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January 10, 2011

Tom Ring
Environmental Science Specialist
Montana Department of Environmental Quality
1520 East Sixth Avenue
P.O. Box 200901
Helena, MT 59602

Re: Keystone XL clarification regarding pipeline construction near active sage-grouse leks.

Dear Mr. Ring:

The Keystone XL project team (Keystone) understands that the Montana Department of Environmental Quality (MDEQ) and the Montana Fish, Wildlife and Parks (MFWP) met on December 10, 2010 to discuss Keystone's approach to pipeline construction near active sage-grouse leks, and the departments' responses to that approach. We appreciate your phone call to Mr. Bill Mitchem with Trow Consulting Engineers on the same date regarding this meeting and its outcome. Based on Bill Mitchem's notes, as well as a follow-up conversation between you, Bill Mitchem, and John Beaver of WESTECH Environmental Services, Inc. on December 13, 2010, it is Keystone's understanding that construction will be restricted between March 1 and June 15 in those portions of the Project that are within 3 miles of an active lek and also visible from the lek. Keystone appreciates MDEQ's and MFWP's concurrence that habitat and topography influence a project's effect on sage-grouse and that construction restriction buffers should be modified accordingly.

We would like to clarify a critical component of construction that was discussed among Keystone, MDEQ, and MFWP at our meeting on October 13, 2010 in Helena. During this meeting Keystone stated that should construction restrictions be implemented around active sage-grouse leks between March 1 and June 15, the Project would need a means of allowing equipment to pass-through a restricted lek buffer while minimizing impacts to sage-grouse. Consequently, Keystone stated that a pass-through within a restricted lek buffer was critical. Keystone recommended that equipment be allowed to pass-through a restricted lek buffer via the right-of-way to a point of the right-of-way outside the restriction subject to following conditions:

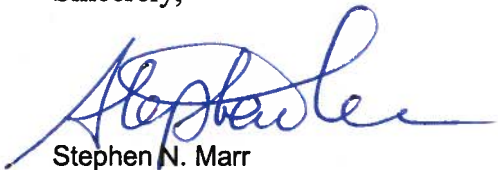
1. Equipment passing through a restricted lek buffer would travel along the permitted right-of-way as a single group.
2. Equipment would only pass through a restricted lek buffer between 10:00 am and 2:00 pm to avoid disturbing displaying birds during critical times of the day.

3. No pipeline construction would be allowed within the restricted lek buffer until after June 15.

Keystone understands that MDEQ and MFWP appreciated this issue and agreed that equipment would be allowed to pass-through a restricted lek buffer as described above. We would like to formally request that the pass-through language described above be incorporated into any specifications or conditions that are placed on the Project regarding minimizing impacts to sage-grouse pursuant to the Major Facility Siting Act (MFSA).

Should you have further questions on the above described procedure please contact Stephen Craycroft at 713-693-6467 or stephen_craycroft@transcanada.com. Thank you for your attention to this matter.

Sincerely,



Stephen N. Marr
Manager Phase IV, Keystone Pipeline