IPL/LPL and CAPP

SEP II

Risk Sharing Agreement

- Agreement relates to both IPL and Lakehead in respect to the System Expansion Program Phase II facilities and is subject to National Energy Board and Federal Energy Regulatory Commission approvals.
- At 75% utilization of facilities or 90,000 b/d, the return on deemed expansion equity will be the annual multi-pipeline rate as determined by the National Energy Board.
- Up to 50% facilities utilization or 60,000 b/d, the return on deemed expansion equity capital would be the multi-pipeline rate less 3.00%, subject to a minimum rate of return of 7.50% in years 1 through 10 and 8.50% in years 11 through 15.
- Rate of return on deemed expansion equity increases with facilities utilization on a straight line basis, to multi-pipeline rate plus 3.00% at 100% utilization, subject to a maximum rate of return of 15% during the term of the agreement.
- Drag reducing agent costs flow through as a surcharge if appropriate.
- All costs including operating, interest and depreciation costs flow through to tariffs.
- Volume "at risk" would have incremental capacity expansions "stacked" on top.
- Total tolls will be charged in a manner and amount consistent with existing toll design for Lakehead and IPL. Point to point tolls will reflect a volume-distance allocation of costs. Distribution of revenue and costs between IPL and Lakehead will be at IPL/LPL's discretion, subject to regulatory approval.
- The agreement is subject to approval of IPL and LPL Board s of Directors.
- The term of the agreement is for 15 years commencing on the date of completion .
- This agreement is without prejudice to any other discussions or negotiations, and does not necessarily reflect the views of any of the parties as to appropriate costs of capital in either Canada or the United States.

SUMMARY OF SEP II TOLL IMPACT

	Incremental Tolls ¢ Canadian (1)		
	Total	IPL	Lakehead (2)
Without Risk Sharing			
At 100% Utilization	10	2	8
At 0% Utilization	10	2	8
Risk Sharing			
At 100% Utilization	12	3	9
At 50% Utilization	6	1	5
At 0% Utilization	6	1	5

1) Incremental light crude tolls on Edmonton to Chicago
2) Assume 100% tax allowance

SEP II Implementation

CAPP and Enbridge/LPL have agreed that the Risk Sharing Agreement (RSA) entered into in 1996 in respect of the tolling of the SEP II expansion will be interpreted and administered in the following fashion.

1. As indicated in the RSA, the Terrace expansion and any subsequent expansions will be "stacked on top" of the SEP II expansion. In other words, to the extent that the system pumps at or above 259,100 m3 per day, the SEP II expansion will be considered to be fully utilized.

2. The measurement points in respect of measuring system utilization will be the actual bottleneck or capacity points on each of the lines 1, 2, 3, and 13 the Enbridge/LPL pipelines, as they may change from time to time. As at the projected in-service date of SEP II of January 1, 1999, the bottleneck points are as follows:

SEP II System Capacity Summary

Annual Capacity
(000 m3/d)

	Peak Pumping Location	Post SEP I	Peak Pumping Location	SEP II Application	SEP II at 350 cS
		250 cS		250 cS	350 cS
Line					
1	Kerrobert	36.6	Cromer	49.5	49.5
2A	Kerrobert	65.9	Hardisty	65.2	65.2
2B	Cromer	76.3	Cromer	79.5	79.5
3	Kerrobert	99.1	Kerrobert	99.1	99.1
13	Hardisty	31.0	Edmonton	31.0 *	31.0 *
Total Ex-Cromer (000 m3/d)		243.0		259.1	259.1
5	Lewiston	81.0	Lewiston	78.1	78.1
6	Superior	112.0	Superior	111.7	105.3
6B	Griffith	60.0	Griffith	60.0	53.0
14	Superior		Superior	38.3	36.0

Note: * A capacity of only 27 800 m3/d is attainable with the post Terrace configuration

Throughput:	Flow rate through a particular location
Peak Throughput Location:	Highest flow rate location for a line or line segment
Capacity:	Maximum attainable flow rate through a location determined by the physical limitations of the facilities and the commodity characteristics (viscosity, density and temperature)
Bottleneck:	Location at which the throughput is at capacity at that time
Line Capacity:	Average capacity for the batching cycle reported at the peak throughput location and is a function bottlenecks resulting from the receipt and delivery pattern as the batches move through the system

3. Bottleneck points and system capacity may change from time to time due to crude slate changes and receipt and delivery patterns. As the bottleneck points or system capacity changes due to these changes, the utilization measurement for SEP II will be amended accordingly.

4. For the purposes of the application of the RSA, the stated system capacity post SEP II shall be 259,100m3 per day.

5. For the purposes of the application of the RSA, the stated system capacity prior to SEP II shall be 243,000 m3 per day.

6. At the end of the year, to the extent the system utilization measured "at", or "ex-", or "out of" the bottleneck points meets or exceeds 259,100 m3 per day (100% utilization), the return on equity which the deemed SEP II expansion equity shall attract is then then-prevailing multipipeline return on equity plus three (3) percentage points, subject to a maximum rate of 15% during the term of the agreement.

7. A the end of the year, to the extent the system utilization measured "at", or "ex-", or "out of" the bottleneck or capacity points falls at or below 251,050 m3 per day (50% utilization or less) the return on equity which the deemed SEP II expansion equity shall attract is then then-prevailing multipipeline return on equity minus three (3) percentage points, subject to a minimum rate of 7.50% in years 1 through 10 of the agreement and 8.50% in years 11 through 15.

8. At the end of the year, to the extent the system utilization measured "at" or "ex" or out of" the bottleneck points is 255,075 m3 per day (75% utilization) the return on equity which the deemed SEP II expansion equity shall attract is then then-prevailing multipipeline return on equity.

9. Rate of return on deemed equity expansion will increase on a straight line basis between 50% to 75% utilization and 75% to 100% utilization.

10. Enbridge will establish a provisional toll at the commencement of the toll year based upon an estimate of system utilization and will, in the next succeeding toll year, credit or charge the following year revenue requirement to the extent required to reflect the appropriate return on equity attributed to the deemed SEP II expansion equity based on actual system utilization. The refunds or collections shall attract the carrying charges at the rate established in the Incentive Toll Settlement (ITS) for balances carried over December 31 of each toll year.

11. LPL will establish a provisional toll at the commencement of the toll year based upon either full system utilization or the forecast used for budget purposes and will, in the next succeeding toll year, make refunds or charges to the extent required to reflect the appropriate return on equity attributed to the deemed SEP II expansion equity based on actual system utilization. The refunds or charges shall attract carrying charges at the 90 day U.S. Treasury Bill rate measured for each quarter at the close of business on the last day of the previous quarter. The LPL toll will be established assuming all volume ex-the bottleneck location are received by LPL unless the then-current receipt and delivery pattern schedule shows them to be delivered upstream of the LPL system.