PIPELINE

TransCan's Keystone costs soar

DAVID EBNER

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CALGARY -- The cost estimate of a planned new pipeline to move raw oil sands production to the United States has almost doubled, **TransCanada Corp.** says.

The Calgary-based pipeline and power-generation company said yesterday its proposed Keystone pipeline will cost $5.2-billion (U.S.), up from an estimate of $2.8-billion four months ago.

TransCanada is a natural gas pipeline company trying to break into the oil-transportation business. It would be taking on archrival **Enbridge Inc.**, the No. 1 mover of oil."Even with the cost increases, we're still very, very competitive," Russ Girling, president of TransCanada's pipeline business, said during a conference call yesterday to discuss quarterly earnings.

The Keystone pipeline, which could be moving oil in late 2009, would connect a major hub near Edmonton with two refining centres in southern Illinois. There would also be another connection with Cushing, Okla. In total, Keystone could carry 590,000 barrels of oil a day.

Groups such as the Canadian Energy & Paperworkers Union have said the pipeline would effectively ship 18,000 high-value domestic jobs "down the pipeline" to the United States, and they want the federal cabinet to stop the project.

The massive jump in Keystone's price tag is due to design changes, as well as high costs for steel and workers, and overall inflation, TransCanada said.

Canadian regulatory approval has been secured to move 435,000 barrels per day on Keystone, and TransCanada said yesterday it will request approval for 590,000 barrels. It still needs approval for Keystone in the United States.

Calgary-based Enbridge already moves upward of two million barrels a day between Alberta and Chicago and further south.

The company is looking to add 450,000 barrels per day of new capacity on a planned new pipeline called Alberta Clipper, which would run alongside its main line from Alberta to Wisconsin, with additional connections beyond. TRANSCANADA CORP. (TRP)

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