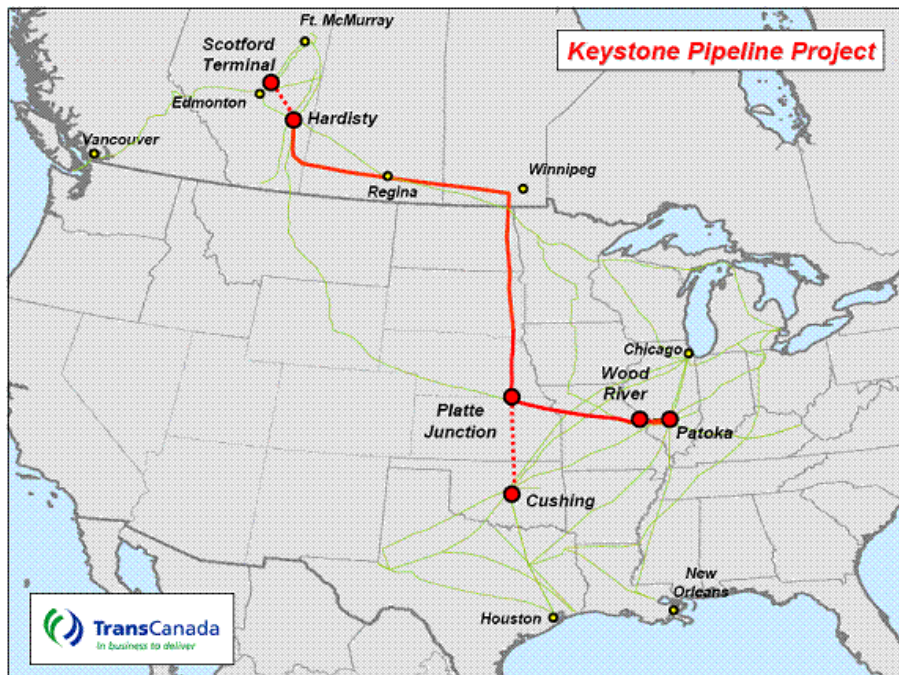


Figure 1.1-1. Proposed Keystone Pipeline Route (Potential expansions represented by the dotted line)

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In the U.S., the Keystone Mainline will consist of 1,023 miles of 30-inch pipe between the U.S./Canadian border in Cavalier County, North Dakota and Wood River, Illinois and a 55-mile segment of 24-inch pipeline between Wood River and Patoka, Illinois. Depending on the results of an additional binding Open Season to be held late in 2006, Keystone also may construct a 292-mile 36-inch pipeline, referred to as the Cushing Extension, commencing in Platte County near the Nebraska-Kansas border and terminating at existing crude oil terminals in Cushing (Payne County), Oklahoma.

Keystone will construct the 30- and 36-inch pipelines within a 110-foot-wide corridor, consisting of both a temporary 60-foot-wide construction right-of-way (ROW) and a 50-foot permanent ROW. In Illinois where a portion of the Keystone Pipeline will be a 24-inch pipeline, the project will be constructed within a 95-foot-wide corridor, consisting of both a temporary 45-foot-wide construction ROW and a 50-foot permanent ROW. Extra workspace will be required in some locations, including stream, wetland and road crossings.

Aboveground facilities for the Keystone Mainline will include an initial 23 pump stations (certain stations will combine pigging facilities), two delivery sites, three densitometer sites, and 45 mainline valves located within the ROW. The new pump stations will enable Keystone to maintain the pressure required to make crude oil deliveries. Valves will be installed and located as dictated by the hydraulic characteristics of the pipeline, as required by federal regulations, and with the intent to enhance public safety and environmental protection as part of Keystone's integrity management practices. Delivery metering and prover facilities at Wood River, Patoka, and Cushing will measure the amount of product transported and delivered to terminals.

Aboveground facilities for the Cushing Extension will include three pump stations, two densitometer sites, two delivery facilities at Ponca City and Cushing (with the Cushing delivery site containing pigging facilities), and 12 mainline valves within the ROW. The Keystone delivery facility will be located adjacent to existing operational tanks in Ponca City and Cushing, Oklahoma.

The new pump stations and remotely activated valves located along the pipeline route will require electrical transmission powerlines and facility upgrades in multiple locations along its route. These electrical components will be constructed and operated by local power providers, not Keystone. The construction and operation of these facilities are considered connected actions under National Environmental Policy Act (NEPA) and, therefore, are evaluated within the Environmental Impact Statement.

Keystone proposes to begin construction of the Mainline in early 2008. Construction will occur over an approximately 18-month period. Keystone is proposing an in-service date of no later than November 2009 for the Mainline. Construction of the Cushing Extension would commence in 2009 and occur over a 12-month period. The proposed in-service date for the Cushing Extension is November 2010.