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September 7, 2012

Genevieve Walker
2201 C Street, NW
U.S. Department of State
Washington, DC 20520

**Re: TransCanada Keystone Pipeline, L.P.
Environmental Report in Support of Application for Presidential Permit for Keystone XL
Pipeline Project**

Dear Ms Walker:

Enclosed for filing is an Environmental Report submitted in support of the May 4, 2012 Application of TransCanada Keystone Pipeline, L.P. (Keystone) for a Presidential Permit authorizing the construction, connection, operation, and maintenance of pipeline facilities for the importation of crude oil to be located at the international border between the United States and Canada at Phillips County, Montana. The Keystone XL Pipeline Project (Project) will transport crude oil production from the Western Canadian Sedimentary Basin and the Bakken supply basin in Montana and North Dakota to a point located on the existing Keystone Pipeline system at Steele City, Nebraska, which will allow for the delivery of that production to existing refinery markets in the Texas Gulf Coast area.

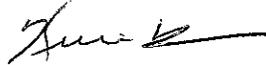
The proposed Project includes the former "Steele City Segment" of the original Keystone XL Project, as well as a commitment to incorporate a new route in Nebraska, when selected. In that regard, Keystone submitted an initial alternative routing report to the Nebraska Department of Environmental Quality (NDEQ) on April 18, 2012. On September 5, 2012, in response to feedback received from NDEQ, Keystone submitted a Supplemental Environmental Report to the Nebraska Department of Environmental Quality that includes a revised preferred alternative route in the state.

Keystone's May 4, 2012 application contained the non-environmental information required to support a Presidential Permit for the Project. In addition, Keystone incorporated by reference the Final Environmental Impact Statement (FEIS) prepared by the Department of State for the original proposed Keystone XL Project, which provides a comprehensive record assessing the environmental impacts of the proposed Project. The Environmental Report submitted herewith provides an update of the environmental impacts of the Project since the issuance of the FEIS, including impacts associated with the new preferred

alternative route in Nebraska and other refinements to the Project. The Supplemental Environmental Report submitted to NDEQ is included as Appendix A to this Environmental Report.

If you have any questions regarding the enclosed Environmental Report, please contact Jim White, Associate General Counsel for Pipelines & Regulatory Affairs, at (202) 682-4701, ext 224.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kristine L. Delkus", with a long horizontal flourish extending to the right.

Kristine L. Delkus
Senior Vice-President
Pipelines Law & Regulatory Affairs